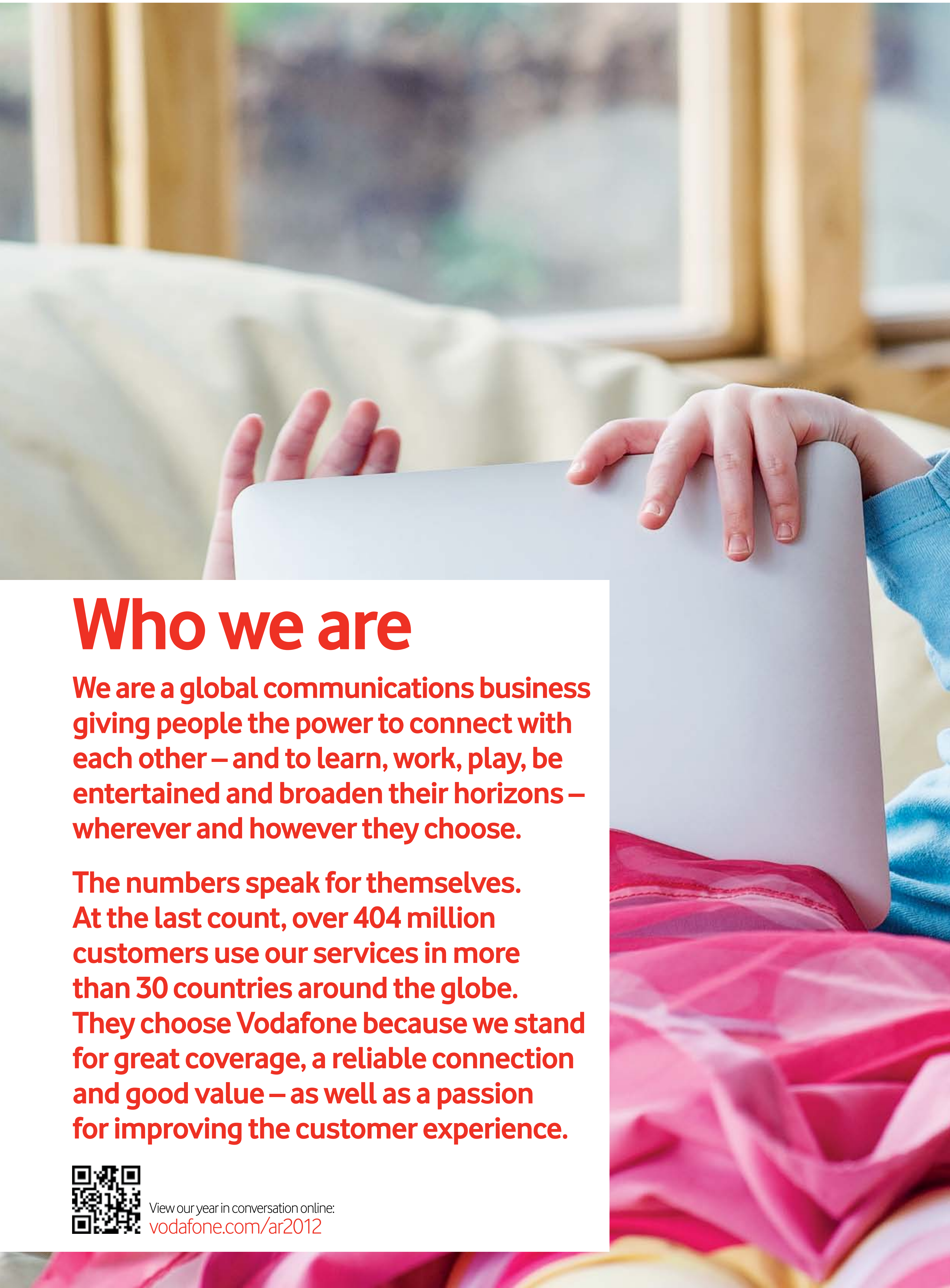


Who we are

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

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.

View our year in conversation online:
vodafone.com/ar2012

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

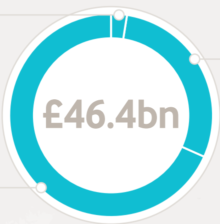
Equity interests

Europe		
Albania	Hungary	Portugal
Czech Republic	Ireland	Romania
Germany	Italy	Spain
Greece	Malta	Turkey
	Netherlands	United Kingdom

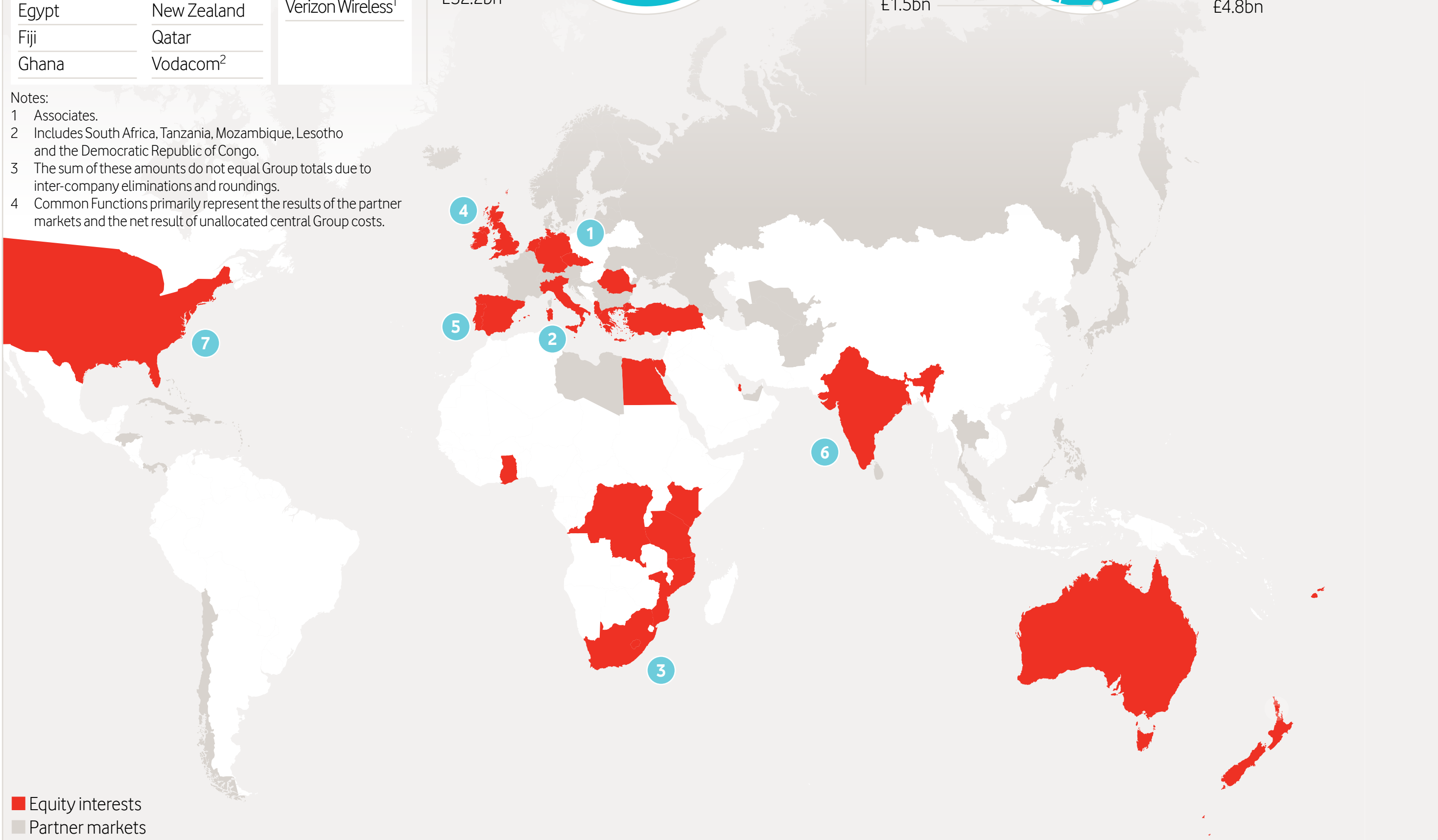
AMAP		Non-Controlled Interests
Australia	India	Verizon Wireless[1]
Egypt	Safaricom[1]	
Fiji	New Zealand	
Ghana	Qatar	
	Vodacom[2]	

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.

Revenue[3]



Adjusted operating profit[3]



1 Germany

36m 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[1] 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 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 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 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 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.

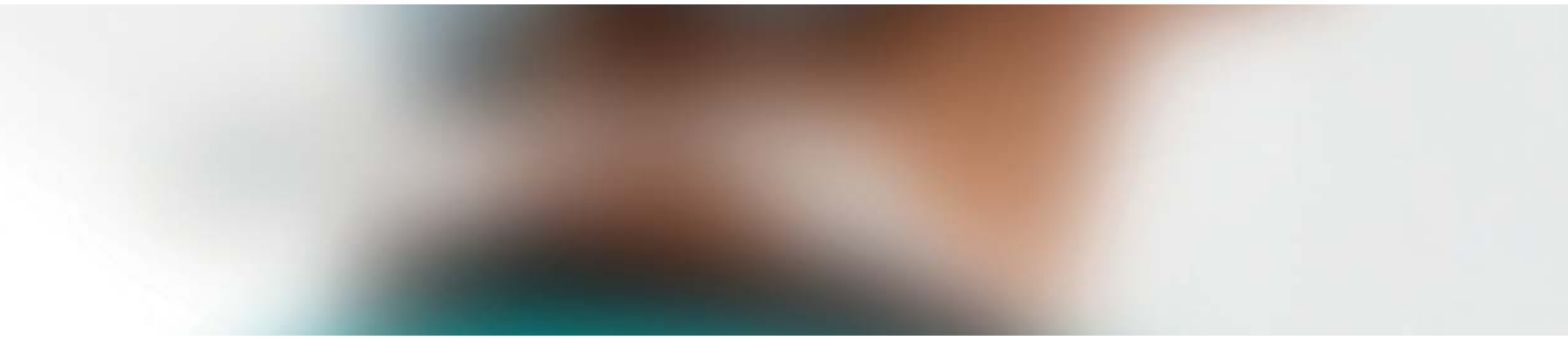
7 Verizon Wireless

93m[1] 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%* 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:
1 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

View our year in conversation online:
vodafone.com/ar2012

How we're doing

We track our performance against 12 key financial, operational and commercial metrics which we judged to be the best indicators of how we're doing.

Organic service revenue growth

Growth in the top line demonstrates our ability to grow our customer base and stabilise or increase ARPU. It also helps to maintain margins.

Target: 1–4% per year to March 2014.

2010	–1.6%
2011	2.1%
2012	1.5%

achieved

EBITDA margin

Trends in our EBITDA margins demonstrate whether our revenue growth is generating a good return on our investment in customer acquisition, and whether we can offset underlying cost pressures in our business with cost efficiencies elsewhere.

Target: EBITDA margin to stabilise by March 2014.

2010	33.1%
2011	32.0%
2012	31.2%

on-track

Adjusted operating profit ('AOP')

Because of the significant contribution made to our overall profitability by our US associate, Verizon Wireless, AOP is a better determinant of overall profitability than EBITDA.

Target: £11.0 – £11.8 billion in 2012 financial year.

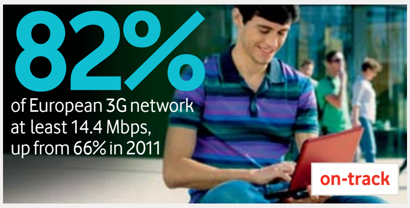
2010	£11.5bn
2011	£11.8bn
2012	£11.5bn

achieved

% of European network with 3G (14.4 Mbps or better)

Faster, more reliable networks with wider coverage stimulate data usage and create a clear point of difference over other operators.

Target: 99% by March 2015.



Relative market share performance

We track our relative performance by measuring the change in our mobile market share against our competitors.

Target: Gain or hold mobile service revenue market share in most of our main markets against our principal competitor.

5/7

We gained mobile service revenue market share in 5 out of 7 of our main markets.

achieved

Returns to shareholders

Consistent and balanced returns to shareholders demonstrate our commitment to capital discipline.

Target: Dividend per share growth of at least 7% per year to March 2013 (excluding special dividends).

2010	+6.9%
2011	+7.1%
2012	+7.0%

achieved

Free cash flow

Our regular dividend is paid out of free cash flow, so maintaining a high level of cash generation (even after significant continued investment in capex) is key to delivering our dividend growth target.

Target: £5.5 – £6.5 billion per year to March 2014.

