VODAFONE GROUP PUBLIC LTD CO
Form 20-F
June 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: March 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report: _________

For the transition period from: _________ to _________

Commission file number: 001-10086

VODAFONE GROUP PUBLIC LIMITED COMPANY

(Exact name of Registrant as specified in its charter)

England

(Jurisdiction of incorporation or organization)

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England

(Address of principal executive offices)

Rosemary Martin (Group General Counsel and Company Secretary)

tel +44 (0) 1635 33251, fax +44 (0) 1635 580 857

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
See Schedule A	See Schedule A

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of 11 3/7 US cents each	48,918,618,465
7% Cumulative Fixed Rate Shares of £1 each	50,000

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board þ	Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

SCHEDULE A

Title of each class	**Name of each exchange on which registered**
Ordinary shares of 11 3/7 US cents each	NASDAQ Global Select Market*
American Depositary Shares (evidenced by American Depositary Receipts) each representing ten ordinary shares	NASDAQ Global Select Market
5.00% Notes due December 2013	New York Stock Exchange
4.150% Notes due June 2014	New York Stock Exchange
5.375% Notes due January 2015	New York Stock Exchange
5% Notes due September 2015	New York Stock Exchange
3.375% Notes due November 2015	New York Stock Exchange
0.9% Notes due February 2016	New York Stock Exchange
Floating rate Notes due February 2016	New York Stock Exchange
2.875% Notes March 2016	New York Stock Exchange
5.75% Notes March 2016	New York Stock Exchange

5.625% Notes due February 2017	New York Stock Exchange
1.625% Notes due March 2017	New York Stock Exchange
1.25% Notes due September 2017	New York Stock Exchange
1.5% Notes due February 2018	New York Stock Exchange
4.625% Notes due July 2018	New York Stock Exchange
5.450% Notes due June 2019	New York Stock Exchange
4.375% Notes due March 2021	New York Stock Exchange
2.5% Notes due September 2022	New York Stock Exchange
2.95% Notes due February 2023	New York Stock Exchange
7.875% Notes due February 2030	New York Stock Exchange
6.25% Notes due November 2032	New York Stock Exchange
6.15% Notes due February 2037	New York Stock Exchange
4.375% Notes due February 2043	New York Stock Exchange

* Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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This year s report:

We ve made some big changes to this year s report to give readers

a clearer picture of how we re doing and what our plans are.

On pages 90 to 97, you can see we ve combined our financial statements with a commentary

explaining the main moving parts.

Elsewhere, we ve expanded our KPI reporting, given more information on directors pay,

and embraced a number of new reporting requirements a year early.

We hope you find it useful and informative.

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Annual Report 2013

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06 **Vodafone Group Plc**

Annual Report 2013

Chairman s statement

Chief Executive s review

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 adjusted 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.

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Operating results

This section presents our operating performance, providing commentary on how the revenue and the adjusted EBITDA performance of the Group and its operating segments within Northern and Central Europe, Southern Europe, AMAP, and Non-Controlled Interests and Common Functions have developed over the last year. See pages 151 to 155 for commentary on the 2012 compared to the 2011 financial year.

Group[1]

	Northern and Central Europe	Southern Europe	AMAP	Non-Controlled Interests and Common Functions[2]	Eliminations	2013	2012	% change	
	£m	£m	£m	£m	£m	£m	£m	£	Organic
Revenue	20,099	10,522	13,466	481	(123)	44,445	46,417	(4.2)	(1.4)
Service revenue	18,768	9,635	12,345	315	(121)	40,942	42,885	(4.5)	(1.9)
Adjusted EBITDA[3]	5,713	3,483	4,178	(99)		13,275	14,475	(8.3)	(3.1)
Adjusted operating profit	2,081	1,802	1,678	6,399		11,960	11,532	3.7	9.3
Adjustments for:									
Impairment loss						(7,700)	(4,050)		
Other income and expense[4]						468	3,705		
Operating profit						**4,728**	**11,187**		

Notes:

1 Current year results reflect average foreign exchange rates of £1: 1.23 and £1:US$1.58.
2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.
3 Operating expenses for the year ended 31 March 2013 included restructuring charges of £310 million (2012: £144 million).
4 Other income and expense for the year ended 31 March 2013 included a £473 million gain on acquisition of CWW. The year ended 31 March 2012 included a £3,419 million gain on disposal of the Group s 44% interest in SFR and a £296 million gain on disposal of the Group s 24.4% interest in Polkomtel.

Revenue

Group revenue fell by -4.2% to £44.4 billion, with service revenue of £40.9 billion, a decline of -1.9%* on an organic basis. Our performance reflected continued strong demand for data services and good growth in our major emerging

markets, offset by regulatory changes, challenging macroeconomic conditions, particularly in Southern Europe, and continued competitive pressures.

In Northern and Central Europe service revenue declined by -0.2%* as growth in Germany and Turkey was offset by increased competition and some macroeconomic pressure in other markets.

In Southern Europe service revenue declined by -11.6%* reflecting severe macroeconomic weakness in our main markets, intense competition and MTR cuts.

In AMAP service revenue increased by 3.9%* with continued growth in all of our markets apart from Australia and New Zealand.

