



Vodafone Group Plc

Annual Report for the year ended 31 March 2013

The way ahead...

introducing Vodafone 2015



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.

Our business is constantly evolving to adapt to changes in customer behaviour, technology, regulation and the competitive landscape.

Vodafone 2015 is our response to these changes: how we maximise new opportunities and defend ourselves against new challenges.



This year's report:

We've made some big changes to this year's report to give readers a clearer picture of how we're doing and what our plans are.

On pages 90 to 97, you can see we've combined our financial statements with a commentary explaining the main moving parts.

Elsewhere, we've expanded our KPI reporting, given more information on directors' pay, and embraced a number of new reporting requirements a year early.

We hope you find it useful and informative.

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These sections and pages 91, 93, 95 and 97 make up the directors' report.

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 "2013" mean the financial year ended 31 March 2013; to "2012" or "previous year" mean the financial year ended 31 March 2012, and to the "fourth quarter" or "Q4" are to the quarter ended 31 March 2013. For other references please refer to page 44.

All amounts marked with an "*" represent organic growth as defined on page 188. Definitions of terms used throughout the report can be found on pages 187 and 188.

Further information on non-GAAP measures used in the report can be found on page 179.

Website references are for information only and do not constitute part of this annual report.

This report is dated 21 May 2013.

Access full PDF downloads of this report,
or watch a summary of the year at:

vodafone.com/ar2013



Report  junction.com**Promoting women**

Our commitment to promoting greater female representation at board level was recently recognised by a leading Media award, "Breaking the Mould" where Vodafone was named overall winner of its 2013 award.

Today 20% of our senior leadership are women, up from 17% two years ago. Turn to page 34 for more on our people.



More on:
Key performance
indicators
Pages 18 and 19

We have seen mixed trends in our business this year, with a difficult macroeconomic environment and regulatory pressure affecting many of our European businesses, strong growth in emerging markets and an excellent performance from our US associate.

Resilient performance

£44.4bn

-4.2%

Group revenue

Group revenue decreased -4.2% to £44.4 billion as strong demand for data services and growth in emerging markets were offset by continued significant economic and regulatory pressures in Europe.

£6.7bn

+7.5%

Data revenue

Data revenue increased 7.5%, or 13.8%* on an organic basis, reflecting increased smartphone penetration and further take-up of integrated voice, SMS and data plans.

£12.0bn

+3.7%

Adjusted operating profit

Adjusted operating profit was up 3.7% at £12.0 billion, and above our guidance range, as a result of a strong contribution from our US associate, Verizon Wireless.

£5.6bn

-8.1%

Free cash flow

Free cash flow of £5.6 billion was within our guidance range. The decline reflected the relative strength of sterling against several currencies over the course of the year, as well as tough trading conditions.

29.9%

-1.3pp

EBITDA margin

Reported EBITDA margin fell -1.3 percentage points. Excluding restructuring costs and on an organic basis margin was down -0.1* percentage points, as the impact of steep revenue declines in Southern Europe offset improving margins in India and Vodacom.

10.19p

+7.0%

Total ordinary dividends per share

Final dividends per share of 6.92 pence, giving total dividends per share of 10.19 pence, up 7.0% year-on-year, in line with our target.

£6.3bn

-1.6%

Capital expenditure

Capital expenditure was stable at £6.3 billion as we continued to maintain a significant level of investment to extend our high speed mobile data coverage across our footprint.

15.65p

+5.0%

Adjusted earnings per share

Adjusted earnings per share was up 5.0% at 15.65 pence, driven by growth in adjusted operating profit and a lower share count as a result of share buybacks.

**Emerging markets**

Today, most of our revenue comes from mature European markets, where most people have a phone, but economic and regulatory pressures are limiting growth. Our future is increasingly in emerging markets, such as India and parts of Africa, where mobile penetration is low, GDP growth is high and mobile internet usage on smartphones is beginning to take off. Today around one third of revenue comes from emerging markets and going forward it is likely to be more.

Maximising our reach...

We are one of the world's largest mobile communications companies. We serve 404 million customers, employ over 91,000 people and operate in over 30 countries. To extend our reach beyond the companies we own, we also participate in partner market agreements in around 50 additional countries.