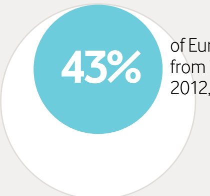
2010	£7.2bn
2011	£7.0bn
2012	£6.1bn

achieved

% of consumer contract revenue from integrated tariffs

Our strategic push towards integrated tariffs allows us both to defend our revenue base from voice/SMS substitution, and to monetise future data demand growth.

Target: To significantly increase each year.



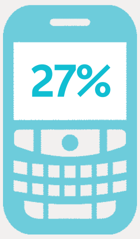
of European contract revenue from integrated tariffs at March 2012, up from 27% in 2011

achieved

Smartphone penetration

Smartphones are the key to giving our customers access to the mobile internet; the more our customers have them, the bigger our data opportunity becomes.

Target: To significantly increase each year.



European smartphone penetration at March 2012, up from 19% in 2011

achieved

Share ownership by senior leadership team ('SLT')

We have recently introduced share ownership targets throughout the SLT, to more closely align operational management's goals with those of external shareholders.

Target: 14 million shares.

18m

Shares owned by SLT; equivalent to 128% of goal.

achieved

Employee engagement

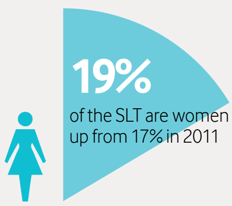
The employee engagement score measures employees level of engagement, a combination of pride, loyalty and motivation.

Target: Maintain top quartile.

% of women in the senior leadership team

This is one measure of the diversity in our business which brings us a more balanced range of skills and management styles.

Target: To improve each year.



achieved

A world of opportunity

Gerard Kleisterlee succeeded Sir John Bond as Chairman of Vodafone at the AGM in 2011. Previously he was CEO of Philips for ten years. Here he gives his view on his first impressions of Vodafone, the key governance issues facing the Board, his interactions with management, and the approach to management and shareholder remuneration.

Summary of key points

- **Our strategy is working well to deliver superior operational performance, a high level of free cash flow and significant returns to shareholders**
- **We have strength in depth in the management team and a Board comprised of business leaders with a wide range of business expertise**
- **Strong returns to shareholders with total dividends for the year of 13.52 pence (including the 4.0 pence special dividend) and the majority of the £6.8 billion share buyback programme now complete**

What have been your main impressions of Vodafone after your first year?

The Group is well positioned. It has strong franchises in most of its markets, attractive global exposure, a core product that has become a vital part of people's lives and a number of exciting opportunities for growth. Combined with its substantial cash flow, low leverage and management strength in depth, there are plenty of reasons for optimism.

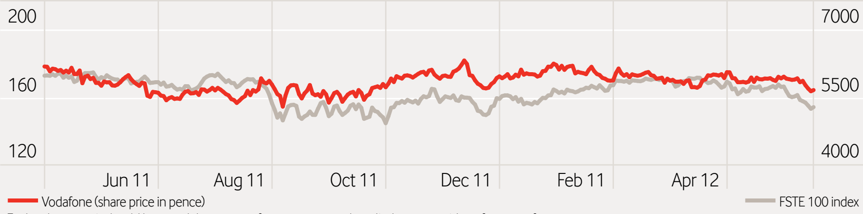
However, throughout Vodafone I see what I would describe as a restless dissatisfaction: a sense that we are doing well and have significantly improved our commercial performance over recent years, but that we could do much better still.

People at Vodafone are their own toughest critics but this creates a highly energetic and strongly collaborative environment aiming at constant improvement.

How is the strategic focus of the company evolving?

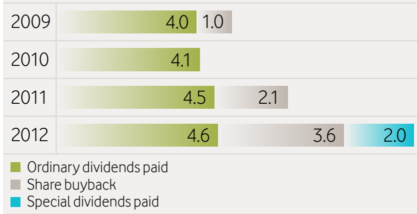
The last two years have seen significant proceeds realised from the sale of non-controlled stakes and the income dividend from Verizon Wireless, which means that the external focus will now inevitably turn more to our operational execution. From our perspective, this is no more than business as usual and the Group's strategy continues to be clear: to pursue our growth opportunities in data, enterprise and emerging markets in a disciplined and efficient way, and give shareholders a healthy return on their investment in the process. All of these elements are discussed in much more detail elsewhere in this report.

Vodafone share price vs FTSE 100
1 April 2011 to 21 May 2012



For legal reasons it should be noted that past performance cannot be relied on as a guide to future performance.

Cash returns to shareholders £bn



How is the Board currently functioning?

The Board's primary focus is to support and advise the executive management on the delivery of the Group's strategy within a clear and transparent governance framework, and I believe we are currently fulfilling that role. Our annual survey on Board effectiveness has prompted some minor modifications but no major overhaul.

With respect to expertise, my predecessor made excellent progress in assembling a broad diversity of talents and outlooks. The Board currently comprises business leaders from sectors as wide-ranging as financial services, retail, venture capital, accountancy, technology and regulated industries, as well as far-reaching geographical knowledge. I would be keen to build our experience of internet-based business models, as well as a detailed knowledge of Asian markets. We also aim to bring further gender balance over the coming years as we reach our goal of 25% of Board members being women by 2015.

"Our share price has outperformed the MSCI European Telecoms index by 19.6% and the FTSE 100 by 3.7%"

How do you approach shareholder remuneration?

Our shareholder remuneration strategy is focused on total shareholder return, through a combination of growing the value of the Company by investing in opportunities that earn a return in excess of our cost of capital, and a consistent dividend policy. Our dividend per share growth target, put in place two years ago, sets out to give shareholders a growing dividend stream comfortably covered by expected annual free cash flow. We are also nearing the end of a £6.8 billion share buyback programme and this year paid an additional special dividend of 4.0 pence per share out of the proceeds of our income dividend from Verizon Wireless.

Taking ordinary dividends, this year's special dividend and the buyback programme together, total cash returns to shareholders have been equivalent to approximately 30% of our market capitalisation over the last four years. Furthermore, in the period from 1 April 2011 to 21 May 2012, our share price has outperformed the MSCI European Telecoms index by 19.6% and the FTSE 100 by 3.7%.

And what about management remuneration?

The executive management team should be paid well to the extent that they create value for shareholders. Our incentive schemes have a bias towards long-term, share-based plans, which incentivise our leaders to prioritise multi-year investment decisions and align their interests closely with those of institutional shareholders. We have deepened this alignment this year by introducing shareholding requirements throughout the senior leadership team.

How is Vodafone addressing its broader social responsibilities?

Mobile telecommunications have played a significant role in the development of emerging market economies, not only through the investment in infrastructure but also through allowing people to connect with each other cheaply and easily for the first time. Vodafone and Vodacom have clearly played their part in this, particularly in India and southern Africa.

We are also taking a step further, introducing mobile financial services platforms across many of our markets, and developing mobile health initiatives. These, of course, stand to benefit our business through enhanced customer loyalty, but they also bring wider social benefits to the countries in which they are deployed.

Finally, we can also use the resourcefulness and dynamism of our employees to help raise funds to target specific medical issues that compromise thousands of lives in emerging markets. This year we launched our Moyo challenge, to raise £7 million through our employees for the Vodafone Foundation partner Comprehensive Community Based Rehabilitation ('CCBRT') to eradicate obstetric fistula (a maternal health condition) in Tanzania, which has affected 24,000 women since 2000. We are well on our way to reaching our target by June this coming year, aided by the generosity of our employees, suppliers and partners.

Gerard Kleisterlee
Chairman

Explore in more detail

More on **Governance**
Pages 63 to 73

More on **Director's remuneration**
Page 74 to 87

More on **Risk management**
Page 39

More on **Mobile for Good**
Page 38

Chief Executive's review

Continued strategic progress

"Our focus on the key growth areas of data services, emerging markets and enterprise is positioning us well in a difficult operating environment."

Summary of where we are now...

- **Our commercial performance continues to be strong, enabling us to gain or hold market share in most of our major markets**
- **Group revenue increased by 1.2% to £46.4 billion driven by strong performance in data services and continued penetration of mobile services in emerging markets**
- **We continue to generate a strong level of free cash flow of £6.1 billion, while increasing our capital expenditure to £6.4 billion in order to maintain our leading network quality**

View our year in conversation online:
vodafone.com/ar2012/conversation

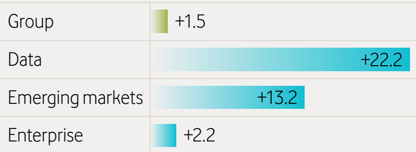
Financial review of the year

Our overall financial performance this year has been steady. Our major emerging markets operations have had a very strong year. In addition, Verizon Wireless ('VZW'), our 45% owned associate in the United States, combined continued good revenue growth with substantial cash flow. On the other hand, the tough macroeconomic and regulatory environment in much of Europe has made revenue growth in that region increasingly challenging.

However, on a relative basis, we have held or gained share in most of our major markets, continuing last year's trend. The quality of our network continues to improve, with high speed data now available across a growing proportion of our voice network in our European markets, and low frequency spectrum for 4G/LTE services now secured in Italy and Spain. Cash flow generation and shareholder remuneration, even after sustained network investment, continue to be significant.

Group revenue for the year was up 1.2% to £46.4 billion, with Group organic service revenue up 1.5%[*] and data revenue up 22.2%[*]. Group EBITDA margin fell 0.8 percentage points, as a result of continuing high levels of commercial costs associated with the migration to smartphones, and the difficult trading environment in Spain in particular. Group EBITDA was £14.5 billion, down 1.3% year-on-year, but flat organically before restructuring costs.

Service revenue growth 2012* %



Group adjusted operating profit was £11.5 billion, down 2.4% year-on-year but at the top of our guidance range of £11.0 billion – £11.8 billion based on guidance exchange rates. The decline in adjusted operating profit was due to the sale of our interest in SFR at the start of the year; on an organic basis, adjusted operating profit was up 2.5%*, as a result of the good performance at VZW.

We recognised £3.5 billion of net gains on the disposals of our interests in SFR and Polkomtel, and we recorded impairment charges of £4.0 billion relating to our businesses in Italy, Spain, Portugal and Greece primarily driven by lower projected cash flows within business plans and an increase in discount rates, resulting from adverse changes in the economic environment.

Free cash flow was £6.1 billion and within our guidance range of £6.0 billion – £6.5 billion for the year. The year-on-year decline reflected the loss of dividends from China Mobile Limited, the reduction in dividends from SFR, and the conclusion of our prior year working capital programme. Capex was up 2.3% at £6.4 billion, as we continued to maintain our significant level of investment to support our network strategy. In addition to our reported free cash flow we received an income dividend of US$4.5 billion (£2.9 billion) from VZW.

Adjusted earnings per share was 14.91 pence, down 11.0% on last year. The decline was driven by the loss of our share of SFR and Polkomtel profits, the loss of income from our interests in China Mobile Limited and SoftBank, and higher finance charges as the result of our decision to take advantage of low prevailing interest rates to fix a higher proportion of our debt.

The Board is recommending a final dividend per share of 6.47 pence, to give total ordinary dividends per share of 9.52 pence, up 7.0% year-on-year. During the year we also paid a special dividend of 4.0 pence per share, paid out of the income dividend we received from VZW. Total dividends per share were therefore up 51.9%.

Europe

Organic service revenue in Europe was down 1.1%* year-on-year. Excluding the impact of regulated cuts to mobile termination rates ('MTRs'), service revenue grew by 1.4%*. As in the prior year, we saw a broad divide between the more stable major markets of northern Europe, with Germany, the UK and the Netherlands all growing; and the much weaker markets of southern Europe, with Italy and Spain suffering from strong competition and a very poor macroeconomic environment.

Data revenue growth was strong at 20.2%*, with smartphone penetration on contract customers of 44.9%, up 11.5 percentage points during the year. We have continued our major commercial push towards integrated voice, SMS and data tariffs, so that in the final quarter, 43.2% of consumer contract service revenue in our major European markets came from customers on integrated tariffs.

Organic EBITDA was down 4.5%*, and the EBITDA margin fell 1.5* percentage points. The decline in EBITDA margin was almost entirely driven by margin erosion in Spain, where we put through significant price cuts during the year. Elsewhere, we benefited from increased cost efficiency.

AMAP

Organic service revenue growth in AMAP was 8.0%*. Our two major businesses, India and Vodacom, reported growth of 19.5%* and 7.1%* respectively. In India, pricing showed clear signs of stabilisation after a prolonged price war. In South Africa, growth continued to be strong, despite significant price cuts on data tariffs. In Australia, revenue declined sharply as our network perception continued to suffer after service issues experienced more than a year ago.

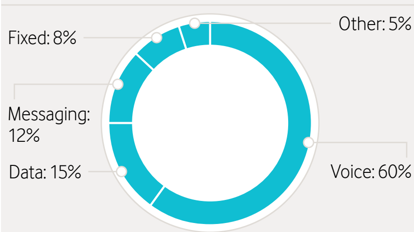
Organic EBITDA was up 7.8%* with EBITDA margin down 0.1* percentage points. EBITDA margins in our two biggest AMAP businesses, Vodacom and India, increased, but this positive impact was offset by a significant decline in the EBITDA margin in Australia.

