



# Vodafone Group Plc Annual Report

for the year ended 31 March 2012

## Creating a more valuable Vodafone



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# We are creating a more valuable Vodafone

Our strategy is focused on four areas of growth potential and founded on strong capital and cost discipline. This is delivering results: we have outperformed our key competitors in most major markets, and returned over £10 billion to shareholders in the last 12 months.

## £46.4bn

**Group revenue** increased 1.2% to £46.4 billion with a strong demand for data services and further voice penetration in emerging markets.

## £11.5bn

**Adjusted operating profit** was £11.5 billion, slightly down on last year (up 2.5%\* on an organic basis) supported by a good performance from our US associate, Verizon Wireless.

## £6.1bn

**Free cash flow** of £6.1 billion, decreased due to the sale of our interests in China and France and a lower working capital benefit.

## 9.52p

**Total ordinary dividends** per share of 9.52 pence, up 7.0% in line with our dividend per share growth target. We also paid a special dividend of 4.0 pence per share and our £6.8 billion share buyback programme is almost complete.

## £6.4bn

**Capital expenditure** increased by 2.3%, as we continued to maintain our high level of investment to support our network strategy.

## 14.91p

**Adjusted earnings per share** of 14.91 pence, down 11.0% on last year, resulting from the loss of income following the sale of several businesses and higher financing costs.

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<sup>#</sup> These sections make up the directors' report.



As you'd expect from such a customer-focused business, we've created an online reporting suite which works for your specific needs:

[vodafone.com/ar2012](http://vodafone.com/ar2012) →

The terms "Vodafone", the "Group", "we", "our" and "us" refer to the Company and, as applicable, its subsidiaries and/or interests in joint ventures and associates.

Unless otherwise stated references to "year" or "2012" mean the financial year ended 31 March 2012; to "2011" or "previous year" mean the financial year ended 31 March 2011; to the "third quarter", "previous quarter" or "Q3" are to the quarter ended 31 December 2011; and to the "fourth quarter" or "Q4" are to the quarter ended 31 March 2012.

All amounts marked with an "\*" represent organic growth as defined on page 171.

Definitions of terms used throughout the report can be found on page 170.

Further information on non-GAAP measures used in the report can be found on page 162.

This report is dated 22 May 2012.



# Who we are

**We are a global communications business giving people the power to connect with each other – and to learn, work, play, be entertained and broaden their horizons – wherever and however they choose.**

**The numbers speak for themselves. At the last count, over 404 million customers use our services in more than 30 countries around the globe. They choose Vodafone because we stand for great coverage, a reliable connection and good value – as well as a passion for improving the customer experience.**



View our year in conversation online:  
[vodafone.com/ar2012](http://vodafone.com/ar2012)





# What we do and how we do it

**We want to be admired for empowering people – making their lives simpler, easier and a good deal richer and more rewarding. These are the four pillars of the Vodafone Way which forms the foundation of our culture:**

## **Customer obsessed**

We are passionate about exceeding customer expectations, understanding their needs and earning their increasing loyalty.

## **Innovation hungry**

We promote a climate that fosters innovation and calculated risk taking to develop new services and ways of working.

## **Ambitious and competitive**

We bring energy and passion to our work, setting ourselves high standards. We measure our success compared to our competitors not just to our plans.

## **One company, local roots**

We operate as one company across diverse teams and markets to achieve the best outcome for our customers. We have an international brand and values, but are part of the local community.



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# Where we do it

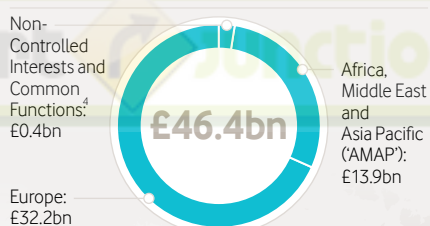
We are one of the world's largest mobile companies. We operate in over 30 countries and we partner with other network operators across over 40 more – extending our reach beyond our equity interests.