Adjusted EBITDA and profit

Group adjusted EBITDA decreased by -8.3% to £13.3 billion, primarily driven by lower revenue and higher restructuring costs partially offset by operating cost efficiencies.

Adjusted operating profit grew by 3.7%, driven by 31.9% growth in our share of profits of VZW to £6.4 billion, partially offset by lower adjusted EBITDA.

Operating profit decreased by -57.7% to £4.7 billion, primarily due to the gains on the disposal of the Group s interests in SFR and Polkomtel in the prior year and the higher impairment charges in the current year, partially offset by the gain on acquisition of CWW of £0.5 billion.

An impairment loss of £7.7 billion was recorded in relation to Italy and Spain, primarily driven by adverse performance against previous plans and adverse movements in discount rates.

Northern and Central Europe

	Germany	UK	Other Northern and Central Europe	Eliminations	Northern and Central Europe	% change	
	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2013							
Revenue	7,857	5,150	7,181	(89)	20,099	2.7	
Service revenue	7,275	4,809	6,773	(89)	18,768	2.8	(0.2)
Adjusted EBITDA	2,735	1,209	1,769		5,713	(3.7)	(2.4)
Adjusted operating profit	1,305	294	482		2,081	(17.7)	(8.1)
Adjusted EBITDA margin	34.8%	23.5%	24.6%		28.4%		
Year ended 31 March 2012							
Revenue	8,233	5,397	6,042	(97)	19,575	3.6	3.7
Service revenue	7,669	4,996	5,695	(95)	18,265	2.2	2.5
Adjusted EBITDA	2,965	1,294	1,675		5,934	2.7	2.1
Adjusted operating profit	1,491	402	637		2,530	2.2	0.8
Adjusted EBITDA margin	36.0%	24.0%	27.7%		30.3%		

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Revenue increased by 2.7% including a -4.1 percentage point negative impact from foreign exchange rate movements and a 6.8 percentage point positive impact from M&A and other activity. On an organic basis service revenue declined by -0.2%*, driven by challenging macroeconomic conditions in some markets, increased competition and the impact of MTR cuts, partially offset by continued growth in data revenue. Organic growth in Germany and Turkey was more than offset by declines in all other markets.

Adjusted EBITDA declined by -3.7%, including a -4.3 percentage point negative impact from foreign exchange rate movements and a 3.0 percentage point positive impact from M&A and other activity. On an organic basis adjusted EBITDA decreased by -2.4%*, resulting from a reduction in service revenue in most markets, the impact of restructuring costs, and higher customer investment due to the increased penetration of smartphones.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue				
Northern and Central Europe		**6.8**	**(4.1)**	**2.7**
Service revenue				
Germany	0.5	(0.1)	(5.5)	(5.1)
UK	(4.0)	0.3		(3.7)
Other Northern and Central Europe	2.2	23.1	(6.4)	18.9
Northern and Central Europe	**(0.2)**	**7.1**	**(4.1)**	**2.8**
Adjusted EBITDA				
Germany	(2.6)	0.2	(5.4)	(7.8)
UK	(6.9)	0.3		(6.6)
Other Northern and Central Europe	1.9	9.8	(6.1)	5.6
Northern and Central Europe	**(2.4)**	**3.0**	**(4.3)**	**(3.7)**
Adjusted operating profit				
Germany	(7.5)	0.3	(5.3)	(12.5)

UK	(27.7)	0.8		(26.9)
Other Northern and Central Europe	4.3	(23.9)	(4.7)	(24.3)
Northern and Central Europe	**(8.1)**	**(5.4)**	**(4.2)**	**(17.7)**

Note:

1 Other activity includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to Organic growth on page 188 for further detail.

Germany

Service revenue increased by 0.5%*, driven by a 1.3%* increase in mobile service revenue. Growth in enterprise and wholesale revenue, despite intense price competition, was offset by lower prepaid revenue. Data revenue increased by 13.6%* driven by higher penetration of smartphones and an increase in those sold with a data bundle. Vodafone Red, introduced in October 2012, performed in line with expectations and had a positive impact on customer perception. Enterprise revenue grew by 3.0%*, despite the competitive environment.

The roll out of LTE services continued and was available in 81 cities, with population coverage of 61% at 31 March 2013.

Adjusted EBITDA declined by -2.6%*, with a -1.3* percentage point reduction in adjusted EBITDA margin, driven by higher customer and restructuring costs, partially offset by operating cost efficiencies and a one-off benefit from a legal settlement during Q2.

UK

Service revenue declined by -4.0%* driven by the impact of MTR cuts effective from April 2012, intense price competition and macroeconomic weakness, which led to lower out-of-bundle usage. Data revenue grew by 4.2%* driven by higher penetration of smartphones. Vodafone Red plans, launched in September 2012, performed well, with over one million customers at 31 March 2013.

Following the purchase of additional spectrum in February 2013, preparation for LTE roll-out is underway.

The network sharing joint venture between Telefónica UK and Vodafone UK, announced in June 2012, is now operational and the integration of the CWW enterprise businesses into Vodafone UK is proceeding successfully.

Adjusted EBITDA declined by -6.9%*, with a -0.5* percentage point reduction in adjusted EBITDA margin, driven by higher retention activity and the impact of restructuring costs.