Verizon Wireless

Our share of the net income of VZW represented 42.2% of our Group adjusted operating profit. VZW enjoyed another very strong year, with organic service revenue up 7.3%* and EBITDA up 7.9%*. Our share of profits from VZW amounted to £4.9 billion, up 9.3%* year-on-year. In December 2011 VZW announced the proposed acquisition of 122 Advanced Wireless Services spectrum licenses, covering a population of 259 million, from SpectrumCo for US$3.6 billion (£2.3 billion).

For a detailed analysis of our financial performance for the year, please turn to page 40.

Service revenue by type 2012



Chief Executive's review (continued)

"We have continued to stimulate data adoption by encouraging customers to upgrade to smartphones, and offering a broad portfolio of these handsets across a range of price points."

Our strategic priorities:
- → Mobile data
- → Emerging markets
- → Enterprise and total communications
- → New services

Priorities

All the elements of our Group strategy are covered in detail elsewhere in the annual report. In this section, therefore, I think it is more useful to give you some deeper insight into what I see as the key priorities for the business over the year ahead, and where Vodafone's leadership team will be focusing their energies. Some of these priorities are, indeed, specific constituents of our strategy; others reflect our ability to influence the markets in which we operate or the resources we have at our disposal to execute our strategy.

Data

After many years of investment and technological development, the customer experience of mobile data services in developed markets has now generally reached very good levels, with for example, high quality streamed video now widely available. However, operators in Europe have three significant challenges when it comes to data services: pricing, commercial costs and customer usage.

Our progress on pricing is inconsistent. In the best markets we are successfully generating incremental ARPU of €10 a month as we migrate customers to smartphones and data packages. However, in others the uplift is more marginal, often driven by the level of competition in the market. Our goal over the next 12 months is to achieve a more consistent revenue return from data – through faster, more reliable networks, significantly enhanced customer service, and a range of new and differentiated services accessible through the handset.

Unfortunately, almost all of the incremental ARPU we are generating ends up being invested in commercial costs. The smartphone market is still skewed to the high end, which has driven significant increases in average customers acquisition and retention costs over recent years. Looking ahead, we see scope for more competition in the handset market as new vendors seek to enter the market and more established players look to grow in the mid-tier. This should drive down our customer investment costs.

The pressure on our top line, particularly in Europe, is intense and we need to protect profitability through better cost discipline. Commercial costs are the biggest single cost in our business and we will not successfully stabilise margins unless we manage these acquisition and retention costs more rigorously.

Finally, we need to find a way to stimulate customer consumption of data. Average data usage on a smartphone in Europe is around a third of that in the US and less than a fifth of that in some parts of Asia. We have to work more effectively at showing customers they can use data more freely while still controlling their spend, and also helping them understand what they can actually use data services for. The ongoing upgrade to our European network, creating a platform which offers high speed data services everywhere we provide a voice connection, will in itself breed additional demand.

Regulation

The telecoms industry continues to experience intense regulation on mobile termination rates ('MTRs'), and voice and data roaming. In addition, auctions of new spectrum are often structured to favour new entrants at low prices. The consequence of these actions is to suppress investment in next generation mobile and fixed networks, and thus to limit our ability to provide high speed data across a broad footprint. This universal access to high speed connectivity is a key goal of regulators across Europe, and will not be achieved if the current onerous level of regulation continues. I see it as a major priority to continue to work with my industry peers and local and EU regulators to find a fairer balance which protects customers while encouraging investment and competition.

I have been very vocal in my objection to this ongoing regulation, much of which has not produced the results intended by regulators. For example, reductions in mobile termination rates since 2009 have not meant that prices fall faster for mobile consumers and have not encouraged fixed line customers to make more calls to mobiles. If anything, the opposite has happened. I believe regulators should avoid auto pilot regulation that does not check whether regulation has achieved its purpose.'

Customer experience

Our retail stores around the world are being reconfigured to ensure customers leave the store with their smartphone ready to use with technical experts available to resolve customers' questions and device problems. By May 2012 4,400 of our stores provided these services and during this year we will further expand the roll out.

More detail
Page 25

Employee talent and diversity

Our goal is to achieve a broad employee base in terms of gender and nationality, and specifically target increased representation of women and emerging market talent at senior management level.

More detail
Page 34

Talent and diversity

We continue to have high standards for talent and to strengthen our senior leadership population. Last year we promoted 20 internal talents to the senior team, of which 30% were female, and we hired 15 external candidates of which 20% were female. We continue to rotate top talents during their Vodafone careers. This not only stimulates the cross-pollination of ideas and best practices between markets, it also develops the cultural sensitivities that will be key in our future senior management.

As with many large companies, we have a disproportionate representation of men in our middle and senior management. I strongly believe that women have a range of skills and insights that are often different from, but complementary to, those of men, and management teams that do not reflect a better balance are the worse for it. Currently 19% of our senior leadership team is female, up from 17% in the prior year. We have set a target of increasing the percentage year-on-year.

Organisational change

Big organisations inevitably have a tendency towards bureaucracy, complexity and caution. Often the right option does not get pursued because of fear of failure or a desire not to "rock the boat", or the time between decision and execution is too long and the opportunity has passed.

Over the last three years, we have embarked on a cultural change programme called The Vodafone Way which is designed to engender a cultural shift in how we do business, both internally and externally. The key building blocks of The Vodafone Way are speed, simplicity and trust. I believe we are already beginning to see the benefits of this in more personal accountability and better decision-making, but we need to drive this throughout the Group and our leaders must be responsible for exhibiting the right behaviours. There is more on this on pages 34 and 35.

Prospects for the 2013 financial year

Vodafone is well positioned for the coming year. We have continued to gain revenue share in many of our markets, as we lead the migration to smartphones and the adoption of data services by the mass market. Our exposure to the enterprise segment and our emerging market assets will continue to be strategic drivers of our performance and, with VZW set for another strong year, our overall geographical exposure is a positive differentiator. We have a strong balance sheet and will continue our major focus on shareholder remuneration, while reinvesting substantially in our network to enhance the customer experience.

Nevertheless, the environment in Europe is set to remain very difficult. Weak consumer demand from poor macroeconomic conditions, a harsh regulatory backdrop and ongoing competition create material barriers to growth. MTRs alone will have a negative impact, similar in percentage terms to the 2012 financial year, on service revenue growth in the 2013 financial year.

On an underlying basis, excluding foreign exchange rate movements, we expect growth in adjusted operating profit, and stability in free cash flow, compared with the 2012 financial year.

Adjusted operating profit is expected to be in the range of £11.1 billion to £11.9 billion.

We anticipate free cash flow for the coming year of £5.3 billion to £5.8 billion. The loss of dividends from SFR following the sale of our 44% stake, as well as a weaker euro year-on-year, are the main differences from the 2012 financial year. We expect capital expenditure to remain broadly steady on a constant currency basis.

We expect the Group EBITDA margin decline to continue its improving trend, supported by continued strong growth and operating leverage in our AMAP region, and improving control of commercial costs in Europe.

We remain committed to continuing to deliver a good return to our shareholders through the achievement of our targets for free cash flow and dividend growth; our focused investment in profitable growth areas; and our ongoing capital discipline.

Vittorio Colao
Chief Executive

Summary of the year

- **Our focus on the key growth areas of data, emerging markets and enterprise is positioning us well in a difficult operating environment.**
- **Our commercial performance and our ability to leverage scale continue to be strong, enabling us to gain or hold market share in many of our key markets.**
- **Our robust cash generation and the income dividend received from Verizon Wireless have enabled us to translate this operational success into good returns for shareholders.**
- **Our goal over the next three years is to continue to strengthen our data networks and to enrich customers' experience.**

Where the industry is now

The mobile industry is a large and important sector with six billion global users. Customer growth over the last five years has been rapid, driven by the benefits of mobility, falling prices and rising penetration in emerging markets. However, pressures on revenue growth from competition and regulation are significant and are likely to remain.

- **86% of the world's population use a mobile phone**
- **Competition is intense with typically at least four mobile operators in each country and numerous additional alternative communications providers**
- **Regulators continue to impose policies to lower the cost of access to mobile networks**

Scale

The mobile industry is one of the largest communication sectors in the world with over six billion users across the globe. In contrast there are only 1.2 billion people with fixed line phones. The mobile industry generates around US$960 billion of annual service revenue, 80% of which comes from people making standard voice calls and sending texts. Over the last ten years the share of telephone calls via mobile has increased from 20% to 74%, reflecting the benefits of mobility. In 2011[1], 4.3 trillion text messages were sent (about 136,500 every second).

Growth

The demand for mobile services continues to grow. In the last five years the number of users has increased by an average of 17% each year driven by rising living standards, population growth and cheaper mobile services and handsets. In 2011[1] 86% of the world's population has a mobile phone, whereas ten years ago this was only 16%. Most of the new demand for mobile services is from emerging markets such as India and Africa.

In India for example, the number of phone users increased by over 140 million in just one year, 2011[1], which is more than twice the size of the UK population. Emerging markets are growing quickly, and account for over 70% of the world's mobile users. The rest live in developed markets such as Europe and the United States, where demand is growing more slowly as most people already have a device – in Europe for example there is already an average of 1.3 SIM cards per person.

Competition

The telecommunications industry is highly competitive, with typically at least four national mobile network operators, such as Vodafone, and one national fixed line operator in each country. In addition, there can be numerous companies that rent capacity from mobile operators and sell their own mobile services to customers. In some countries there can also be several independent distribution companies that compete with the mobile network operators' own stores. Advances in technology are bringing in newer suppliers, such as internet based companies and software providers offering converged services such as voice over internet protocol ('VoIP'). Against this background, consumers have a wide choice of providers.

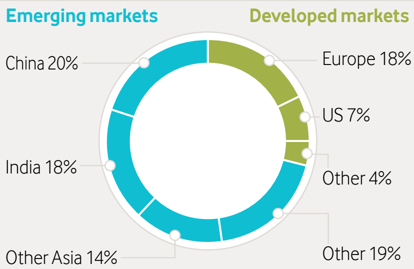
Regulation

The mobile industry is very heavily regulated by both national, European and other regional and international authorities. Regulators continue to impose policies to lower the cost of access to mobile networks through setting lower mobile termination rates (the fees mobile companies charge for calls received from other companies' networks) and to limit the amount that operators can charge for mobile roaming services. These two areas represent 12% of service revenue for Vodafone.

In an environment of intense competition and significant global regulatory pressures, industry voice prices have tended to reduce over time – and in 2011[1] fell 14%. However, with more mobile phone users and some customers using their devices ever more frequently, global industry revenue remains on a positive trend and expanded 5% in 2011[1].

Note:
1 Refers to calendar year.

Mobile phone users by market 2011
Industry data calendar year



Mobile penetration 2011 %
Industry data calendar year

Europe	130
US	106
Turkey	91
India	74
China	74

Outgoing voice prices per minute (year-on-year change) %
Vodafone data

2010	–22
2011	–21
2012	–16

The industry data on pages 18 and 19 is sourced from Strategy Analytics, IDC and Merrill Lynch Wireless Matrix.

Where the industry is heading

The pace of change in the mobile industry is significant with growing sources of revenue from data services such as internet usage; new users from emerging markets; rising take-up of smartphones and tablets; and major advancements in network technology to deliver faster and better services.

- **Data services and emerging markets represent the largest opportunity as traditional voice and text services in developed countries reach maturity**
- **The shift towards smartphones and away from feature phones continues with smartphones representing nearly 40% of devices shipped in the last year**
- **Significant technological improvements have led to faster data networks and product innovation to improve the customer experience**

Growing revenue streams

The share of industry mobile revenue from traditional voice and messaging services in developed markets is declining due to relative market maturity, ongoing competitive and regulatory pressures leading to lower prices for mobile calls, and a slow pace of economic growth. In contrast the demand for data services, such as internet on the mobile, is growing rapidly. In 2006[1] data services accounted for 6% of industry mobile service revenue, in 2011[1] it reached 20%, and it is expected to rise further over the medium term.

Demand is being driven by a combination of higher smartphone penetration, significant enhancements to network data speed and coverage, and an increased range of mobile applications. Smartphones now represent 39% of all handset sales compared to 8% in 2006[1].

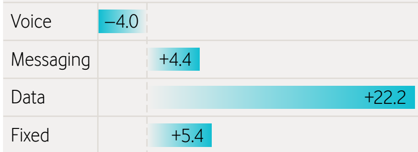
Emerging markets, such as India and Africa, represent the regions with the most potential for future revenue growth driven by strong economic growth and low mobile penetration. For example, only 74% of India's 1.2 billion population have a mobile phone implying good potential future market growth. According to external estimates by 2015[1] there will be 1.5 billion new mobile users, and the vast majority will be from emerging markets.

