Chief Executive's review

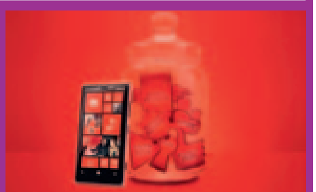
Ready to seize future growth opportunities

Even in the context of tough economic and regulatory conditions, I remain very excited about the longer term prospects for the industry, as customer appetite for high speed data grows rapidly, and companies look to embed mobility into their corporate strategies.

Summary of where we are now.

→ **Further good progress on data: organic revenue growth 13.8%*, European smartphone penetration 36%, up 9 percentage points year-on-year.**

→ **Vodafone Red now in 14 markets; 4.1 million customers as at 12 May 2013; 67% of consumer contract revenue in our European markets from integrated plans.**



→ **Unified communications strategy accelerated: acquisitions of CWW and TelstraClear; fibre deployment planned in Spain and Portugal.**

→ **£2.4 billion dividend received from VZW of which £1.5 billion is committed to share buybacks.**

Consumer 2015
Enterprise 2015
Network 2015
Operations 2015

Financial review of the year

Performance was strong in our emerging markets operations, with continued good growth in revenue and improving margins. However, the macroeconomic environment in Southern Europe has been very challenging, and European regulation continues to depress returns in the industry, rather than incentivise investment. VZW, our 45% owned associate in the US, continued to achieve strong growth in revenue, EBITDA, cash flow and market share.

Overall, I am satisfied with the progress we have made with our strategic priorities:

→ We have launched Vodafone Red, our new strategic approach to pricing and our customer proposition, in 14 markets, with very positive initial results;

→ We remain competitive in all markets, gaining or at least holding market share in most of our operations;

→ We have bought new low frequency spectrum in a number of markets, and have laid the technology platform for the rapid deployment of HSPA+ and 4G/LTE services;

→ We have accelerated the integration of CWW and TelstraClear, two fixed line businesses acquired during the year, advancing our enterprise and unified communications strategies; and

→ We have increased the ordinary dividend per share by 7% for the third year in a row, as well as buying back £1.6 billion of shares[1].

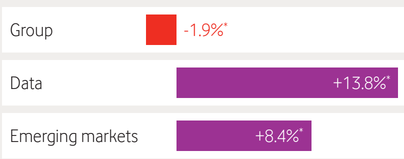
Group revenue for the year was down -1.4%* to £44.4 billion, with Group organic service revenue down -1.9%*. Data revenue (+13.8%*) and major emerging markets (India +10.7%*, Vodacom +3.0%*, Turkey +17.3%*) continued to perform strongly. Group EBITDA margin fell -0.5* percentage points, or -0.1* percentage points excluding restructuring costs, as the impact of steep revenue declines in Southern Europe offset improving margins in India and Vodacom. Group EBITDA fell -3.1%* to £13.3 billion, after restructuring costs of £310 million.

£7.9bn
invested in spectrum in the last four years, to provide 4G services and improve the quality of our networks.

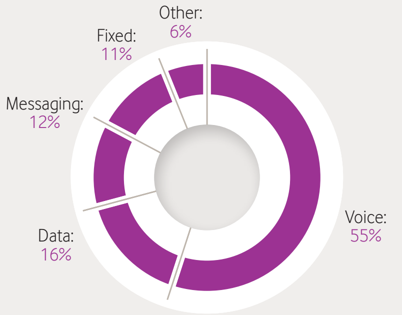
10.19 pence
total ordinary dividends for the year, up 7% year-on-year in line with our target.

Service revenue growth 2013

It has been a difficult year in our controlled and jointly controlled operations due to tough economic and regulatory conditions particularly impacting our European business. However we continue to see good growth in key areas of data and emerging markets.



Service revenue by type 2013



Adjusted operating profit from controlled and jointly controlled operations, before our share of associates' profits, was £5.5 billion, down -7.0%* year-on-year, reflecting the decline in EBITDA and relatively consistent depreciation and amortisation year-on-year. Group adjusted operating profit was up 9.3%* year-on-year at £12.0 billion, above our guidance range of £11.1 billion to £11.9 billion, as a result of the strong VZW contribution, which increased 30.5%* year-on-year. Excluding M&A and restructuring costs, adjusted operating profit was £12.3 billion[2].

We recorded an accounting gain of £0.5 billion on the acquisition of CWW and impairment charges of £7.7 billion relating to our businesses in Italy and Spain. These were driven primarily by lower projected cash flows within business plans, resulting from the tougher macroeconomic environment, and partly by an increase in discount rates.