## Global footprint

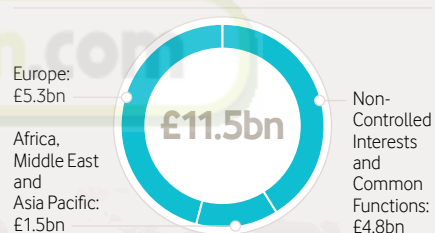
### Equity interests

<b>Europe</b>	Hungary	Portugal
Albania	Ireland	Romania
Czech Republic	Italy	Spain
Germany	Malta	Turkey
Greece	Netherlands	United Kingdom
<b>AMAP</b>	India	<b>Non-Controlled Interests</b>
Australia	Safaricom <sup>1</sup>	Verizon Wireless <sup>1</sup>
Egypt	New Zealand	
Fiji	Qatar	
Ghana	Vodacom <sup>2</sup>	

### Revenue<sup>3</sup>

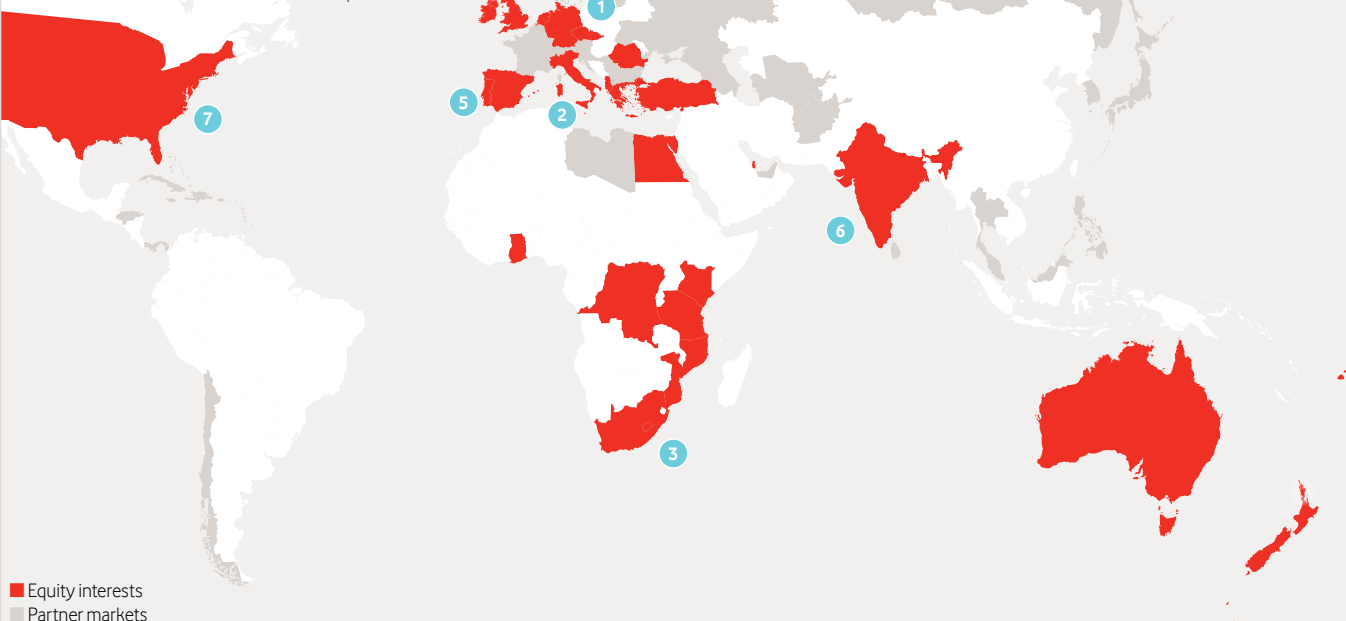


### Adjusted operating profit<sup>3</sup>



#### Notes:

- 1 Associates.
- 2 Includes South Africa, Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo.
- 3 The sum of these amounts do not equal Group totals due to inter-company eliminations and roundings.
- 4 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.







