Promoting women

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

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

More on:
Key performance indicators
Pages 18 and 19

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

Resilient performance

£44.4bn
-4.2%

Group revenue

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

£6.7bn
+7.5%

Data revenue

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

£12.0bn
+3.7%

Adjusted operating profit

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

£5.6bn
-8.1%

Free cash flow

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

29.9%
-1.3pp

EBITDA margin

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

10.19p
+7.0%

Total ordinary dividends per share

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

£6.3bn
-1.6%

Capital expenditure

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

15.65p
+5.0%

Adjusted earnings per share

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

Emerging markets

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

Maximising our reach…

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

Global footprint

Equity interests	Northern and Central Europe	Southern Europe	Africa, Middle East and Asia Pacific ('AMAP')	Non-Controlled Interests and Common Functions
Revenue[1]	**£20.1bn**	**£10.5bn**	**£13.5bn**	**£0.5bn**
Operating free cash flow	**£3.3bn**	**£2.3bn**	**£2.5bn**	**-£0.5bn**
Adjusted operating profit	**£2.1bn**	**£1.8bn**	**£1.7bn**	**£6.4bn**
Countries	Czech Republic Germany Hungary Ireland Netherlands Romania Turkey United Kingdom	Albania Greece Italy Malta Portugal Spain	Australia Egypt Fiji Ghana India Safaricom (Kenya)[2] New Zealand Qatar Vodacom[3]	Verizon Wireless[2]

Our main markets

Germany
32 million mobile customers

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

Spain
14 million mobile customers

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

Italy
29 million mobile customers[5]

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

UK
19 million mobile customers

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

India
152 million mobile customers

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

Vodacom[3]
59 million mobile customers

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

Verizon Wireless ('VZW')[2]
99 million mobile customers[5]

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

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

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

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

An eventful year...

Cable&Wireless Worldwide

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

M-Shwari

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

4G

November
4G services launched in Romania.

4G 4G

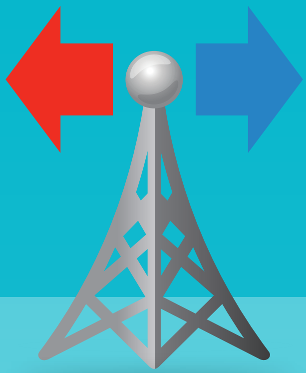
October
4G services launched in South Africa and Italy.

4G

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

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

December
4G services launched in Greece.



June

Vodafone and O_2 announced a network sharing deal in the UK, allowing us to reach 98% population coverage by 2015.

June

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

TelstraClear

July

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

September

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

September

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

£3.2bn

August

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

£1.5bn and 1.6bn

December/February

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

February

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

March

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

More on:
Strategy and Vodafone 2015
Pages 24 to 33

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

Adapting in a dynamic market…

Short-term challenges

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

Long-term growth opportunities

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

Our response: Vodafone 2015

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

Consumer 2015 (turn to **page 24**)
Enterprise 2015 (turn to **page 28**)
Network 2015 (turn to **page 30**)
Operations 2015 (turn to **page 32**)