Other Northern and Central Europe[2]

Service revenue increased by 2.2%* as growth in Turkey more than offset declines in the rest of the Other Northern and Central Europe region. Service revenue in Turkey grew by 17.3%*, primarily driven by growth in the contract customer base and an increase in data revenue due to mobile internet and higher smartphone penetration. Revenue also benefited from enterprise growth and the success of commercial initiatives. In the Netherlands service revenue declined by -2.7%* due to more challenging macroeconomic conditions and lower out-of-bundle usage. CWW contributed £1,234 million of revenue since it was acquired on 27 July 2012.

Adjusted EBITDA increased by 1.9%*, with a -0.3* percentage point reduction in the adjusted EBITDA margin, as margin improvement in Turkey, driven by the increase in scale and cost management, were partially offset by declines in most other markets primarily resulting from lower revenue. Turkey reported positive operating free cash flow for the first time this year.

Note:

2 The results of CWW are included within the reported results from the date of acquisition, however, they are excluded from the organic results. Refer to definitions of terms on page 188 for more details.

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Operating results (continued)

Southern Europe

	Italy	Spain	Other Southern Europe	Eliminations	Southern Europe	% change	
	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2013							
Revenue	4,755	3,904	1,883	(20)	10,522	(16.0)	(10.8)
Service revenue	4,380	3,629	1,644	(18)	9,635	(16.7)	(11.6)
Adjusted EBITDA	1,908	942	633		3,483	(21.5)	(16.4)
Adjusted operating profit	1,163	342	297		1,802	(32.3)	(27.5)
Adjusted EBITDA margin	40.1%	24.1%	33.6%		33.1%		
Year ended 31 March 2012							
Revenue	5,658	4,763	2,128	(27)	12,522	(3.9)	(5.4)
Service revenue	5,329	4,357	1,904	(25)	11,565	(4.7)	(6.2)
Adjusted EBITDA	2,514	1,193	731		4,438	(11.0)	(12.5)
Adjusted operating profit	1,735	566	359		2,660	(16.8)	(18.2)
Adjusted EBITDA margin	44.4%	25.0%	34.4%		35.4%		

Revenue decreased by -16.0% including a -5.0 percentage point impact from adverse foreign exchange rate movements. On an organic basis service revenue declined by -11.6%*, driven by the impact of MTR cuts, severe macroeconomic weakness and intense competition, partially offset by growth in data revenue. Revenue declined in all of the major markets in the region.

Adjusted EBITDA declined by -21.5%, including a -4.9 percentage point impact from adverse foreign exchange rate movements. On an organic basis adjusted EBITDA decreased by -16.4%*, resulting from a reduction in service revenue in most markets and the impact of restructuring costs, partially offset by a reduction in operating costs.

Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
(10.8)	**(0.2)**	**(5.0)**	**(16.0)**

Revenue
Southern Europe

Service revenue				
Italy	(12.8)	(0.1)	(4.9)	(17.8)
Spain	(11.5)	(0.2)	(5.0)	(16.7)
Other Southern Europe	(8.2)	(0.4)	(5.1)	(13.7)
Southern Europe	**(11.6)**	**(0.1)**	**(5.0)**	**(16.7)**
Adjusted EBITDA				
Italy	(19.5)		(4.6)	(24.1)
Spain	(15.4)	(0.6)	(5.0)	(21.0)
Other Southern Europe	(7.1)	(0.4)	(5.9)	(13.4)
Southern Europe	**(16.4)**	**(0.2)**	**(4.9)**	**(21.5)**
Adjusted operating profit				
Italy	(28.7)	(0.1)	(4.2)	(33.0)
Spain	(34.3)	(0.9)	(4.4)	(39.6)
Other Southern Europe	(10.4)	(0.9)	(6.0)	(17.3)
Southern Europe	**(27.5)**	**(0.3)**	**(4.5)**	**(32.3)**

Note:

1 Other activity includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to Organic growth on page 188 for further detail.

Italy

Service revenue declined by -12.8%* driven by the severe macroeconomic weakness and intense competition, as well as the impact of MTR cuts starting from 1 July 2012. Data revenue increased by 4.4%* driven by mobile internet growth and the higher penetration of smartphones, which more than offset the decline in mobile broadband revenue. Vodafone Red plans, branded as Vodafone Relax in Italy, continued to perform well and now account for approximately 30% of the contract customer base at 31 March 2013. The majority of contract additions are Vodafone Relax tariffs. Fixed revenue declined by -6.8%* driven by intense competition and a reduction in the

customer base due to the decision to stop consumer acquisitions in areas where margins are impacted by unfavourable regulated wholesale prices.

LTE commercial services were launched in October 2012 and were available in 21 cities at 31 March 2013.

Adjusted EBITDA declined by -19.5%*, with a -4.3* percentage point fall in the adjusted EBITDA margin, driven by the decline in service revenue and an increase in commercial costs, partially offset by operating cost efficiencies such as site sharing agreements and the outsourcing of network maintenance.