Technological innovation

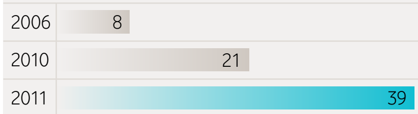
Today's mobile networks in Europe are typically a combination of 2G networks for traditional voice, text and basic data services, and 3G networks for high speed mobile internet access and application downloads. 3G maximum data downlink speeds are already up to 43 Mbps (with typical user speeds of up to 6 Mbps). 4G, or long-term evolution ('LTE'), the next stage of mobile network development, is already in place in some countries – providing maximum user speeds of up to 150 Mbps (typical user speeds up to 12 Mbps). Going forward, further network upgrades are expected to significantly enhance the user experience through a combination of both faster networks and wider high speed network coverage.

Innovation in services is also critical to enhance customer experience. Vodafone, together with a number of other leading operators, has developed the next wave in personal mobile communications known as rich communication services which will enable data services such as instant messaging or chat, live video sharing and file transfer across any device and on any network, in much the same way as voice and SMS. Vodafone is also developing a range of new services to generate additional revenue and enhance the customer experience such as mobile commerce, machine-to-machine and operator billing, which are discussed in more detail on pages 30 and 31.

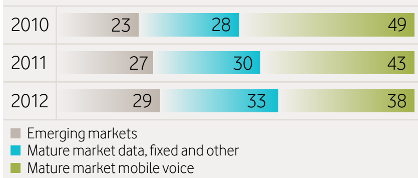
Service revenue growth 2012* %
Vodafone data



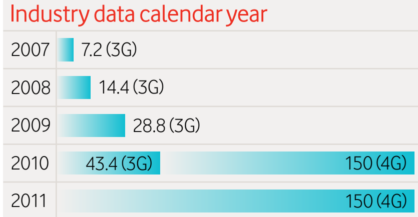
Smartphone share of handset shipments %
Industry data calendar year



Service revenue from key areas %
Vodafone data



Maximum mobile data downlink speeds Mbps
Industry data calendar year



How we do business

A simple business model

We buy licences that give us rights to spectrum bands and we build networks over which we provide calls, SMS and mobile internet services to customers.

Customers pay for the services and we use the cash flow generated to reinvest in the business and provide a good return to our shareholders.

Our reinvestment in the business allows us to make continuous improvements to our network, strengthen our brand, and develop our stores and websites to attract new customers and retain existing ones.

1. Assets

Networks
We aim to have the best mobile network in each of our markets. This means giving our customers far-reaching coverage, a very reliable connection, and increasing speeds and data capacity. We believe that over time, offering a superior network experience will enable us to secure a premium positioning in most of our markets.

Our network investment is enhanced by our ongoing acquisition of mobile spectrum as it becomes available. For more information on our network build-out, see page 24.

Distribution
We operate around 14,000 stores across the Group, and have extensive networks of exclusive distribution partners and third party retailers. We will develop our distribution further to stay close to our customers, making it easy for them to join us from our competitors, upgrade their existing contract or just seek help with the services we offer. In addition, the internet is becoming an increasingly important part of our sales and service mix, and we have significantly upgraded our online shop and online service capabilities over the last three years.

Supplier relationships
We work closely with our suppliers to build robust networks, develop innovative services and offer the widest range of the latest devices. In many cases these are partnerships, where we will approach a supplier with an idea or a problem that needs solving, and then work together to bring a solution to market.

From the customer perspective, the global reach and scale of Vodafone means that we will often be the destination for exclusive or first-to-market products.

People

We place significant emphasis on the calibre of the people we recruit, how we develop them and the importance of our interface with our customers. We are working hard to build a more diverse workforce that is more representative of our customer base. We also believe it is important for our people to be the biggest champions of our own products and services, so that we all become natural Vodafone advocates. See pages 34 and 35 for more information on our people.

Brand

Vodafone is ranked as the number nine brand globally with an attributed worth of US$30 billion (source: Brand Finance), and the most valuable telecoms brand in the world. The strength of the brand raises the profile of our distribution channels and is a major driver of purchasing decisions for consumers and enterprise customers alike. During 2012 we continued our title partnership with the Vodafone McLaren Mercedes Formula One Team to give ongoing global exposure for our brand.

2. Customers

With 404 million customers globally, Vodafone is one of the biggest mobile operators in the world. Mobile communications are now a way of life, connecting people, stimulating commerce, offering entertainment and providing security.

Our customers also include many of the world's biggest companies: over 23% of our Group service revenue comes from the enterprise segment (see pages 28 and 29 for further details).

What all our customers have in common is the expectation of a great experience in what has become an essential service.

3. Revenue

We generate our service revenue through the supply of calls, text messaging, data and other services over our networks. Consumers pay for these services either via contracts (typically up to two years in length) or through buying their airtime in advance (prepaid or pay as you go). Enterprise customers often have longer contracts.

These revenue models give us excellent visibility of our business. In addition, we are not reliant on single large contracts, with the top ten biggest corporate accounts representing less than 1% of annual revenue. Secondly, the majority of our services are sold in advance – reducing credit risk and generating an attractive working capital profile. Finally, our services have become such a part of our customers' everyday lives that they have become non-discretionary in nature.

4. Cash flow

Our track record of converting revenue into cash flow is strong. Firstly, we run highly efficient networks where we seek to minimise costs, thus supporting a strong gross margin. Secondly, our market share position in many markets is strong and growing, with this in-market scale being a key driver of cost efficiencies and EBITDA margin.

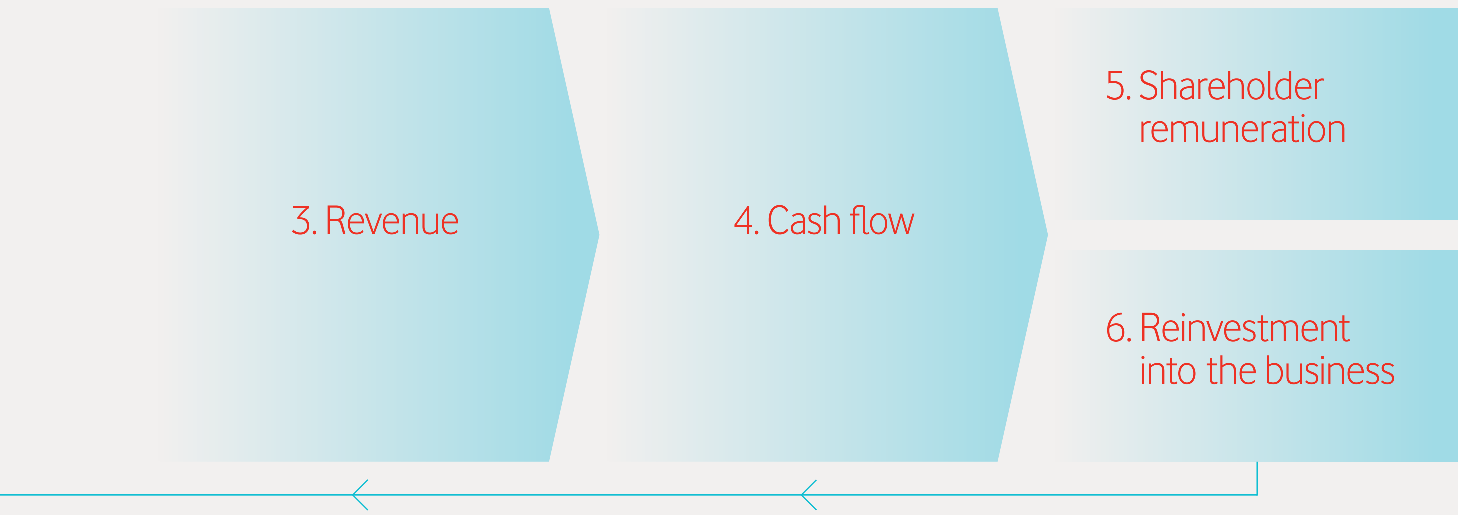
5. Shareholder remuneration

The cash generated from operations allows us to sustain a generous shareholder returns programme while also investing in the future prosperity of the business. Our annual regular dividend per share, which we have targeted to grow by at least 7% to March 2013, is comfortably covered by our free cash flow guidance.

In addition, we have paid out a special dividend from the income dividend from Verizon Wireless, and are close to completing a £6.8 billion buyback programme financed through recent asset disposals. We have returned over 30% of our market capitalisation to shareholders over the last four years.

6. Reinvestment into the business

We have maintained a high and consistent level of capex in recent years, to support wider coverage, higher speeds and deeper capacity in our networks. Through our IT investment we are enhancing our customer relationship capability and providing new customer billing services. In addition, we have continued to invest in our stores, our internet and social media presence and spectrum licences to support future services and growth. We have successfully balanced the ongoing capital requirements of the business with attractive shareholder remuneration.



Strategy

Focusing on growth in:

Mobile data services

Our goal is to become the provider of choice for customers wanting to use data services. The opportunity is huge as we believe that over time all customers will want to use data internet services on their mobile devices.

The mobile industry started less than 30 years ago with a single service – making and receiving calls. Today our customers enjoy a range of services including simple voice calls, text and picture messaging, and data services such as mobile internet browsing, social networking sites, downloading applications ('apps') and sending emails via smartphones.

Market context:

According to industry analysts, data is expected to be the fastest growing segment of the mobile industry. It is estimated that between the 2011 and 2016 calendar years worldwide mobile data revenue is set to grow by US$142 billion, compared to a US$27 billion decline in voice revenue over the same period.[1]

Goals:

We aim to have the best mobile network in all of the markets in which we operate, supported by leading IT systems. This means giving our customers far-reaching coverage, a very reliable connection and increasing speeds and data capacity.

Strengths:

We have more than 238,000 base station sites transmitting wireless signals – making us one of the largest mobile operators in the world.

Actions:

We are investing around £6 billion a year to deliver a high quality mobile data experience for our customers.

Progress:

In 2012 nearly one trillion minutes of calls were carried and more than 216 petabytes of data were sent across our networks – in other words enough data for 2.8 trillion emails.

The demand for mobile data services is growing rapidly

Data is already our fastest growing segment, with data revenue up by 22.2%* over the financial year, compared to a 4.4%* rise for messaging revenue and a 4.0%* fall for voice revenue. This demand is being driven by three key factors – a widening range of powerful and attractive smartphones and tablets, significant improvements in mobile network quality and capability, and an increased choice of user friendly and useful applications for business and social use.

Data revenue growth* %

	%
2010	+19.3
2011	+26.4
2012	+22.2

We have already seen significant growth in the number of customers using smartphones, with 27% of customers in Europe using these devices today, compared to 19% last year, and this is expected to grow rapidly in the next few years.

Data users Millions

	Millions
2010	52
2011	81
2012	108

34%

of our customers use data.

We are growing data revenue through enhancing technology and improving the customer experience

We are continuing to refocus our business on data to capture the significant expected growth in customer demand for data services.

We aim to deliver a market-leading network experience to our customers. To compare our performance against our major competitors we conduct regular benchmark tests using reputable third parties. The latest results show that we have leading data service performance in 13 out of 18 markets with data downlink speeds on average around 6% better than our next best competitor.

Typical user data speeds 2012 Mbps

	Vodafone	Next best competitor
Downlink	5.6	5.3
Uplink	1.8	1.4

More on how we're driving data through technology and customer experience
Pages 24 and 25

Note:
1 Sourced from Strategy Analytics.

Enhancing the UK network

Over the last 18 months we have been upgrading our network in the UK, and particularly London, to cope with the expected extra demand from the 2012 summer Olympic Games and to deliver a much enhanced smartphone data experience.

We have reconfigured our 3G network to run on 900 MHz frequency spectrum instead of 2100 MHz, which enables the radio signal to travel longer distances and provides better indoor coverage. We've also increased the number of base station sites in the UK over the last year by around 1,300, bringing the total to more than 14,600 nationally, which will boost capacity by around a third. Customers will see major benefits with improved coverage and accessibility to the network together with faster data speeds.

In order to deliver on the growth opportunity in mobile data we are focused on improving the user data experience through two key areas – technology and customer experience.

You can read about these in more detail on the following pages...

Strategy (continued)

Mobile data:

Technology

We want to have the best data network and IT systems to provide the platform for our products and services. At the same time we will continue to carefully manage our cost base to deliver profitable data services.

- **We want to provide the best data network in terms of coverage, speed and capability.**
- **At the same time we will continue to carefully manage our cost base to deliver profitable data services.**
- **Our goal is to provide robust IT systems to provide the platforms and tools for managing customer relationships for our products and services.**

89%
of the European population where we operate is covered by our 3G network.