## 1 Germany

36m<sup>1</sup> mobile customers**Our largest market by revenue**

We are the leading mobile operator in Germany, with a revenue market share of 35%. In 2010 we became the first operator in Germany to launch super fast 4G mobile data services with peak data download speeds of up to 50 Mbps. Germany is our largest market for fixed broadband customers with 3.4 million users.

## 2 Italy

30m<sup>1</sup> mobile customers**We are the largest mobile operator in Italy**

We acquired operations in Italy in 2000. In 2011 we became the largest mobile operator and now have a 37% revenue market share. While the economic recession led to a fall in revenue during the year, our flexible cost structure, due to low handset subsidies, has ensured that overall profitability remains high.

## 3 Vodacom

57m<sup>1</sup> mobile customers**Growing strongly in Africa**

We own 65% of Vodacom which covers five countries in Southern Africa – including South Africa which is the largest business, accounting for about 85% of revenue, Tanzania, Lesotho, Mozambique and the Democratic Republic of Congo. In South Africa we are the market leader and continue to deliver strong revenue growth due to the rapid take up of mobile data services.

## 4 UK

19m<sup>1</sup> mobile customers**Our first market**

We made the first UK mobile phone call in 1985 and we were the first UK mobile network operator to launch commercial 3G services in 2001. Our business has expanded rapidly and today we account for 26% of the UK market (measured by revenue) and have a market leading 37% share of the mobile enterprise market.

## 5 Spain

18m<sup>1</sup> mobile customers**Challenging market conditions**

The economic recession is extremely harsh in Spain, with unemployment at 24% leading to significant declines in organic revenue as customers cut back on spending. We remain confident of Spain's longer term prospects and therefore we recently invested around £500 million in new spectrum which will be used to rollout 4G services.

## 6 India

150m<sup>1</sup> mobile customers**Our largest market by customers**

We acquired a controlling stake in India in 2007. Since then we have grown the customer base from 28 million to over 150 million and increased our revenue market share from 16% to 21%. Through our investments in 3G technology and low cost handsets we are bringing mobile internet services to this fast growing market.

## 7 Verizon Wireless

93m<sup>1</sup> mobile customers**A leading US operator**

We own 45% of Verizon Wireless, the largest mobile operator in the United States measured by revenue. During last year Verizon Wireless achieved 7.3%<sup>1</sup> service revenue growth driven by good customer growth and the strong take-up of mobile data services. Its leading 4G network now covers two-thirds of the US population.

Note:


<sup>1</sup> Represents 100%. The Group's share based on its equity interests are 23 million in Italy and 42 million in Verizon Wireless.

# Where we are heading

**In November 2010 we set out a new strategy to develop from a strong Vodafone into a more valuable Vodafone. The strategy is driven by a focus on four key areas of growth potential:**

## Data services

Customer appetite for the mobile internet and related services will be the single biggest driver of our business going forward.

 Find out how we are seizing the opportunity  
Pages 22 to 25


## Emerging markets

Our businesses in Africa and India are growing strongly as mobile communications are having a transformational impact on people's lives.

 Read more about our strategy for emerging markets  
Pages 26 and 27


## Enterprise and total communications

Businesses account for a large part of our activity and growth in this sector will be driven by employees becoming more mobile, devices more secure and the convergence of fixed and wireless communications.

 Learn more about why we are well placed to succeed  
Pages 28 and 29

## New services

Machine-to-machine, mobile commerce services and operator billing, among many others, offer exciting new avenues for growth.

 More about how new services are set to enhance customer experience  
Pages 30 and 31

### Controlled and jointly controlled operations

#### Sustained cash flow

Shareholder returns  
Reinvestment

#### Growth drivers

Data services  
Emerging markets  
Enterprise and total communications  
New services

#### Core strengths

Capital discipline  
Cost efficiency

 Read more  
Pages 32 and 33

### Non-controlled operations

#### Shareholder returns Reinvestment

#### Liquidity and cash flow

 Read more  
Pages 55 and 56



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