Spain

Service revenue declined by -11.5%* driven by continued macroeconomic weakness, high unemployment leading to customers optimising their spend, and a lower customer base following our decision to remove handset subsidies for a period earlier in the year. Competition remains intense with the increased popularity of converged consumer offers in the market. Data revenue grew by 16.5%* driven by the higher penetration of smartphones and an increase in those sold with a data bundle. Vodafone Red, which was launched in Q3, continues to perform well. Fixed revenue declined by -2.9%*, primarily due to intense competition, although new converged fixed/mobile tariffs had a positive impact on fixed broadband customer additions during Q4.

In March 2013 Vodafone Spain signed an agreement with Orange to co-invest in a fibre network in Spain, with the intention to reach six million households and workplaces across 50 cities by September 2017. The combined capital expenditure is expected to reach 1 billion.

Adjusted EBITDA declined by -15.4%*, with a -0.7* percentage point reduction in adjusted EBITDA margin, primarily driven by lower revenue and the impact of restructuring costs offset by commercial and operating cost efficiencies. The adjusted EBITDA margin stabilised in H2, benefiting from lower operating and commercial costs.

Other Southern Europe

Service revenue declined by -8.2%*, driven by declines in Greece and Portugal, which more than offset growth in Albania and Malta. Macroeconomic weakness and intense competition resulted in service revenue declines of -13.4%* and -8.2%* in Greece and Portugal, respectively. Greece and Portugal were also impacted by an MTR cut.

Adjusted EBITDA declined by -7.1%*, with a -0.4* percentage point reduction in adjusted EBITDA margin, primarily driven by lower service revenue, partially offset by operating cost efficiencies.

Africa, Middle East and Asia Pacific

	India	Vodacom	Other AMAP	Eliminations	AMAP	% change	
	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2013							
Revenue	4,324	5,206	3,937	(1)	13,466	(2.9)	4.3
Service revenue	4,292	4,420	3,634	(1)	12,345	(3.2)	3.9
Adjusted EBITDA	1,240	1,891	1,047		4,178	1.5	10.3
Adjusted operating profit	221	1,196	261		1,678	14.0	26.7
Adjusted EBITDA margin	28.7%	36.3%	26.6%		31.0%		
Year ended 31 March 2012							
Revenue	4,265	5,638	3,965		13,868	4.2	8.4
Service revenue	4,215	4,908	3,628		12,751	3.7	8.0
Adjusted EBITDA	1,122	1,930	1,063		4,115	2.9	7.8
Adjusted operating profit	60	1,084	328		1,472	15.7	22.4
Adjusted EBITDA margin	26.3%	34.2%	26.8%		29.7%		

Revenue declined by -2.9% including a -8.2 percentage point adverse impact from foreign exchange rate movements, particularly the Indian rupee and the South African rand. On an organic basis service revenue grew by 3.9%* driven by customer and data revenue growth, partially offset by the impact of MTR reductions, competitive and regulatory pressures, and a general weakening in macroeconomic conditions. Growth was led by robust performances in India, Vodacom, Egypt, Ghana and Qatar, offset by service revenue declines in Australia and New Zealand.

Adjusted EBITDA increased by 1.5% after a -9.4 percentage point adverse impact from foreign exchange rate movements. On an organic basis, adjusted EBITDA grew by 10.3%* driven primarily by strong growth in India, Vodacom and Egypt as well as improved contributions from Ghana and Qatar, offset in part by declines in Australia and New Zealand.

	Organic change %	Foreign exchange pps	Reported change %

		Other activity[1] pps		
Revenue AMAP	**4.3**	**1.0**	**(8.2)**	**(2.9)**
Service revenue				
India	10.7	3.8	(12.7)	1.8
Vodacom	3.0	(3.2)	(9.7)	(9.9)
Other AMAP	(2.1)	3.8	(1.5)	0.2
AMAP	**3.9**	**1.1**	**(8.2)**	**(3.2)**
Adjusted EBITDA				
India	24.0	(0.1)	(13.4)	10.5
Vodacom	10.3		(12.3)	(2.0)
Other AMAP	(2.6)	2.0	(0.9)	(1.5)
AMAP	**10.3**	**0.6**	**(9.4)**	**1.5**
Adjusted operating profit				
India	291.1	(3.4)	(19.4)	268.3
Vodacom	24.8	0.3	(14.8)	10.3
Other AMAP	(12.5)	(9.2)	1.3	(20.4)
AMAP	**26.7**	**(2.1)**	**(10.6)**	**14.0**

Note:

1 Other activity includes the impact of M&A activity, the revision to intra-group roaming charges from 1 October 2011 and the impact of Indus Towers revising its accounting for energy cost recharges. Refer to Organic growth on page 188 for further detail.

India

Service revenue grew by 10.7%* driven by strong growth in mobile voice minutes and data revenue, partially offset by the impact of regulatory changes. Average customer growth slowed in Q4, as Q3 regulatory changes affecting subscriber verification continued to impact gross additions, however customer acquisition costs remained low.

For the year as a whole, growth was negatively impacted by the introduction of new consumer protection regulations on the charging of access fees and the marketing of integrated tariffs and value-added services. However, in Q4 the customer base returned to growth and usage increased. Data revenue grew by 19.8%* driven by increased data customers and higher smartphone penetration. At 31 March 2013 active data customers totalled 37.3 million including approximately 3.3 million 3G data customers.