Free cash flow was £5.6 billion, or £5.8 billion[2] excluding M&A and restructuring costs, at the top of our guidance range of £5.3 billion to £5.8 billion for the year. The year-on-year decline reflected the relative strength of sterling against the euro, South African rand and Indian rupee over the course of the year, as well as tough trading conditions. In addition to the free cash flow reported above, we received an income dividend of US$3.8 billion (£2.4 billion) from VZW, and will shortly receive a further £2.1 billion which will be retained for general business purposes, including spectrum costs.

Capital additions were stable at £6.3 billion, as we continued to maintain a significant level of investment to extend our high speed mobile data coverage across our existing voice footprint. In addition, we spent £2.5 billion during the year on acquiring and renewing spectrum in a number of markets including the UK, India and the Netherlands.

Adjusted earnings per share was up 5.0% at 15.65 pence, driven by growth in adjusted operating profit and a lower share count. The Board is recommending a final dividend per share of 6.92 pence, to give total ordinary dividends per share for the year of 10.19 pence, up 7.0% year-on-year.

Northern and Central Europe

Organic service revenue in Northern and Central Europe was down -0.2%* year-on-year. Excluding the impact of regulated mobile termination rate ('MTR') cuts, service revenue was up 1.6%*. Underlying performance in the major markets of Germany, the UK and the Netherlands, while robust compared with our competitors, weakened in the second half of the year, reflecting increased competition and some macroeconomic pressure. Turkey continued to grow very well through strong execution.

Enterprise revenue grew 0.8%*, with continued growth in Germany (+3.0%*) and Turkey offsetting declines in other markets. The accelerated integration of CWW is proceeding successfully, and we expect it to deliver significant network synergies in the UK and internationally, while also boosting our enterprise business.

Data revenue was up 14.4%*, reflecting increased smartphone penetration – now 35.4% in the region, up 9.1 percentage points year-on-year – and further take-up of integrated voice, SMS and data plans. By the fourth quarter, 69.7% of consumer contract revenue in the major markets came from customers on these integrated plans. During the year we launched 4G/LTE services in Romania.

Organic EBITDA was down -2.4%* and the EBITDA margin fell -0.7* percentage points. Margin improvement in Turkey, the Netherlands and Ireland only partly offset small declines in Germany and the UK, driven by a lower top line, rising commercial costs and higher restructuring costs in Germany.

Southern Europe

Organic service revenue in Southern Europe fell -11.6%* year-on-year, as the effects of severe macroeconomic weakness were intensified by strong competition, and steep cuts to MTRs in Italy and Greece. Combined mobile and fixed offers in Spain and Portugal, from incumbents and fixed operators, made increasing inroads into the market in the second half of the year. Excluding MTR cuts, service revenue fell -8.4%*.

Data revenue was up 9.7%*, as demand for data continued to grow despite the economic and competitive pressures. Smartphone penetration increased 7.5 percentage points to 35.5%. During the year we launched 4G/LTE services in Italy, Greece and Portugal, announced a partnership with Orange in Spain to deploy fibre to six million homes over the next four years, and committed to extending our fibre network in Portugal to pass over one million homes.

Organic EBITDA fell -16.4%* and the EBITDA margin fell -2.2* percentage points, mainly as a result of the steep revenue declines across the region and restructuring costs, offset by operating cost savings. Towards the end of the year, we undertook significant redundancy programmes in Spain and Greece to reduce operating expenses.

AMAP

Organic service revenue growth in AMAP was 3.9%*, with continued growth in all of our markets apart from Australia and New Zealand. Growth in India slowed through the year, mainly as a result of increased consumer protection regulation and a more stringent customer verification process, but the competitive environment improved and we continued to gain market share. In Vodacom, continued strong underlying revenue growth in our other sub-Saharan markets offset a weaker performance in South Africa. Despite competitive pressure and the uncertain political environment, service revenue in Egypt grew 3.7%*. Australia continued to experience steep revenue declines on the back of ongoing service perception issues. During the year we launched 4G/LTE services in South Africa and New Zealand.

Organic EBITDA rose 10.3%* and the EBITDA margin increased 1.7* percentage points, with strong margin improvements in India and Vodacom offsetting a sharp decline in Australia. Ghana and Qatar also made good margin progress on strong revenue growth and market share gains. Egypt's margin improved 1.4* percentage points.