Vodafone 4G ready

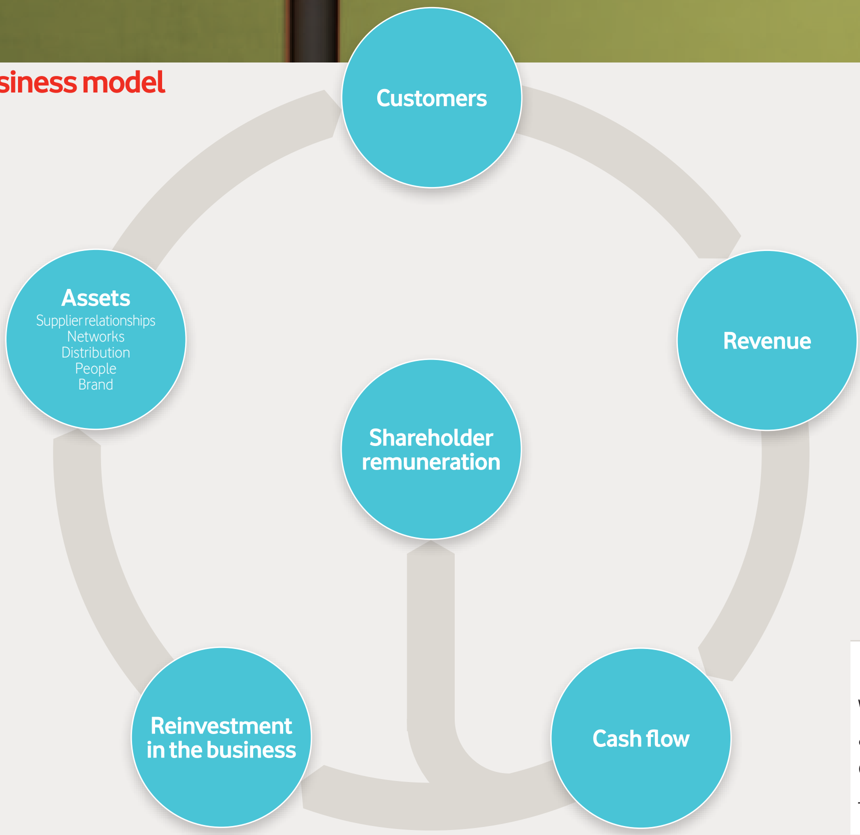
We are deploying 4G, also known as long-term evolution ('LTE') technology, which at least doubles data speeds compared to 3G, bringing the very best mobile data speeds available today and building capacity for future data growth. 9% of sites in our major European markets have LTE today and we expect this to be 40% by 2015.

More on:
Business model
Pages 22 and 23
Principal risks
Pages 46 to 49

Simple, but thorough...

Our objectives could not be more simple: to continue to invest in a superior network and customer experience, and to sustain high levels of cash generation with which we can reward shareholders and reinvest in the business – so maintaining that virtuous circle.

Business model



Key risks

We have a rigorous process for monitoring and managing risk, which feeds directly into our business and financial strategy.

To read more on risks, turn to page 46.

Our future leaders

Our global graduate programme, Discover, continued to bring the best graduates into our local markets, with around 470 top university recruits this year. In addition, we partnered with ten leading MBA schools in Europe, the US, Africa and India to recruit MBA graduates for key management roles. Turn to page 35 to read more about our talent and capability development.

The Vodafone Way

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.

Chairman's statement

Strong business, strong governance

Gerard Kleisterlee has been Chairman of Vodafone for two years. Previously he was CEO of Philips for ten years. Here he gives his perspectives on Vodafone's strategy, the impact of regulation, the role and composition of the Board, our approach to management and shareholder remuneration, and Vodafone's role in society.

Summary of key points

Our strategy is to deliver individuals and companies the seamless internet experience they will increasingly demand, irrespective of technology or platform.

We have strength in depth in the management team and a Board comprising business leaders with a wide range of expertise.

We want to broaden that experience further, while achieving a greater gender balance.

Strong returns to shareholders with total dividends for the year of 10.19 pence and £1.6 billion invested in share buybacks. Total cash returns to shareholders during the year amounted to £6.4 billion.

£6.4bn

Personal perspectives

In a world that is becoming increasingly digital, Vodafone's strategy is to deliver individuals and companies the seamless internet experience they will increasingly demand, irrespective of technology or platform. Our commitment to providing the leading mobile network in each of our markets is stronger than ever, and will be supplemented by increasing our access to next generation fixed line infrastructure, which provides additional capability. We have made strong progress in this respect this year, with over £8.7 billion invested in spectrum and capex, and the acquisitions of CWW and TelstraClear.

However, the industry remains severely constrained by regulatory intervention. Spectrum auctions are designed to maximise short-term proceeds at the expense of long-term investment in service quality and coverage, and new entrants are artificially supported. I will continue to work closely with Vittorio, our Group CEO, to engage with local and regional regulators to construct a framework which can better combine investment certainty with suitable consumer protections.