There was a lower rate of growth at Indus Towers, our network infrastructure joint venture, with a slow down in tenancies from smaller entrants, some operators exiting sites following licence cancellations and a change in the pricing structure for some existing customers in the first half of the year.

Adjusted EBITDA grew by 24.0%*, with a 3.3* percentage point increase in adjusted EBITDA margin, driven by the higher revenue, operating cost efficiencies and the impact of lower customer acquisition costs, partially offset by inflationary pressure.

Vodacom

Service revenue grew by 3.0%* mainly driven by growth in Tanzania, the Democratic Republic of Congo (DRC) and Mozambique. In South Africa, service revenue decreased by -0.3%*, with the growth in data revenue and the success of new prepaid offers being more than offset by MTR reductions, macroeconomic weakness leading to customer

spend optimisation with lower out-of-bundle usage, and a weaker performance from independent service providers. Data revenue in South Africa grew by 16.1%*, with higher smartphone penetration and data bundles offsetting continued pricing pressure. Vodafone Smart and Vodafone Red, our new range of integrated contract price plans, were introduced in South Africa during March 2013.

On 10 October 2012, Vodacom announced the commercial launch of South Africa s first LTE network, with 601 LTE sites operational at 31 March 2013.

Vodacom s mobile operations outside South Africa delivered strong service revenue growth of 23.3%*, excluding Vodacom Business Africa, driven by a larger customer base and increasing data take-up. M-Pesa continues to perform well in Tanzania, with approximately 4.9 million active users, and was launched in DRC in November 2012. During the year Vodacom DRC became the first operator to launch 3G services in the DRC.

Adjusted EBITDA grew by 10.3%*, with a 1.6* percentage point increase in adjusted EBITDA margin, primarily driven by revenue growth in Vodacom s mobile operations outside South Africa and savings in network costs in South Africa following investment in single RAN and transmission equipment.

Other AMAP

Organic service revenue decreased by -2.1%* with growth in Egypt, Ghana and Qatar more than offset by revenue declines in Australia and New Zealand. Australia continued to experience steep revenue declines on the back of ongoing service perception issues and a declining customer base. There has been a strong focus on network improvement and arresting the weakness in brand perception. In Egypt the launch of value management initiatives, take-up of data services and the increase in international incoming call volumes and rates drove service revenue growth of 3.7%*, despite competitive pressures and the uncertain political environment. Data revenue continued to show strong growth of 29.6%* and fixed line revenue grew by 29.0%*. In Qatar service revenue grew by 29.8%*, driven by the growth in the customer base, which is now over one million, supported by successful new propositions. In Ghana, continued strong growth in the customer base and the success of integrated tariffs led to service revenue growth of 24.2%*.

Adjusted EBITDA declined by -2.6%*, with adjusted EBITDA margin remaining stable, with the impact of service revenue declines in Australia and New Zealand offsetting growth in Egypt, Qatar and Ghana.

Non-Controlled Interests

Verizon Wireless[1 2 3]

	2013	2012	% change	
	£m	£m	£	Organic
Service revenue	19,697	18,039	9.2	8.1
Revenue	21,972	20,187	8.8	7.8
Adjusted EBITDA	8,831	7,689	14.9	13.6
Interest	(25)	(212)	(88.2)	
Tax[2]	13	(287)	(104.5)	
Group s share of result in VZW	6,422	4,867	31.9	30.5

In the US VZW reported 5.9 million net mobile retail connection additions in the year, bringing its closing mobile retail connection base to 98.9 million, up 6.4%.

Service revenue growth of 8.1%* continued to be driven by the expanding number of accounts and ARPA[4] growth from increased smartphone penetration and a higher number of connections per account.

Adjusted EBITDA margin improved, with efficiencies in operating expenses and direct costs partially offset by higher acquisition and retention costs reflecting the increased new connections and demand for smartphones.

VZW s net debt at 31 March 2013 totalled US$6.2 billion[5] (2012: US$6.4 billion[5]). During the year VZW paid a US$8.5 billion income dividend to its shareholders and completed the acquisition of spectrum licences for US$3.7 billion (net).

Notes:

1 All amounts represent the Group s share based on its 45% equity interest, unless otherwise stated.
2 The Group s share of the tax attributable to VZW relates only to the corporate entities held by the VZW partnership and certain US state taxes which are levied on the partnership. The tax attributable to the Group s share of the partnership s pre-tax profit is included within the Group tax charge.
3 The definition of connections reported by VZW is the same as customers as reported by Vodafone.
4 Average monthly revenue per account.
5 Net debt excludes pending credit card receipts.

References to Q2 are to the quarter ended 30 September 2012, references to the Q3 or previous quarter are to the quarter ended 31 December 2013, and references to Q4 and fourth quarter are to the quarter ended 31 March 2013 unless otherwise stated. References to the first half of the year are to the six months ended 30 September 2012 and references to H2 or the second half of the year are to the six months ended 31 March 2013 unless otherwise stated. References to the year or financial year are to the financial year ended 31 March 2013, references to the prior financial year are to the financial year ended 31 March 2012, and references to the new financial year and coming year are to the financial year ended 31 March 2014 unless otherwise stated. References to the 2012 financial year , 2013 financial year , the 2014 financial year , the 2015 financial year , and the 2016 financial year are to the financial years ended/ending 31 March 2012, 2013, 2014, 2015 and 2016, respectively.

