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.

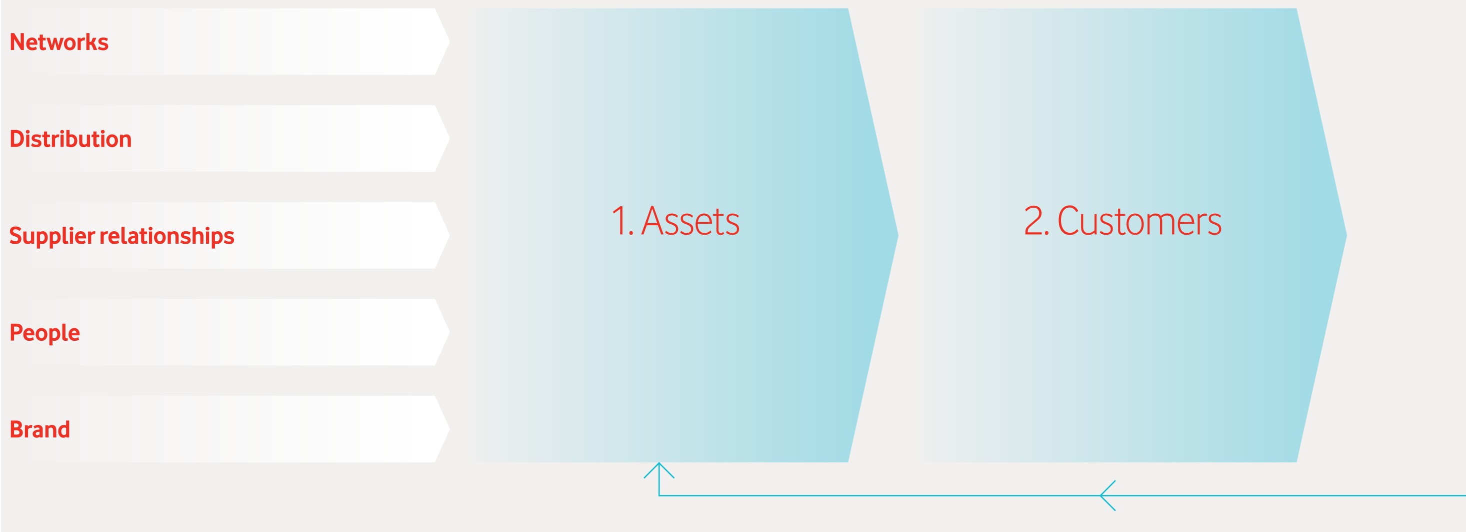
Distribution

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.