£304m
invested in research and development during the year to ensure we continue to develop innovative services.

Data volume Petabytes

2010	95
2011	161
2012	216

Network population coverage in Germany 2012 %

2G	99
3G	91
4G	35[1]

Note:
1 Household coverage.

Our goal is to provide the best data network

- Today 99% of the population in our European markets can make a call across our network. We want the same level of reach for data users so that customers can use data almost everywhere they want, whether at work in big cities, relaxing in the countryside or on holiday by the beach. We already have a strong data network as a result of significant investment in 3G technology, with over 89% 3G data population coverage. We aim to increase coverage further to enhance the number of locations where customers can use data services.
- We are building faster and more reliable data networks that either meet or exceed the capabilities of leading smartphones for headline data downlink speeds. At present some 82% of our 3G footprint in Europe is capable of maximum data speeds of 14.4 Mbps or better and by 2015 this is expected to be nearly 100%. We will continue to upgrade our capability of both 21.6 Mbps and 43.2 Mbps in anticipation of the latest generation of smartphones and tablets.
- To support high speed data capability being introduced across our network we continue to upgrade our backhaul and backbone transmission capabilities, which connect our base stations to the latest technology. High capacity backhaul using ethernet, microwave and optical fibre transmission equipment is now in about 41% of our sites in Europe compared to 20% a year ago.

Long-term evolution ('LTE') technology

While 3G provides a mobile data user experience comparable to traditional fixed broadband services based on copper technology, the development of 4G services, sometimes called long-term evolution ('LTE') technology, will significantly enhance the user experience providing user speeds of up to 12 Mbps, compared to up to 6 Mbps on 3G. In Germany, our first market to launch LTE, we have already deployed the capability on 12% of our radio sites, and as a result we can provide market leading coverage to 14 million German households, one-third of the total.

We continue to manage our cost base carefully

- The increase in demand for data has meant that data traffic has more than doubled in the last two years and as a result, data now accounts for 67% of the total traffic on our network. Despite the significant cost pressures that this adds, we have managed to keep our technology operating costs, broadly stable over the same period by investing in cost efficient equipment. For example over 70% of the new radio sites deployed across the Group during the year were shared with other mobile operators which reduces the cost of renting or building new sites. We are also deploying more single radio access network ('RAN') base station sites which comprise 2G, 3G and 4G technology in one single unit as opposed to three different, and hence more expensive units. Single RAN units are now present in 24% of our sites and deliver energy operating cost savings of up to 40% compared to traditional RAN units.

Our goal is to maintain robust IT systems to provide the platform for enhancing the ways we manage our customer relationships

- We are developing a number of tools to improve the ways we interact with customers. We are investing to create a "single view" of our customers across the Group which links together all customer activity and information on our various sales channels – online, retail and contact centres. So, for example, if a customer calls a contact centre or participates in web chat online this information would be available to our in-store staff.
- We are also investing in new ways of billing customers to make tracking spend easier, including one bill for voice, data and fixed services.

Mobile data:

Customer experience

We aim to differentiate from our competitors by smart and continued investments in technology, capabilities and distribution, providing both a great customer experience and competitive value to our customers.

→ **We want our customers to enjoy the experience when they interact with us, through providing the best retail stores, the easiest online experience and most accessible expert advice when needed.**

→ **Our goal is to offer customers the most attractive and innovative range of mobile devices, from smartphones to tablets, USB sticks and connected devices.**

→ **We aim to provide services that help our customers access their digital life in an easier and safer way and to build customers' trust.**

14,000

We are among the world's largest retailers with around 14,000 retail stores.

1st

Our brand is rated as the most valuable telecoms brand in the world.

Vodafone 858 Smart

The Vodafone 858 Smart is our Vodafone branded Android smartphone positioned to accelerate mobile data mass market adoption, with a retail price of around £55 in the UK. We are giving access to the mobile internet with a high quality experience to the mass market, and have sold around one million units since its launch in June 2011.

We want our customers to enjoy the experience when they interact with us

→ Our traditional voice and text messaging services are relatively simple to use and understand, however mobile data can be more difficult to understand – for example setting up your smartphone, email account or accessing internet applications. We are taking a number of steps to improve our service to make it easier for our customers. Our retail stores around the world are being reconfigured to offer customers a better experience with services which ensure customers leave the store with their smartphone fully running, and technical support experts to resolve customers' questions or problems with their devices. By May 2012 4,400 of our stores provided these services and during this year we will further expand the roll out.

→ We are also using more online capabilities so that 57% of our customers in Europe now receive an electronic bill which saves us money and also helps the environment. We have extended the online self-care service from PC to smartphones and tablets in 17 of our markets and now have eight million customers who can view their billing information, their usage and information about their price plan, across any of their connected devices.

→ We are evolving our contact centre strategy to encourage the use of social media which is simple and attractive to use for some customers. Last year we received 64 million contacts through our social media contact centres such as Vodafone Facebook, YouTube and customer forum.

Our goal is to offer our customers the most attractive and innovative range of mobile devices

→ Our strategy is to leverage our devices portfolio to both differentiate as well as drive data usage in the market. 27% of our customers in Europe use a smartphone, compared to 19% a year ago. Among consumer contract customers that pay a regular fee the figure is even higher at 47%. We continuously work with our strategic partners to have the most attractive smartphone portfolio, including both high-end devices and prepaid handsets such as the value-focused Vodafone 858 Smart.

We aim to provide services that help our customers access their digital life in an easier and safer way and to build customers' trust

→ We have established a range of integrated voice, SMS and data plans. Within these plans, customers are able to use whatever services they wish – from simple calls and text messaging to all the applications that the internet provides. 27% of our customers in Europe are already on these plans, up from 13% last year.

→ In order to keep customers' information safe and secure, Vodafone has launched a range of services designed to support data usage on smart devices and build longer term relationships with customers. Key examples are Vodafone Cloud, Vodafone Contacts, Vodafone Protect and Vodafone Guardian. Vodafone Cloud automatically uploads or saves customers' photos and videos to the cloud which can then be retrieved from any device. Vodafone Contacts, another cloud based solution, backs up customers' phone contacts, so all their numbers are always safe. Vodafone Protect enables us to locate lost or stolen phones and laptops, and wipes the content to keep them secure. Vodafone Guardian is a service to help protect children with smartphones against unwanted communication, promoting responsible use of mobile technology, and helping parents control how their children's smartphones are used.

Share of European customers with a smartphone %

2010	10
2011	19
2012	27

Share of European consumer contract customers on integrated price plans[1] %

2011	13
2012	27

Note:
1 Integrated tariffs were introduced to our markets during the 2011 financial year.

Business review
Performance
Governance
Financials
Additional information

Focusing on growth in:

Emerging markets

Emerging markets such as India and Africa represent a significant opportunity for growth. Last year the Indian mobile market added 140 million customers – over two times the size of the UK population.

Emerging markets represent around 29% of our service revenue and the share is likely to grow over the medium to longer term driven by continued strong economic growth and the increase in mobile penetration towards mature market levels.

Market context:
Almost all of the 1.5 billion new mobile phone users over the next four years are expected to come from emerging markets.[1]

Goals:
We are steadily increasing our exposure to emerging markets given the stronger growth prospects that they offer relative to developed markets.

Strengths:
We operate mobile networks in a number of emerging markets including India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji – in which we hold either a number one or two revenue market share position.

Actions:
Our high quality networks combined with low cost devices and innovative services such as mobile payments and mobile health solutions help to support economic development in underdeveloped communities (see below and "Sustainable business" on page 36 for more information).

Progress:
Emerging markets represent our fastest growing geographies, delivering service revenue growth of 13.2%*, compared to a fall of 1.1%*, for our Europe region.

The attraction of emerging markets

Over 70% of the world's six billion mobile phone users are in emerging markets, where incomes are generally lower than mature markets such as Europe. Emerging markets tend to have stronger growth prospects than mature markets, as a smaller share of the population in these countries have mobile phones and the pace of economic and population growth tends to be higher. During the year mobile service revenue growth in our emerging markets increased by 13.2%*, including 19.5%* in India and 25.1%* in Turkey. This was driven by continued strong economic growth and rising mobile penetration. In contrast revenue growth in Europe declined 1.1%*.

Emerging market service revenue growth* %

	%
2010	+7.9
2011	+11.8
2012	+13.2

The data opportunity in emerging markets

Mobile data is increasingly popular in emerging markets given the lack of alternative fixed line infrastructure. For many people in emerging markets their first internet experience has been on a mobile device and we expect this to be the case going forward. The demand for data is expected to grow strongly as only around 29% of our customers in these markets currently use data services, compared to about 42% in Europe. At 31 March 2012 over half of our mobile data users were from emerging markets.

Our money transfer service, M-Pesa, supports economic development in emerging markets

Mobile services are a key driver of economic development in emerging markets. According to a World Bank study, a 10% increase in mobile penetration can add 1.2% to annual economic growth in an emerging economy. Our Vodafone money transfer service, M-Pesa, is also contributing to economic growth in countries that lack banking services. It enables millions of people who have a mobile phone, but with limited or no access to a bank account, to send and receive money, top-up airtime and make bill payments. We now have just over 14 million active M-Pesa customers, who transfer up to £600 million per month. The service is established in Kenya, Tanzania, South Africa, Afghanistan, Qatar and Fiji. During the financial year, we launched M-Pesa on a trial basis in Rajasthan, India, in preparation for a full launch later this year across the country.

29%
of our service revenue is from emerging markets.

£600m
transferred person to person over our M-Pesa platform per month.

Note:
1 Sourced from IDC.

Our contribution to mHealth solutions

Mobile technologies offer significant opportunities to improve the accessibility and effectiveness of health services. In Tanzania our SMS for Life project uses SMS to track and manage the supply of malaria drugs so patients do not have to go without. During a six month pilot, the number of clinics without supplies reduced from 26% to almost zero. The SMS for Life project has since expanded to cover all 5,000 health facilities across Tanzania.

Managing scale in India

India is our largest market measured by customers with over 150 million phone users. We added 16 million customers last year, which is equivalent to two times the population of London. Every month we handle 43 million calls to our call centres and have the capability to deal with a diverse customer base given the 22 languages and 100 dialects in the country. With our broad distribution reach, customers can top up at over 1.4 million recharge outlets.

Focusing on growth in:

Enterprise and total communications

Continued globalisation of marketplaces and the growth of small businesses looking for more productive ways of communicating has created growth opportunities for Vodafone in all enterprise segments from micro-businesses to multinationals.

Our enterprise customers range from small-office-home-office ('SoHo') businesses and small-to medium-sized enterprises ('SME'), through to large domestic and multi-national corporates ('MNC'). Across the Group we have over 30 million mobile enterprise customers accounting for around 8% of all customers and around 23% of service revenue.

Market context:
Enterprises spend €86 billion in total in areas where Vodafone provides its services: mobile voice, messaging and data.[1]

Goals:
We want to confidently connect businesses using our expertise in converged services, delivering unmatched customer experience and real value for money. We aim to continue to gain market share and exploit opportunities across our geographic footprint.

Strengths:
Our geographic footprint in Europe allows us to enhance efficiency and realise scale benefits, allowing us to offer customers both fixed and mobile converged solutions.

Actions:
Our Vodafone One Net proposition offers customers one number which can be answered on their desk phone or mobile phone and is the foundation of our unified communications strategy.

Progress:
40% of our enterprise customers now have a smartphone or tablet across Europe, pushing enterprise data revenue growth of 18.2%*.

Leading in enterprise

The core criteria our enterprise customers use when choosing a communications service provider are speed, simplicity, flexibility, cost and security. We are well placed to offer enterprise customers all of these through our mobile and fixed converged services, applications and secure solutions.

Vodafone Global Enterprise

Vodafone Global Enterprise serves the needs of Vodafone's largest multi-national corporate ('MNC') customers. MNCs demand a consistent multi-country offer from Vodafone across our global footprint. Vodafone Global Enterprise simplifies operations for these customers by providing them with a single account and service team, a single contract, single pricing structures and a single portfolio of products and services. Vodafone Global Enterprise has created a market leading portfolio of Managed Mobility Services providing capabilities such as mobile email or device security as a chargeable managed service in addition to providing the underlying connectivity and devices. By providing a broader range of services Vodafone Global Enterprise extends its core value proposition of integrating, managing and simplifying global communications services for MNC customers.

During the financial year Vodafone Global Enterprise achieved revenue of £1.3 billion, with growth of 11%* across the Group, 12%* in Europe and 8%* growth in our AMAP region.

Total communications

Enterprise customers are embracing flexible and remote working to improve business efficiency. Vodafone's fixed and mobile converged solutions and reliable mobile data services are increasingly vital to our customers' business operations.