Section 219 SEC filings of interest

Vodafone Group Plc (Vodafone) does not have any subsidiaries, other equity investments, assets, facilities or employees located in Iran, and Vodafone has made no capital investment in Iran. To the best of its knowledge, no US persons, including any US affiliates of Vodafone, are involved in the activities described below. Except as specified below, Vodafone does not believe that it has provided any products, equipment, software, technology, information, support or services into Iran, directly or indirectly, or had any agreements, arrangements or other contacts with the government of Iran or entities controlled by the government of Iran.

Roaming and interconnect

Vodafone has, via certain of its non-US subsidiaries, wholesale roaming and interconnect arrangements with mobile and fixed line operators in Iran. Roaming and interconnect arrangements are standard practice for global telecommunications companies and provide Vodafone s customers with the ability to make and receive calls in or to over 190 countries, including Iran. Vodafone also provides telecommunications services to certain national embassies located within Iran and to certain embassies of Iran located elsewhere in the world.

Vodafone has, or has had, relationships with the following telecommunications operators in Iran in connection with such roaming and interconnect arrangements, some of which it believes are or may be government controlled entities:

Gostaresh Ertebatat Taliya; Irancell Telecommunications Services Company; Mobile Telecommunication Company of Iran; Rafsanjan Industrial Complex (Coop); Rightel Communication Services Company; Telecommunication Company of Iran; Telecommunication Kish Company; and Telecommunication Infrastructure Company of Iran.

As well as benefiting its customers, Vodafone s roaming and interconnect arrangements with operators in Iran, and provision of its telecommunications services to national embassies located within, or belonging to, Iran, provide clear benefits for Iranian civil society, as well as for certain groups working in Iran, such as diplomats, journalists and non-governmental organisations. Without these services, lines of communication between Iran and the rest of the world would be reduced, and consequently the flow of information out of and into Iran would suffer. As such, Vodafone intends to continue supporting these services, subject to relevant legal restrictions and business considerations.

The approximate total gross revenues attributable to the arrangements mentioned above for the financial year ended 31 March 2013 were GBP 4,069,000[1]

Net profit did not exceed the gross revenues related to these arrangements.

Contract between Vodafone Global Enterprise (VGE) and Deutsche Post DHL (DHL)

From 2010 VGE, a Vodafone division which serves multi-national corporate customers, provided DHL with a managed Multi-Protocol Label Switching (MPLS) data network in a total of 67 countries across Eastern Europe, Africa and the Middle East. MPLS is a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next. VGE s role in relation to the Iranian element of the contract (one DHL site in Iran) comprised of covering the cost of telecommunications services in, and linking into, Iran, which had been contracted by DHL through regional operators. On 31 January 2013, Vodafone terminated all telecommunications commitments towards DHL in respect of Iran under this contract.

Guidance

The gross revenues attributable to managed service provision in Iran under this contract for the financial year ended 31 March 2013 were GBP 118,050[1].

Net profit did not exceed the gross revenues related to this contract.

EPEG Project

On 27 July 2012, Vodafone acquired Cable & Wireless Worldwide Plc (CWW), which (through a subsidiary) is member of a consortium made up of Telecommunication Infrastructure Company of Iran (TIC) (an entity controlled by the government of Iran), Rostelecom and Omantel that is building a high speed cable network from a landing point in Barka, Oman, to Frankfurt, Germany (the EPEG Cable). The EPEG Cable comprises a submarine cable system between Oman and Iran, interconnected to terrestrial cable systems transiting Iran, Azerbaijan, Russia, Ukraine, Hungary, Slovakia, Austria, and the Czech Republic, terminating in Germany. Each member of the consortium is responsible for funding, building and maintaining its section of the cable, with CWW owning and being responsible for the segment from the Ukrainian border with Russia to Frankfurt, Germany.

The key driver for this system is the need in the global telecommunications market for a high capacity, low latency link from the Middle East and India, separate to existing cable routes through Egypt. All current submarine cable systems from the Middle East and India to Europe go through the Suez Canal, and any political or environmental instability affecting those cable systems could potentially cause major disruption, hence the need to create an alternative to this vitally important global telecommunications route.

As part of the project, up until March 2013 CWW acted as central billing party for the construction of the submarine cable system between Iran and Oman. CWW has agreed to act as the central billing party for the EPEG Cable, which will involve managing payments to and from third parties on behalf of all the consortium members, including TIC. It is currently anticipated that CWW s role as the central billing party in the project will be ongoing. This project has not reached commercial launch yet; consequently there are no revenues or profits associated with the project.

Intellectual Property

Vodafone, through one of its subsidiaries, also makes some insignificant payments to Iran in order to register certain domain names, register and renew certain trade marks, and protect its brand globally. Vodafone pays annual registration fees of approximately £60 to £72 to the IRNIC (the Domain Registry at the Institute for Studies in Theoretical Physics and Mathematics) per domain name for the registration of three domain names. Vodafone did not make any payments to Iran in order to register or renew any of its trade marks during the fiscal year ended 31 March 2013. Vodafone intends to continue to make such payments as are necessary to maintain registration of these domain

names and trade marks, and to protect its global brand. There are no revenues or profits associated with Vodafone s annual domain name registrations in Iran.