The role of the Board

An effective Board needs to have the right balance of knowledge and experience among the non-executive directors, and to be well informed on the relevant technological, regulatory and market developments.

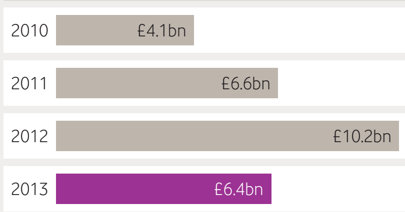
In February 2013 we were delighted to announce the appointment of Omid Kordestani to the Board. Omid was one of Google's very first employees, and brings

Vodafone share price vs STOXX Europe 600 Index
1 April 2010 to 20 May 2013, in €, rebased to 100

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

Cash returns to shareholders

Strong cash returns to shareholders are an established priority for Vodafone. The ordinary dividend is the core element of shareholder remuneration, with any surplus capital distributed via special dividend or share buybacks.



You can find more information on our **remuneration policies on pages 67 to 82**

You can find more information on our **sustainability programmes on pages 36 and 37**

with him a depth of insight into internet businesses built up over nearly 20 years as a pioneer in the industry.

Sir John Buchanan stepped down from his role as Deputy Chairman and Senior Independent Director in July 2012, after nine years of dedicated service to the Vodafone Board. His experience was invaluable to me personally in my first year as Chairman, and I would like to thank him for his wisdom and commitment. I am delighted that Luc Vandevelde agreed to become Senior Independent Director in Sir John's place.

Luc has also served on the Board for nine years, and has therefore reached the milestone after which the UK Corporate Governance Code recommends Boards take account of a director's period of service when considering whether or not he remains independent. The Board considers that it is not in the best interests of shareholders to lose the experience of two such distinguished international business leaders in close succession.

My medium-term ambitions for the composition of the Board are to bring in further marketing expertise, and achieve a greater gender balance towards our ambition of 25% of Board members being women by 2015.

Take a lead in financial reporting

This year's annual report incorporates a number of new features to make our strategy and performance easier to understand, such as our innovative move to incorporate a high level business review with our primary financial statements (pages 90 to 97). In addition, we have adopted a number of aspects of the revised UK Corporate Governance Code a year earlier than required. These include the Board's confirmation that the report presents a fair, balanced and understandable assessment of Vodafone's position and prospects, and an enhanced audit report. We have also adopted some of the new disclosure requirements on directors' remuneration a year early.

Strong capital discipline

The Board considers the ordinary dividend to be the core element of shareholder remuneration, and something on which shareholders should be able to depend. This year we raised our ordinary dividend per share by 7% for the third year in a row, and remain focused on at least maintaining the dividend per share at this level in the future.

In addition, during the year we completed a £6.8 billion share buyback programme, funded by the disposal of non-controlling interests, and committed an additional £1.5 billion to share buybacks on receipt of a further dividend from VZW in December 2012. We have demonstrated a highly disciplined approach to capital allocation, and will continue to manage our portfolio of assets in the best interest of shareholders.

Taking ordinary and special dividends, and the buyback programmes, total cash returns to shareholders have been equivalent to approximately 34% of our average market capitalisation over the last four years. Furthermore, in the period from 1 April 2010 to 20 May 2013, our share price has outperformed the STOXX Europe 600 Index by 20.9%.

Aligning management's interests to 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 deepened this alignment last year by introducing shareholding requirements throughout the senior leadership team. The Executive Committee owns Vodafone shares worth around 500% of their combined salaries in total.

You can find more information on our remuneration policies on pages 67 to 82.

Vodafone's role in society

Mobile technology is a massive driver of economic and social improvement. Our vision is to unleash the power of Vodafone to help transform societies and enable sustainable living for all. Whether through low cost mobile banking services, mobile agriculture solutions or mobile health initiatives, we are making a real difference to people's lives. We have also stepped up our commitment to responsible and ethical business practices in our new Code of Conduct, published during the year.

You can find more information on our sustainability programme on pages 36 and 37.

Gerard Kleisterlee
Chairman