Vodafone One Net offers customers a single telephone number which rings on both their fixed desk-phone and mobile handset. One Net users have complete control over where and when they take their calls. Businesses have the flexibility to change the number of users depending on their needs. As a result we help improve business efficiency, flexibility and cost control. Vodafone One Net users generate higher revenue and lower churn than mobile-only customers.

Consistent with our Group strategy of continuing to develop services in Europe and enhance our efficiency and realise scale benefits, in April 2012 we announced a recommended cash offer for Cable & Wireless Worldwide plc, a leading UK fixed line business. If our offer is successful our combined business will create a leading integrated fixed and mobile operator in the UK, opening up attractive opportunities in the unified communications space.

Enterprise mobile data

Vodafone's device management solutions help customers manage the rapidly increasing number of mobile devices, such as smartphones and tablets, used in their business. Our reliable and secure data networks allow our customers to make full use of the mobile internet for business. Enterprise data revenue grew 18.2%* this year driven by smartphone penetration of 40%, as the use of the internet on smartphones has increased.

Note:
1 Sourced from IDC, MZA and Vodafone estimates.

Enterprise share of service revenue

	%
2010	22.8
2011	22.9
2012	23.1

Enterprise customers

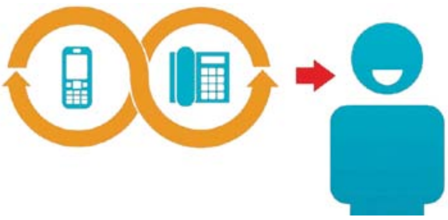
	Millions
2010	26.0
2011	28.1
2012	30.3

Vodafone One Net users

	Millions
2010	0.8
2011	1.4
2012	2.0

Total communications

In November 2011, Vodafone Global Enterprise acquired Bluefish to become the consultative heart of our unified communications offering to multi-national corporations. As enterprise customers demand more complex end-to-end solutions, Bluefish brings Vodafone the experience and expertise to be innovative and deliver complex projects through sophisticated use of technology and brings more value to our customers.



Strategy (continued)

Focusing on growth in:

New services

We are supplementing our core communications services of voice, data and texts with a range of new services to generate additional revenue and enhance the customer experience. These new services comprise three key areas – mobile commerce services, machine-to-machine ('M2M') services and operator billing.

People are using data more and more in their everyday lives driven by fast, reliable mobile data networks and continual improvements in devices such as handsets and tablets. We are also seeing increased interest from customers in new data-based services like mobile payments via handsets and mobile data devices for homes and cars.

Market context:
New services account for a small portion of our revenues today but the potential market opportunity is significant.

Goals:
We want to expand our presence in attractive new growth segments to capture the incremental opportunity and enhance customer service through the provision of new and useful services that add value to our customers' lives.

Strengths:
Our global network reach, leading brand and strong service platforms make us well placed to become the partner of choice and capture the revenue growth opportunity.

Actions:
We are developing new services in partnership with leading companies from all relevant industries, including financial institutions, retailers, software producers and handset manufacturers.

Progress:
During the year we saw strong growth in the take up of new services, adding 3.2 million active M-Pesa customers and 2.5 million new M2M connections.

Mobile commerce services

Mobile financial services are today at the core of our mobile commerce services and M-Pesa is our main service, a mobile payment service that enables millions of people to transfer money electronically even when they have no access to a bank (see page 26 for more details). We are also developing a global mobile wallet service whereby customers with suitably equipped smartphones can use them to pay for goods and services. Earlier this year we announced a worldwide partnership with Visa to enable customers to simply wave their phone in front of a payment terminal to make simple everyday purchases such as train tickets, newspapers or their morning coffee.

M-Pesa active customers Millions

2010	7.2
2011	11.2
2012	14.4

Machine-to-machine

M2M connections allow machines to communicate with one another via built-in mobile SIM cards. It is our vision to transform lives and businesses by providing the most innovative M2M products and services for our customers. Smart metering, automotive and logistics are currently the key growth sectors with the potential market increasing from €3 billion in 2011[3] to €6 billion by 2015[1,3]. We are now serving around 7.8 million M2M connections globally, up from 5.3 million last year.

An increasing number of global businesses are incorporating M2M communications into their core operations, leading to greater productivity, enhanced customer service, lower energy use and decreased carbon dioxide emissions.

Machine-to-machine connections Millions

2010	3.7
2011	5.3
2012	7.8

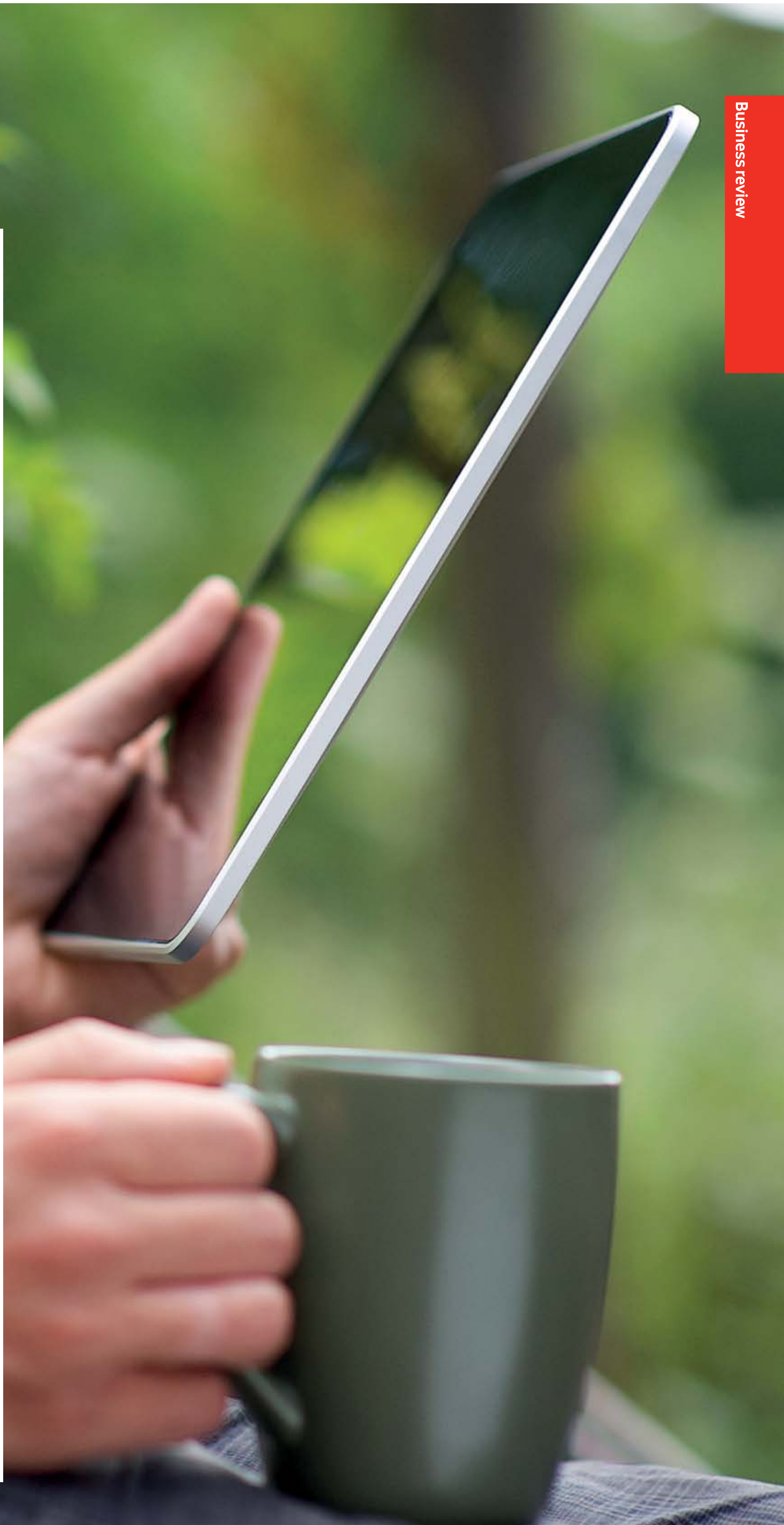
Operator billing

Across the globe around 28 billion apps are downloaded every year; most are free but an increasing number are paid for. To build on this opportunity we are partnering with leading companies such as Google and Facebook to enhance their service with a simple solution that allows our customers to pay for apps and games directly and simply on their Vodafone monthly phone bill. We were the first operator to launch the service in Europe for the Android market and the service today also works on BlackBerry and Nokia. Early results have shown that around 80% of apps bought through BlackBerry App World are paid for via operator billing. These recently launched services provide a great customer experience and we had over 130,000 active users at the end of the financial year.

Apps paid through Vodafone operator billing[2] Thousands

2011	205
2012	1,563

Notes:
1 Consensus of leading M2M market analysts for global M2M connectivity (excludes hardware, software, applications and system integration services).
2 Data for 2010 is unavailable as the service was launched in 2011.
3 Refers to calendar year.



+€3bn

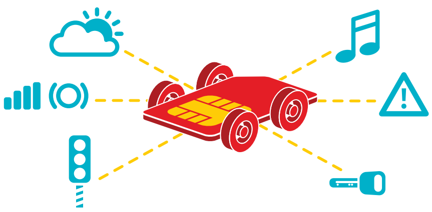
The machine-to-machine market (SIM to SIM communication without human intervention) is expected to grow from €3 billion in 2011[3] to €6 billion by 2015[3].

BMW uses Vodafone's machine-to-machine SIMs

In March we announced that Vodafone's new SIM chip, which is based on machine-to-machine technology and allows different devices to communicate with each other, has been selected by BMW.

Starting later in 2012, new BMW vehicles will be fitted with specially adapted Vodafone SIM chips which will provide drivers with access to innovative in-car services such as the BMW online service, a 24/7 personal concierge service for drivers and emergency call functions.

The Vodafone SIM chip has a lifespan of more than ten years and can withstand temperatures from minus 40 to plus 85 degrees centigrade.

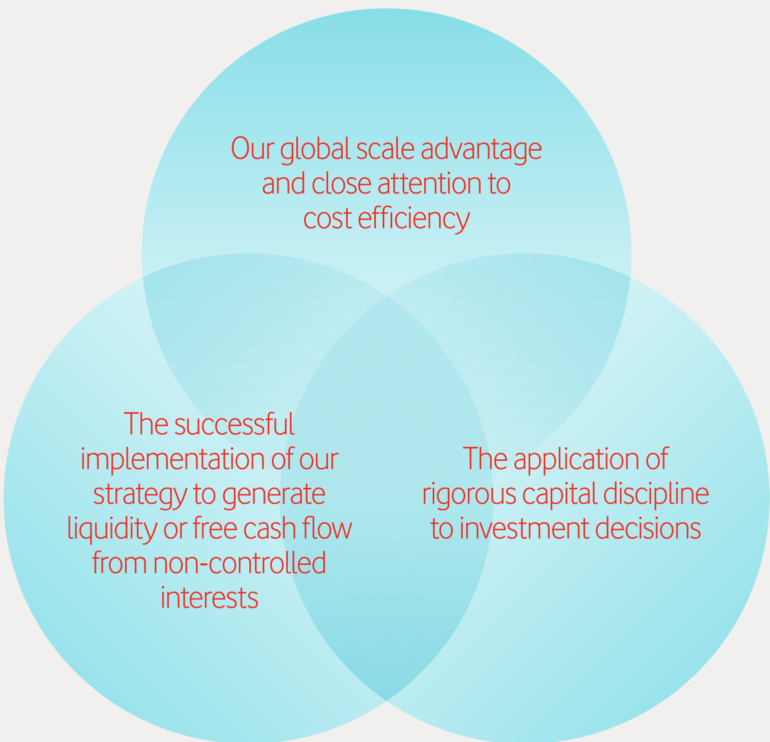


Maintaining our leading market position

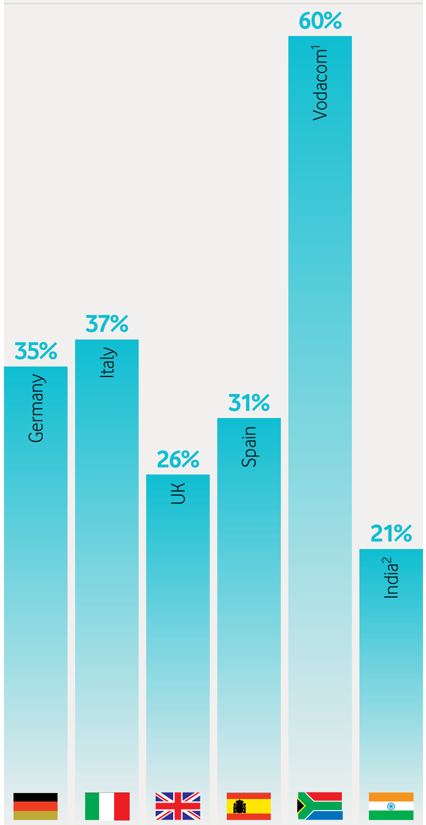
Vodafone is a high performing company with a leading market position. We are either the number one or number two mobile operator, when measured by revenue market share, in 14 out of 18 countries we operate in. We have outperformed our competitors by increasing market share in most of our key markets over the last year.