Chief Executive's review (continued)

4.1m
of our customers are on our new strategic Vodafone Red plans[3], which we first launched in the UK in September 2012.

£6.4bn
our share of VZW profits for the year, which represented 30.5%* year-on-year growth.

Verizon Wireless

VZW continued to trade very well, launching successful new price plans and making further market share gains. Organic service revenue was up 8.1%* and EBITDA was up 13.6%*. Free cash flow amounted to US$13.2 billion (£8.4 billion), and net debt at 31 March 2013 was US$6.2 billion (£4.1 billion). Our share of VZW's profits for the year amounted to £6.4 billion, up 30.5%* year-on-year.

Vodafone 2015

While the macroeconomic and regulatory environment in Europe presents significant short-term challenges, we see a number of positive developments. We expect smartphone adoption to continue to grow in all markets over the next three years, with mobile applications and low cost smartphone availability increasing in mature and emerging markets alike.

With the broad deployment of high speed data networks, both mobile and fixed, we expect customers' appetite for data to increase significantly. At the same time, the evolution of network and IT platforms should enable lower cost and more standardised approaches as we further integrate commercial and technology planning.

As a result, we believe that the long-term prospects for the mobile market are highly attractive for those that make scale, standardisation and the customer data experience fundamental to how they operate. Vodafone 2015 is our strategy to maximise this opportunity.

Consumer 2015

We are adopting a new strategic approach to consumer pricing and bundling in Europe, in order to offer customers greater freedom of usage and, at the same time, stabilise ARPU. We have launched new plans across much of our footprint, branded Vodafone Red in most markets, which incorporate unlimited voice and SMS, and generous data allowances.

As a result, we have radically simplified pricing, giving clear visibility of the cost of ownership and, enabling simplification of IT and billing. We are progressively enhancing the value proposition through the introduction of a number of additional features, including improved access to technical support, attractive roaming packages, shared data plans, early handset upgrades, storage and back-up in the cloud, and device security, to increase the breadth of service and support ARPU over time.

Already, we have 4.1 million customers on Vodafone Red plans[3] across 14 markets. The customer response has been very positive, with strong net promoter scores. Data usage on Vodafone Red plans is much higher, as is the average return on our commercial investment. As expected, we have seen some ARPU dilution, but at a lower level than planned. We aim to have ten million customers on Vodafone Red plans by March 2014.

We also see an increasing move towards residential unified communications services in some of our European markets. We expect this trend to grow, with cable operators offering MVNO services, and incumbent fixed line providers combining their domestic broadband services with mobile and TV plans. Our goal is to offer unified communications services in our major European markets, accessing next generation fixed line infrastructure through a combination of negotiated wholesale terms, deployment of our own fibre and, potentially, acquisitions. A clear regulatory framework with regard to accessing incumbent fibre infrastructure will be key.

In emerging markets, we aim to build on our success to date to become a clear leader, increasing the value of these markets to the Group through market growth, improving margins, share gains and stronger cash generation. These markets offer very attractive long-term opportunities from sustained GDP growth, the scope for widespread mobile data adoption and the fulfilment of unmet needs such as basic financial services. We aim to maximise these opportunities through superior marketing and distribution, smart data pricing, the development of low-cost smartphones and selective innovation in areas in which we can truly differentiate.

Enterprise 2015

We are strengthening our leading position in enterprise, enhancing our product offering to large and medium-sized businesses and creating a dedicated enterprise operational structure, following the market success of Vodafone Global Enterprise ('VGE') and the CWW and TelstraClear acquisitions. Enterprise now represents 27.3% of Group service revenue and we have over 32 million mobile enterprise customers accounting for around 8% of our total customer base.

VGE, serving our biggest multi-national accounts, will continue to expand its remit, driven by an increasing appetite among customers to consolidate telecoms procurement cross-border and bring mobility into the heart of their business strategies. In unified communications, we continue to develop Vodafone One Net for small- and medium-sized companies, and increasingly provide total communications services to our larger customers through the purchase of CWW. This acquisition will also allow us to develop our product offering in high growth segments, such as cloud and hosting.

In machine-to-machine ('M2M'), we intend to leverage our new business unit organisation, global technical platform and vertical sector competences to exploit the current wave of adoption of M2M solutions across many industry and service sectors.