Note:

1 Approximate unaudited figures.

Please see page 179 for Use of non-GAAP financial information , page 187 for Definition of terms and page 185 for Forward-looking statements .

Performance against 2013 financial year guidance

Based on guidance foreign exchange rates[1], and excluding M&A and restructuring costs, our adjusted operating profit for the 2013 financial year was £12.3 billion, above the £11.1 billion to £11.9 billion range set in May 2012.

On the same basis our free cash flow was £5.8 billion, at the top of the range of £5.3 billion to £5.8 billion.

2014 financial year guidance[2]

	Adjusted operating profit £bn	Free cash flow £bn
2014 financial year guidance	12.0 12.8	Around 7.0

We expect adjusted operating profit 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 capex to remain broadly steady on a constant currency basis.

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

Dividend policy

After over 22% growth in the ordinary dividend per share over the last three years, the Board is focused on continuing to balance the long-term needs of the business with ongoing shareholder remuneration, and going forward aims at least to maintain the ordinary dividend per share at current levels.

Assumptions

We have based guidance for the 2014 financial year on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of £1: 1.17 and £1:US$1.52. It excludes the impact of licences and spectrum purchases, additional income dividends from VZW, material one-off tax-related payments, restructuring costs and any fundamental structural change to the eurozone. It also assumes no material change to the current structure of the Group.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by £30 million and free cash flow by approximately £20 million. A 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £70 million.

Notes:

1 Guidance foreign exchange rates for the year ended 31 March 2013 were £1: 1.23 and £1:US$1.62.
2 For consistency with the basis of presentation of joint ventures in previous years, guidance does not take into account the impact on the Group s financial results of adopting IFRS 11, Joint Arrangements, for the year ending 31 March 2014.

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Principal risk factors and uncertainties

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.

The Group s key risks are outlined below:

1. Our business could be adversely affected by a failure or significant interruption to our telecommunications networks or IT systems.

Risk: We are dependent on the continued operation of telecommunications networks. As the importance of mobile and fixed communication in everyday life increases, as well as during times of crisis, organisations and individuals look to us to maintain service. Major failures in the network or our IT systems may result in service being interrupted resulting in serious damage to our reputation and consequential customer and revenue loss.

There is a risk that an attack on our infrastructure by a malicious individual or group could be successful and impact the availability of critical systems. Our network is also susceptible to interruption due to a physical attack and theft of our network components as the value and market for network components increases (for example copper, batteries, generators and fuel).

2. We could suffer loss of consumer confidence and/or legal action due to a failure to protect our customer information.

Risk: Mobile networks carry and store large volumes of confidential personal and business voice traffic and data. We host increasing quantities and types of customer data in both enterprise and consumer segments. We need to ensure our service environments are sufficiently secure to protect us from loss or corruption of customer information. Failure to protect adequately customer information could have a material adverse effect on our reputation and may lead to legal action against the Group.

3. Increased competition may reduce our market share and profitability.

Risk: We face intensifying competition where all operators are looking to secure a share of the potential customer base. Competition could lead to a reduction in the rate at which we add new customers, a decrease in the size of our market share and a decline in our average revenue per customer, if customers choose to receive telecommunications services or other competing services from alternate providers. Competition can also lead to an increase in customer acquisition and retention costs. The focus of competition in many of our markets has shifted from acquiring new customers to retaining existing customers, as the market for mobile telecommunications has become increasingly mature.

4. Regulatory decisions and changes in the regulatory environment could adversely affect our business.

Risk: We have ventures in both emerging and mature markets, spanning a broad geographical area including Europe, Africa, Middle East, Asia Pacific and the US. We need to comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of our telecommunications networks and services. Pressure on political and regulatory institutions both to deliver direct consumer benefit and protect consumers interests, particularly in recessionary periods, can lead to adverse impacts on our business. Financial pressures on smaller competitors can drive them to call for regulators to protect them. Increased financial pressures on governments may lead them to target foreign investors for further taxes or licence fees.

5. Our existing service offerings could become disadvantaged as compared to those offered by converged competitors or other technology providers.

Risk: In a number of markets we face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, public Wi-Fi, TV and mobile) on their existing infrastructure which we cannot either replicate or provide at a similar price point. Additionally, the combination of services may allow competitors to subsidise the mobile component of their offering. This could lead to an erosion of our customer base and reduce the demand for our core services and impact our future profitability.

Advances in smartphone technology places more focus on applications, operating systems, and devices rather than the underlying services provided by mobile operators. The development of applications which make use of the internet as a substitute for some of our more traditional services, such as messaging and voice, could erode revenue. Reduced demand for our core services of voice, messaging and data and the development of services by application developers, operating system providers, and handset suppliers could significantly impact our future profitability.

6. Severely deteriorating economic conditions could impact one or more of our markets.

Risk: Economic conditions in many of the markets where we operate, especially in Europe, continue to deteriorate or stagnate. These conditions, combined with the impact of austerity measures, result in lower levels of disposable income and may result in significantly lower revenue as customers give up their mobile devices or move to cheaper tariffs.