Our business is highly cash generative and in the last four years we have returned over 30% of our market capitalisation to shareholders in the form of dividends and share buybacks, while still investing around £6 billion a year in our networks and infrastructure.

Our leading performance is based on three core strengths:



Mobile service revenue market share in key markets March 2012



Notes:
1 Market share information relates to total revenue for South Africa which is Vodacom's largest business.
2 India: December 2011.

Deliver value and efficiency from scale

Vodafone is one of the world's largest mobile companies. Our networks support 404 million customers and carry nearly one trillion minutes of calls and 324 billion texts each year. Our scale enables us to secure considerable unit cost savings in various ways including purchasing, standardisation of processes, off-shoring activities to lower cost locations, outsourcing non-core activities to third parties and sharing common resources with other operators.

Purchasing

We use the Vodafone Procurement Company, the central Group procurement function based in Luxembourg to leverage our scale and to achieve better prices and more value.

Standardisation

We have developed one integrated data centre cloud across Europe and Africa and are well underway to extending it to Asia this year which enables us to operate highly resilient services and to be faster to market with our new services.

Off-shoring

We use shared service centres in Hungary, India and Egypt to provide financial, administrative, IT, customer operations and human resource services for our operations in over 30 countries which helps us to standardise and optimise the way we run our businesses.

Outsourcing

We have outsourced day-to-day network maintenance in ten countries enabling significant scale economies for the chosen supplier which are passed on to us in the form of lower costs.

Sharing

Over 70% of the new radio base station sites deployed this year were built as shared sites with other operators to reduce costs.

£0.9bn

In the last two years we have taken out some £0.9 billion from the cost base which has been used in part to offset inflationary pressures or cope with the volume of extra traffic on our networks. The net saving has been around £0.3 billion, which has been partly used to invest in commercial activities.

Generate liquidity or free cash flow from non-controlled interests

In 2010 we identified six non-controlled assets in which Vodafone was the minority partner, that would either be sold or from which we extract additional cash flow in order to fund profitable investment or enhance shareholder returns. Since 2010 we have made considerable progress in this strategy by raising a total of £17.7 billion from the sale of assets and additional dividends.

Businesses we have recently sold

In September 2010 we sold our 3.2% stake in China Mobile Limited for £4.3 billion.

In November 2010 we agreed to sell our remaining interest in SoftBank of Japan for £2.9 billion and the transaction was completed in April 2012.

In June 2011 we sold our 44% holding in SFR of France for £6.8 billion.

In November 2011 we sold our 24.4% share of Polkomtel in Poland for £0.8 billion.

Dividends received from our non-controlled assets

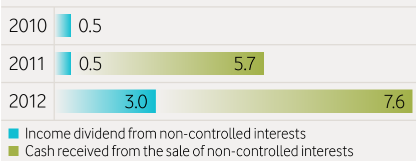
In January 2012 we received a £2.9 billion income dividend from our 45% interest in Verizon Wireless in the US. £2.0 billion of this was paid to Vodafone shareholders in the form of a special dividend. This was the first income dividend received since 2005.

Remaining non-controlled interests

We retain an indirect 4.4% interest in Bharti in India.

The proceeds raised from non-controlled interests are being used to fund the current £6.8 billion share buyback programme, of which £5.7 billion was completed at 31 March 2012.

Dividends and sale proceeds from non-controlled interests £bn



Apply rigorous capital discipline to investment decisions

We are focused on enhancing returns to our shareholders and are therefore careful how we invest shareholders' money. We apply rigorous commercial analysis and set demanding investment criteria to ensure that any investment, whether in existing businesses or acquisitions, will enhance value for shareholders. We remain committed to our target credit rating of low single A for long-term debt as this provides us with a low cost of debt and good access to liquidity.

Discipline of regular business reviews

We regularly review the cash needs of each of our existing businesses across the globe, taking into account their performance and competitive position. We make capital investments, such as for new equipment or spectrum, in our businesses to improve their performance and drive organic growth.

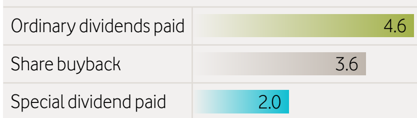
Returns to shareholders

We thoroughly review the best ways to provide returns to our shareholders. We have a target of increasing dividends per share by at least 7% a year until the financial year ending 31 March 2013. When we have surplus funds we consider additional returns to shareholders through special dividends or share buyback programmes.

Selective acquisitions

When managing capital we also consider whether to strengthen the Group by acquiring other companies to increase our operations in a particular market. All potential acquisitions are judged on strict financial and commercial criteria, especially whether they would provide meaningful scale in a particular segment, the cost of the acquisition and the ability to enhance the Group's free cash flow.

Returns to shareholders 2012 £bn



The Vodafone Way

The Vodafone Way is about a consistent way of working, with speed, simplicity and trust. The aim is to be an admired organisation which delivers through being customer obsessed, innovation hungry, ambitious and competitive, and one company with local roots.

Our people are integral to building and sustaining our success.

Market context:
We are a global company, with operations in over 30 countries and with around 29% of our service revenue from emerging markets. In order to meet our customers' different needs we aim to build a diverse workforce that reflects the various societies in which we operate.

Goals:
We strive for a broad employee base in terms of gender and nationality, and specifically target increased representation of women and emerging market talent at senior management level.

Strengths:
With around 86,400 employees we have a wealth of talent to draw from to drive our business forward.

Actions:
We invest nearly £60 million annually in training.

Progress:
According to our latest staff survey our employees' level of engagement, a combination of pride, loyalty and motivation, is in line with other high performing global organisations.

77
Employee engagement score, up from 75 in 2011

86,400
Average employees

Organisation effectiveness and change

We employed around 86,400 people worldwide during the year. Efficiency gains and related headcount reductions in Europe were partly offset by selective insourcing of customer call centres to improve customer experience, by our acquisition of Bel Company in the Netherlands to strengthen our retail and distribution and due to growth in emerging markets. We are also continuing to move some transactional and back office activities to our shared services centres in Hungary, Egypt and India.

Employment policies and employee relations

Our employment policies are developed to reflect local legal, cultural and employment requirements. We aim to be recognised as an employer of choice and therefore seek to maintain high standards and good employee relations wherever we operate.

Our goal is to create a working culture that is inclusive for all. We believe that having a diverse workforce helps to meet the different needs of our customers across the globe. An inclusive culture and environment is one which respects, values, celebrates and makes the most of the individual differences we each bring to Vodafone, to the benefit of our customers, employees, shareholders, business partners and the wider communities in which we operate. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. This also applies to agency workers, the self-employed and contract workers who work for us. In our latest people survey, 88% of employees agreed that Vodafone treats people fairly, regardless of their gender, background, age or beliefs.

The main emphasis of our global diversity strategy has been on gender diversity and to increase the number of women in top senior management positions which has risen to 19.4% from 16.5% last year. We are committed to increasing the representation of women at all levels and to increase the representation of emerging markets talents in our group function and senior leadership population. During the year we deepened our commitment to diversity through, for example, running diversity and inclusion training workshops for our middle and senior managers and helping our markets to better embed female consumer preferences in our products and services through the MWomen programme.

Health, safety and wellbeing

In 2011 we introduced our new safety plan to significantly reduce fatalities and create an injury free workplace. As a result we've seen a reduction in fatalities to zero in some of our countries (Turkey, the Democratic Republic of Congo and Mozambique). Sadly however, 21[1] people died in the course of Vodafone doing business around the world. Vehicle related incidents remain our number one cause of fatalities and we're addressing this through several interventions in local markets. In Ghana, for example, we set up a programme that uses vehicle simulators to assess driver competence, and a weekly analysis of driving activities through a GPS tracking system to improve driver safety.

Living The Vodafone Way

We want everyone to live The Vodafone Way as a customer obsessed ambassador for Vodafone so we've created a global online portal where all employees can learn about our products, get close to our customers and answer the question "Why Vodafone?" by understanding our strategy, priorities and differentiators.

Note:
1 While there were 21 fatalities involving contractors and employees, overall fatalities have reduced due to a decrease in fatal incidents involving members of the public.

Culture, communications and engagement

Our culture is based on The Vodafone Way which is about a consistent way of working, with speed simplicity and trust. All of our senior leadership team (227 people) attended a CEO led culture change programme in the 2011 financial year and are now returning for a practical hands-on reinforcement of the leadership skills and habits we believe we need to equip our leaders and teams with in order to make The Vodafone Way an everyday reality. Our Group functions and local markets have rolled out a similar programme for all their managers.

Regular, consistent and open communication is fundamental to high levels of employee engagement. This year we launched Vodafone Circle, an online social network and collaboration tool for all our employees making it easier to connect and share expertise on a company wide basis. Our people have access to information about our business through a global intranet, with local translations and content where appropriate. The Chief Executive communicates directly with all employees through regular team meetings, email, video and webchat, and this is reinforced by local chief executive communications in all of our markets. Relevant performance and change issues are also discussed with our employees through team meetings, round table discussions or through elected representative bodies in some of the European countries.

Talent and capability development

During the year our employees continued to perform at a high level and we strengthened our senior leadership team with 53% of the vacancies being filled by internal talent. Our global graduate and recruitment programme, Discover, continued to grow with over 400 recruits this year. In addition, we partnered with nine leading MBA schools in Europe, the US, Africa and India to recruit 15 MBA graduates for key management roles. We continued to encourage international assignments in our talent pipeline and introduced the Columbus programme designed for graduate recruits to gain international experience two years after joining Vodafone.

We are committed to helping our people perform at their best and achieve their full potential through ongoing training and development. People review and agree development objectives during their annual performance dialogue with their manager. During the year we invested around £60 million in training programmes. 75% of our people agreed that they had opportunities to learn the skills that they need to do their job well based on the 2011 people survey.

We continue to develop and strengthen Academies to build expertise in our core functional areas of technology, marketing, finance, human resources and supply chain. We have invested in a new learning management system which will be rolled out to all markets over the next 18 months, enabling more training to be delivered online and on demand.

Leadership development is an important priority for us. For the past five years we have been developing our next generation of leaders through Inspire, an 18 month programme for high potential managers. This year, 82 high potential managers from over 30 countries joined the programme, attending leadership development workshops, leading business challenges, and receiving coaching sessions and mentoring from senior leaders.

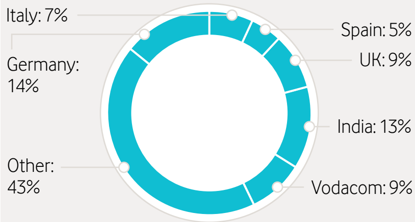
Performance, reward and recognition

We reward employees based on their performance, potential and contribution to the success of the business. We benchmark roles regularly on a total compensation basis to support our aim to provide competitive and fair rates of pay and benefits in every country where we operate. We also offer competitive retirement and other benefit provisions which vary depending on conditions and practices in local markets.

Global short-term incentive plans are offered to a large percentage of employees and global long-term incentive plans are offered to our senior managers. Individual and company performance measures are attached to these plans which give employees the opportunity to achieve upside for exceptional performance as well as ensuring that as a business we do not reward failure.

An ownership mentality is a cornerstone of our reward strategy and senior executives are expected to build up and maintain a significant holding in Vodafone shares within a few years of joining the company. In addition, all UK employees are able to build up an ownership in shares through our Sharesave scheme and Share Incentive Plan.

Employees by location 2012



Number of employees[1]

2010	84,990
2011	83,862
2012	86,373

Nationalities in top senior management roles

2010	26
2011	29
2012	25

Women in top senior management roles %

2010	14.5
2011	16.5
2012	19.4

Employee turnover rates[2] %

2010	13
2011	15
2012	15

Notes:
1 Represents the average number of employees in our controlled and jointly controlled markets during the year.
2 Based on our controlled markets and our joint venture in Italy.

Employee engagement

In October 2011 we carried out our seventh annual global people survey. The survey measures employees' level of engagement, a combination of pride, loyalty and motivation and 90% of those surveyed responded. We increased our overall employee engagement score by 2 points to 77 and remain in line with other high performing global organisations.

Enabling sustainable living for all

Our products and services make a real difference to people's lives around the world. This year we developed and launched a new vision that builds on our longstanding commitment to sustainability which will help more people to improve their lives.

Our vision is to unleash the power of Vodafone to transform societies and enable sustainable living for all.

Market context:
Many of the challenges faced in today's world demand a change in thinking and behaviour. In various different markets, our customers face pressure from food shortages, ageing populations and economic crises.