Network 2015

Our network strategy continues to focus on supporting higher speed data in both mature and emerging markets, and delivering a consistently excellent data experience to our customers through the widespread deployment of HSPA+, LTE and high capacity backhaul. We expect to continue our consistent level of investment so that Vodafone customers can be assured of a video-standard data service across our footprint in Europe and we can successfully manage the high growth in data volumes anticipated. We aim to extend our 3G footprint at 43.2 Mbps and LTE coverage across our five major European markets to 80% and 40% respectively by March 2015.

To complement our physical infrastructure investment, we are committed to securing the best portfolio of low frequency spectrum to maintain and improve our strong market positions through the improved customer experience this will offer. During the year, we acquired spectrum in the important 800 MHz band in the UK, the Netherlands, Ireland, Romania and in the 1800 MHz band in India, taking our total spectrum investment to £7.9 billion in the last four years.

Operations 2015
Over the next three years we plan to simplify further our business model both across and within countries, eliminating legacy structures, reducing non-customer-facing costs and moving towards more standardised offerings.

This will enable us to maximise the benefits of our scale and share commercial, technical and support functions across geographies in Europe, and to speed up and co-ordinate our time to market for new propositions and services. We see a significant opportunity in unifying network and IT management across multiple markets, in further centralising and standardising procurement, and in offshoring more business functions to shared service centres of expertise. We are targeting an absolute reduction in European[4] operating expenses from these and other programmes of £0.3 billion in the 2014 financial year.

Prospects for the 2014 financial year[5]

Entering the new financial year, we continue to face stiff headwinds from regulation, competition and a tough economic environment, particularly in Europe. However, we are well positioned, with broad geographic exposure which includes attractive growth markets in India, Africa and the US, and a differentiated enterprise franchise. We benefit from a strong balance sheet and will continue our major focus on shareholder remuneration, while consistently reinvesting in our network to enhance the customer experience.

Regulation remains a key concern for us and the industry. Again we face the significant hurdle of MTR cuts, which we expect to create a drag of over two percentage points on service revenue. However, this effect should reduce substantially in the 2015 financial year based on current regulatory glide paths. We also await clarity on EU fibre regulation, where we are supportive of the pro-investment stance, subject to equality of access and margin squeeze provisions which are enforceable at the country level.

We expect adjusted operating profit for the 2014 financial year to be in the range of £12.0 billion to £12.8 billion.

We expect free cash flow to be around £7.0 billion, including the £2.1 billion VZW dividend due in June 2013. We expect capital expenditure, to remain broadly steady on a constant currency basis.

We expect the Group EBITDA margin, excluding M&A and restructuring costs, to decline slightly year-on-year, reflecting the ongoing weak macroeconomic environment in Europe.

Vittorio Colao
Chief Executive

Notes:
1 £442 million from current programme and £1,126 million from previous programme.
2 Based on 2013 guidance foreign exchange rates.
3 At 12 May 2013.
4 Northern and Central Europe, Southern Europe and Common Functions, excluding restructuring costs.
5 See guidance on page 45.

10m
customers are expected to be using Vodafone Red plans by March 2014.

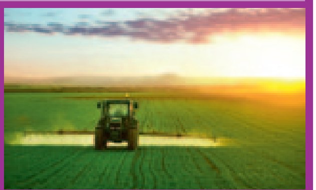
Our Vodafone 2015 strategy

Consumer 2015
A new strategic approach to consumer pricing and bundling in Europe, in order to offer customers greater freedom of usage and, at the same time stabilise ARPU.

We are aiming to increase the number of Vodafone Red customers to ten million by March 2014.

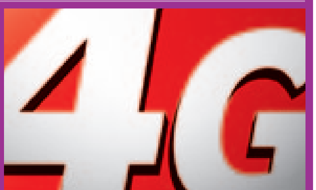
Enterprise 2015
We are strengthening our position in enterprise, enhancing our product offering to large and medium-sized businesses and creating a dedicated enterprise operational structure.

Our 2015 enterprise strategy is based on six pillars: accelerating our converged offers; consolidating our lead in M2M; growing Vodafone Global Enterprise and our Carrier Services business; leveraging our hosting capability; and offering cloud-based software as a service.



Network 2015
We are focused on supporting high speed data services and delivering a consistently excellent data experience.

We aim to extend our 3G footprint at 43.2 Mbps and LTE coverage across five major European markets to 80% and 40% respectively by 2015.



Operations 2015
We aim to further simplify our business model both across and within countries.

We are targeting a £0.3 billion reduction in European operating expenses in the 2014 financial year.