Global footprint

Equity interests

Revenue¹

Northern
and Central
Europe

£20.1bn

Southern
Europe

£10.5bn

Africa,
Middle East and
Asia Pacific
(AMAP³)

£13.5bn

Non-Controlled
Interests and
Common
Functions

£0.5bn

Operating free cash flow

£3.3bn

£2.3bn

£2.5bn

-£0.5bn

Adjusted operating profit

£2.1bn

£1.8bn

£1.7bn

£6.4bn

Countries

Czech Republic
Germany
Hungary
Ireland
Netherlands
Romania
Turkey
United Kingdom

Albania
Greece
Italy
Malta
Portugal
Spain

Australia
Egypt
Fiji
Ghana
India
Safaricom (Kenya)²
New Zealand
Qatar
Vodacom³

Verizon Wireless²

Our main markets

Germany

32 million mobile customers



Our largest market, generating annual revenue of £7.9 billion. We have a leading position with 35% service revenue market share. This was our first market to launch our ultra-fast 4G services which are now available to around 61% of the population.

Spain

14 million mobile customers



The severe recession combined with intense competition has led to falling revenue in Spain. However we remain confident in the country's future prospects and therefore we plan to co-invest €1 billion with another operator, to deploy a high speed fibre network.

Italy

29 million mobile customers⁵



We are the largest mobile operator in Italy with a 35% service revenue share. A combination of economic, competitive and regulatory pressures has led to a decline in revenue during the year, but due to careful cost control we have maintained a good level of profitability.

UK

19 million mobile customers



We have a 25% service revenue market share in the UK, and are a leading player among enterprise customers. During the year we acquired Cable & Wireless Worldwide plc ('CWW'); and we invested £803 million in spectrum to support the launch of ultra-fast 4G services later in 2013.

India

152 million mobile customers



Our largest market measured by customers. We have a strong brand position, an extensive range of distribution outlets and nationwide network coverage. As a result, our revenue market share has increased every year over the last four years and now stands at over 21%⁴.

Vodacom³

59 million mobile customers



We own 65% of Vodacom which covers five countries in Africa – South Africa, Tanzania, Mozambique, Lesotho, and the Democratic Republic of Congo. In South Africa, which accounts for 84% of Vodacom's revenue, we launched the country's first commercial 4G service in October 2012.

Verizon Wireless ('VZW')²

99 million mobile customers⁵



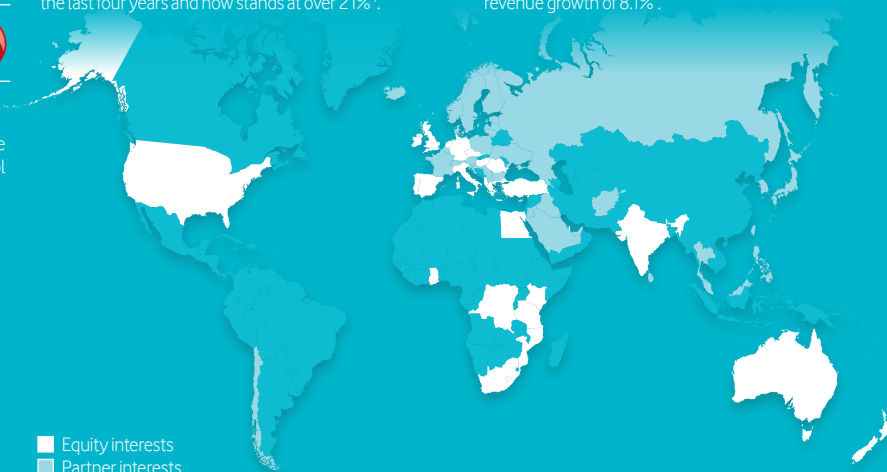
We own 45% of VZW, the largest mobile operator in the US by revenue. Its leading 4G network now covers around 90% of the US population. VZW continued to trade well delivering further market share gains and strong service revenue growth of 8.1%⁴.

Notes:

- 1 The sum of these amounts do not equal Group totals due to inter-company eliminations.
- 2 Associate.
- 3 Includes South Africa, Tanzania, Mozambique, Lesotho, and the Democratic Republic of Congo.
- 4 At December 2012.
- 5 Represents the Group's interest on a 100% owned basis. Based on equity interests the Group's customer base is 22 million in Italy and 45 million in VZW.