Goals:
We have a unique opportunity through our services to transform societies and enable sustainable living for all.

Strengths:
We have strong foundations and our technology is becoming ubiquitous, giving access to digital communications, and the services that we have developed, to people in many parts of the world.

Actions:
This year we developed and launched a new vision that builds on our longstanding commitment to sustainability which will help more people to improve their lives.

Progress:
Our Connected Agriculture research report, published in 2011, specifically identifies the opportunities for mobile to address challenges in world food supplies. Our 7.8 million machine-to-machine connections can lead to a dramatic reduction in carbon emissions, whilst improving business efficiency.

Our vision

The Executive Committee has overall ownership of the sustainability strategy, and the Board receives annual progress updates. Local markets develop their own strategies that address the primary opportunities and risks in their countries whilst supporting the Group's overall vision.

Throughout the year, we have kept abreast of the material issues through contact with customers, investors, employees, suppliers and governments. The Vodafone Sustainability Expert Advisory Panel met twice during the year and gave insight about our revised strategy.

Delivering transformational services

We aim to deliver products and services which can transform people's lives and contribute to more sustainable living.

M-Pesa

60% of the world's population do not have access to basic financial services such as a bank account or insurance. In addition to the challenges this presents for employment and education, efficient remittances to rural relatives rely on secure money transfer. The M-Pesa mobile money transfer platform and mobile contactless payments are the result of our focus on the development and deployment of innovative financial services. Further information is contained in "Emerging markets" on page 26.

Connected agriculture

By 2050 the world will need to produce 70% more food to satisfy a global population of nine billion[1]. We can help farmers meet this challenge by using mobile technology to improve productivity and increase efficiency throughout the agricultural value chain. Our Connected Agriculture research report, published in 2011 with Accenture, found that mobile technology could boost farmers' productivity enough to increase agricultural income by US$138 billion by 2020 across our markets, primarily in India, Africa and the Middle East.[2]

We are piloting services with some of our corporate customers to improve information sharing across their supply chains. For consumers we have established information services for farmers in several local markets which are paid for through special tariffs. More than 600,000 farmers in Turkey now subscribe to Vodafone Farmers' Club.

They receive SMS alerts with weather forecasts, crop prices and other information tailored to their local area. We estimate this has increased Turkish farmers' productivity by €100 million.

mHealth

The projected growth in the number of people over 55 years old will lead to an increase in public expenditure on healthcare especially for the treatment of chronic illness. In the European Union, spend on healthcare is projected to jump from 8% of GDP in 2000 to 14% by 2030[3]. Vodafone mHealth Solutions is focused on delivering services that cover remote care services, access to medicine and clinical research, such as our collaboration with Boston Scientific Corporation to develop remote mobile health monitoring products. Further information is contained in "Emerging markets" on page 26.

Notes:
1 UN Food and Agriculture Organization, How to feed the world, 2009.
2 Vodafone and Accenture, Connected Agriculture: The role of mobile in driving efficiency and sustainability in the food and agriculture supply chain, 2011.
3 According to World Bank figures.
4 Sourced from IDC.

600,000

Subscribers to Vodafone Farmers Club Turkey. Part of the Connected Agriculture programme.

7.8m

Machine-to-machine connections can lead to a dramatic reduction in carbon emissions, whilst improving business efficiency.

Climate

Climate change represents one of the biggest global challenges and remains a key concern of our business and stakeholders. Our machine-to-machine ('M2M') services enable reductions in carbon emissions from logistics, manufacturing processes and office energy use, whilst improving business efficiency and increasing quality of services.

In our African operations we are investigating Community Power, which uses excess electricity from our solar-powered mast sites in off-grid rural areas to power community facilities. We envisage Community Power will support local economic and social development by bringing green energy to rural communities.

Smart working

It is forecast that remote mobile workers will number 1.3 billion by 2015[4]. Creating better ways of working can deliver efficiency and productivity benefits, but there are also sustainability and life enhancing benefits to smart working.

A study which was carried out across Vodafone's operations in the UK was completed in 2011. The study, which compared figures from financial year 2011 with those of 2007, showed:

- 45% decline in carbon emissions from travel;
- 37% drop in CO_2-equivalent emissions from building energy use within five years;
- a saving of 24,000 tonnes of CO_2-equivalent emissions every year (this is equal to the average annual CO_2 emissions associated with the energy use of 4,000 UK households).

Responsible and ethical wherever we do business

To transform societies, we need our stakeholders' trust and co-operation. To earn that trust we must manage the issues that matter to them and behave ethically in everything we do.

Operating responsibly

In 2012 we signed up to industry principles of the ICT Coalition for a Safer Internet for the development of products and services which help keep children safe online.

In 2011 we joined with seven other telecom operators to collaborate in auditing the working conditions of our common suppliers, as well as requiring all our suppliers to sign up to our Code of Ethical Purchasing.

Environment

We have launched an eco-rating for mobile phones in the Netherlands, as part of our commitment to raising standards across our range of devices, and providing information to customers.

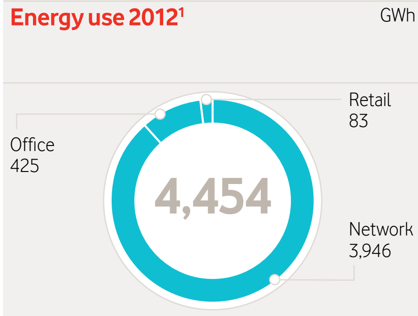
We co-chair the Global e-Sustainability Initiative ('GeSI') working group to develop long-term solutions for the management of electronic waste within the ICT industry, particularly in emerging markets.

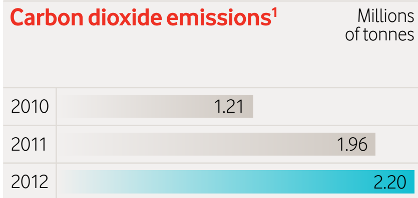
We have modernised our network by installing new, more efficient single Radio Access Network ('RAN') technology that operates 2G, 3G and LTE networks. Single RAN units are now present in 24% of our base station sites, saving up to 40% energy compared to traditional RAN units.

Based on better and more complete data this year our energy use increased by 8.2%, with greater consumption by our network being partially offset by network modernisation and energy efficiencies.

This has impacted our CO_2 emissions which have risen by 12.1%. In addition, there have been changes to the conversion factors used to calculate CO_2 from electricity particularly in Germany, Spain and Italy. This year we sourced 18% of our electricity from renewable sources. This was primarily from purchasing green tariff energy from the grid in mature markets.

In 2012 we opened the Vodafone Site Solution Innovation Centre in South Africa, a joint venture with Vodacom, to develop and field test innovations such as solar foil and hybrid power solutions. Examples of innovations at the Centre include a next-generation hybrid generator, known as a 'power cube', that improves efficiency by 40% and significantly lowers installation and operating costs.





Note:
1 The charts above on energy use and carbon emissions are calculated using actual or estimated data collected by our mobile operating companies. The data is sourced from invoices, purchasing requisitions, direct data measurement and estimations where required. The 2012 data includes India, Ghana, Qatar and South Africa but excludes all other Vodacom markets. Our joint venture in Italy is included in all years.

Vodafone sustainability report

Our 12th annual sustainability report, which is assured by Ernst & Young LLP using the International Standard on Assurance Engagements ('ISAE 3000') to check adherence to the AA1000 AccountAbility Principles Standard ('AA1000APS'), is available at www.vodafone.com/sustainability. 16 local markets publish their own sustainability reports.

Smart metering

In New Zealand, ASB Bank used smart meters to monitor and modify its energy use, leading to carbon savings of 2,200 tonnes CO_2-equivalent (27%) and cumulative cost savings of £1.6 million in the first three years of use.

Mobile for Good: the work of the Vodafone Foundations

Mobilising the community

At the heart of our Foundations is the belief that mobile communications technologies can address some of the world's most pressing humanitarian challenges and our responsibility is to utilise our innovative mobile technology in mobilising social change and improving peoples lives.

2011 was the twentieth anniversary of the establishment of the first Vodafone Foundation, a programme which has developed into a unique network of 28 Vodafone Foundations across the markets in which Vodafone operates. Total donations for the year were £52.1 million which included £6.8 million towards Vodafone Foundations' operating costs.

Foundation activity now centres on a Mobile for Good strategy – combining a privileged access to Vodafone networks, technology, customers and employees with its charitable giving, to empower people with the necessary tools to make a difference in the world.

Mobile for Good

In September 2011, Vodafone pledged to raise over £7 million to support Comprehensive Community Based Rehabilitation in Tanzania ('CCBRT'). Obstetric fistula leaves women incontinent following childbirth and is believed to have affected up to 24,000 women in Tanzania since the millennium. Using Vodafone M-Pesa, the CCBRT hospital sends travel funds across the country to enable some of the poorest and most marginalised women to get to hospital for life changing surgery. £7 million will help CCBRT expand and refurbish existing facilities, launch an extensive awareness and education programme, and build a brand new dedicated maternity hospital in Dar es Salaam. This campaign will help to change the lives of 31,000 women in Tanzania by 2016.

Vodafone Egypt Foundation developed and launched a mobile application for its adult literacy campaign. The application aids learning through utilising a talk back function and picture association. Over 12,000 volunteers are engaged to recruit participants, build schools and teach. Since the campaign launched in February 2011, 3,000 literacy classes have been held and 50,000 adults have enrolled in the programme.

Vodafone Italy Foundation launched Ricarica Insieme (Top Up Together) a €20 top up card which provides €19 credit with the remaining €1 being donated to charity. For every €1 donated through Ricarica Insieme, the Vodafone Italy Foundation donates an additional €1. In the first 17 weeks Ricarica Insieme raised €916,000, which combined with the Foundation matched pledge, totals more than €1.8 million for charity.

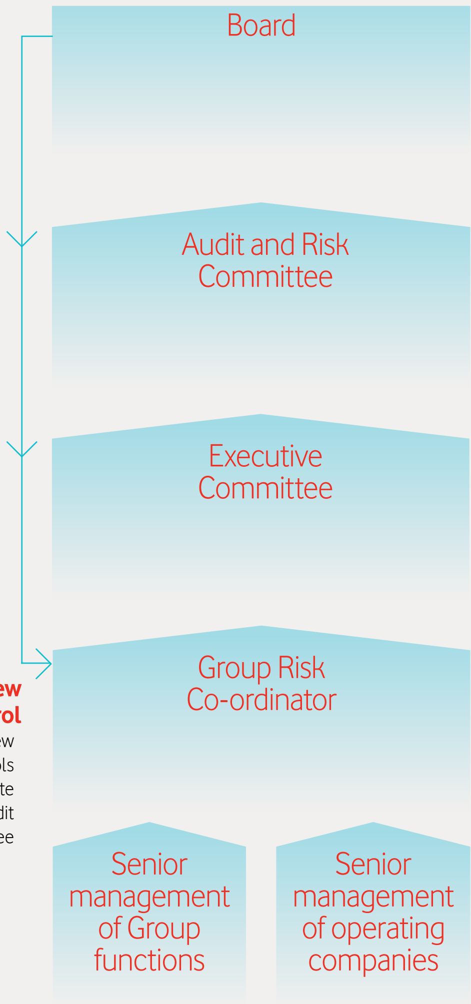
For more information please go to
www.vodafonefoundation.org/m4gplayer

Risk overview

Identifying and managing our risks

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the ever changing environments in which we operate.

Managing risk



Review and confirmation
Review and confirmation by the Board

Process
Risks and mitigation validated with the Executive Committee and presented to Audit and Risk Committee for review

Ongoing review and control
There is ongoing review of the risks and controls in place to mitigate these risks by the Audit and Risk Committee

Review and assessment
Group risk co-ordinator, who is the Internal Audit Director, consolidates the operating companies' and Group risks to create the Group's key risks

Identify
Senior management identify the key risks and develop mitigation actions

Identify
Local management create a register of their top ten risks and mitigation actions

The Group's key risks are outlined below.

More detail on our key risks and the steps we take to mitigate their potential impact Pages 51 to 53

1. Regulatory decisions and changes in the regulatory environment could adversely affect our business.
2. We could suffer loss of consumer confidence and/or legal action due to a failure to protect our customer information.
3. Our business could be adversely affected by a failure or significant interruption to telecommunications networks.
4. Technological advances in handsets and use of alternative communication services may result in less demand for our traditional service offerings.
5. Increased competition may reduce our market share and profitability.
6. Our business may be impaired by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment.
7. One or more countries may exit the eurozone.
8. We may be unable to obtain additional/renew sufficient spectrum with an adequate return.
9. We may not satisfactorily resolve major tax disputes.
10. A malicious attack on our network may be successful and disrupt our services or compromise our data.
11. Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.