To see more information on our markets follow this link vodafone.com/investor

■ Equity interests
■ Partner interests



It's been a busy year. We have launched our new Vodafone Red proposition, bought valuable spectrum to develop 4G services and acquired two major fixed line businesses, and that's not all...

An eventful year...

Cable & Wireless Worldwide

April

The acquisition of Cable & Wireless Worldwide in the UK was announced.

M-Shwari

November

Our Kenyan associate company, Safaricom, launched M-Shwari, a mobile banking service which offers savings and loans to customers.

November

4G services launched in Romania.

October

4G services launched in South Africa and Italy.

December

We acquired new spectrum in auctions in the Netherlands for £1.1 billion.

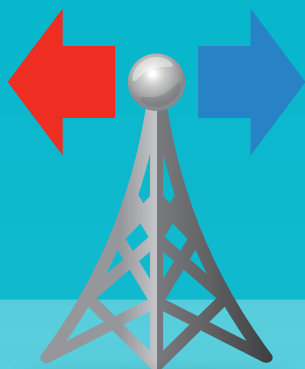
December

We received a £2.4 billion dividend from our 45% owned business in the US, VZW.

December

4G services launched in Greece.





June

Vodafone and O₂ announced a network sharing deal in the UK, allowing us to reach 98% population coverage by 2015.



June

We announced new innovative roaming propositions in Europe including calls, texts and mobile internet access for €3 or €4 a day.



July

We announced plans to acquire TelstraClear, the second largest fixed operator in New Zealand.



September

First launch of Vodafone Red plans providing unlimited voice, texts and generous data bundles in the UK.



September

Vodafone and Zain Group announced a multi-country partner market agreement, expanding Vodafone's presence through partner markets to around 50 countries.



August

We paid a 6.47 pence per share final dividend, amounting to £3.2 billion, re-confirming our position as one of the largest dividend payers in the FTSE.



December/February

We commenced a £1.5 billion share buyback programme in December and paid an interim dividend per share of 3.27 pence, amounting to £1.6 billion in February.



February

We acquired new spectrum in auctions held in the UK for £803 million in order to launch 4G services later in the year.



March

We announced plans to invest €1 billion, jointly with Orange in Spain, to deploy a high speed fibre network to six million homes and businesses.



More on:
**Strategy and
Vodafone 2015**
Pages 24 to 33

**Our strategy adapts to fit to, and shape,
a fast-moving environment. But at its heart is our
consistent commitment to differentiation through
investment in our network and services.**

Adapting in a dynamic market...

Report  junction.com

Short-term challenges

A very tough regulatory environment, particularly in Europe and India, combined with significant macroeconomic pressures in many of our markets, mean that it is currently hard for us to grow our business. Competition, while a fact of life in any industry, is being exacerbated by high unemployment and austerity measures. These force many customers to value price over quality. In addition, regulation has lowered barriers to entry and allowed low or no-capital operators to compete with businesses such as ours which have invested significantly over many years.

Long-term growth opportunities

We expect smartphone adoption to accelerate in all markets over the next three years, with mobile applications and low cost smartphone availability increasing everywhere. With the broad deployment of high speed data networks, and the increasing deployment of TV programming, films and music streaming across all devices, we expect customers' appetite for data on both mobile and fixed networks to increase significantly. Companies will increasingly look to consolidate telecoms procurement across borders and put mobility at the centre of their strategies, favouring operators who can supply seamless unified communications.

Our response: **Vodafone 2015**

Our Vodafone 2015 strategy reflects our confidence in the future. This is based on a new strategic approach to our consumer offer and pricing in Europe, an increasing focus on unified communications, and an attractive and growing exposure to emerging markets. Fundamental to the success of this strategy will be an ongoing enhancement of the consumer and enterprise customer experience through continuous investment in high speed data networks, and an increased drive towards standardisation and simplification across the Group to maximise cost efficiency and accelerate execution.

Consumer 2015 (turn to **page 24**)

Enterprise 2015 (turn to **page 28**)

Network 2015 (turn to **page 30**)

Operations 2015 (turn to **page 32**)