There is also a possibility of one or more countries exiting the eurozone, causing currency devaluation in certain countries and possibly leading to a reduction in our revenue and impairment of our financial and non-financial assets. This may also lead to further adverse economic impacts elsewhere.

7. Our business may be impacted by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment.

Risk: Concerns have been expressed that the electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. We are not aware that such health risks have been substantiated, however, in the event of a major scientific finding supporting this view this might result in prohibitive legislation being introduced by governments (or the European Union), a major reduction in mobile phone usage (especially by children), a requirement to move base station sites, significant difficulty renewing or acquiring site leases, and/or major litigation. An inadequate response to electromagnetic fields (EMF) issues may result in loss of confidence in the industry and Vodafone.

8. Failure to deliver enterprise service offerings may adversely affect our business.

Risk: By expanding our enterprise service offerings through the growth of Vodafone Global Enterprise, the acquisitions of CWW and TelstraClear, and the establishment of cloud, hosting and international carrier services, the Group increasingly provides fixed and mobile communication services to organisations that may provide vital national services. These organisations rely on our networks and systems 24 hours a day, 365 days a year to deliver their

products and services to their customers. A failure to build and maintain our infrastructure to the required levels of resilience for enterprise customers and to deliver to our contracted service level agreements may result in a costly business impact and cause serious damage to our reputation.

Principal risk factors and uncertainties (continued)

9. We depend on a number of key suppliers to operate our business.

Risk: We depend on a limited number of suppliers for strategically important network and IT infrastructure and associated support services to operate and upgrade our networks and provide key services to our customers. Our operations could be adversely impacted by the failure of a key supplier who could no longer support our existing infrastructure, by a key supplier commercially exploiting their position in a product area following the corporate failures of/the withdrawal from a specific market by competitors, or by major suppliers significantly increasing prices on long-term programmes where the cost or technical feasibility of switching supplier becomes a significant barrier.

10. We may not satisfactorily resolve major tax disputes.

Risk: We operate in many jurisdictions around the world and from time to time have disputes on the amount of tax due. In particular, in spite of the positive India Supreme Court decision relating to an ongoing tax case in India, the Indian government has introduced retrospective tax legislation which would in effect overturn the court s decision and has raised challenges around the pricing of capital transactions. Such or similar types of action in other jurisdictions, including changes in local or international tax rules or new challenges by tax authorities, may expose us to significant additional tax liabilities which would affect the results of the business.

11. Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Risk: Due to the substantial carrying value of goodwill under International Financial Reporting Standards, revisions to the assumptions used in assessing its recoverability, including discount rates, estimated future cash flows or anticipated changes in operations, could lead to the impairment of certain Group assets. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect our reported distributable reserves and, therefore, our ability to make dividend distributions to our shareholders or repurchase our shares.

Eurozone

The Group continues to face currency, operational and financial risks as a result from the challenging economic conditions in the eurozone and the potential exit of one or more countries from the euro. We continue to keep our policies and procedures under review to endeavour to minimise the Group s economic exposure and to preserve our ability to operate in a range of potential conditions that may exist in the event of one or more of these future events.

Our ability to manage these risks needs to take appropriate account of our needs to deliver a high quality service to our customers, meet licence obligations and the significant capital investments we may have made and may need to continue to make in the markets most impacted.

Currency related risks

While our share price is denominated in sterling, the majority of our financial results are generated in other currencies. As a result the Group s operating profit is sensitive to either a relative strengthening or weakening of the major currencies in which we transact.

The Operating results section of the annual report on pages 40 to 44 sets out a discussion and analysis of the relative contributions from each of our three regions and the major geographical markets within each, to the Group s service revenue and adjusted EBITDA performance. Our markets in Greece, Ireland, Italy, Portugal and Spain continue to be the most directly impacted by the current market conditions and in order of contribution represent 14% (Italy), 7% (Spain), 3% (Portugal) and 3% (Ireland and Greece combined) of the Group s adjusted EBITDA for the year ended 31 March 2013. An average 3% decline in the sterling equivalent of these combined geographical markets due to currency revaluation would reduce the Group s adjusted EBITDA by approximately £0.1 billion. Our foreign currency earnings are diversified through our 45% equity interest in VZW, which operates in the US and generates its earnings in US dollars. VZW, which is equity accounted, contributed 54% of the Group s adjusted operating profit for the year ended 31 March 2013.

We employ a number of mechanisms to manage elements of exchange rate risk at a transaction, translation and economic level. At the transaction level our policies require foreign exchange risks on transactions denominated in other currencies above certain de minimis levels to be hedged. Further, since the Company s sterling share price represents the value of its future multi-currency cash flows, principally in euro, US dollars and sterling, we aim to align the currency of our debt and interest charges in proportion to our expected future principal multi-currency cash flows, thereby providing an economic hedge in terms of reduced volatility in the sterling equivalent value of the Group and a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

In the event of a country s exit from the eurozone, this may necessitate changes in one or more of our entities functional currency and potentially higher volatility of those entities trading results when translated into sterling, potentially adding further currency risk.

A summary of this sensitivity of our operating results and our foreign exchange risk management policies is set out within Financial risk management Market risk Foreign exchange management within note A6 to the consolidated financial statements.

Operational risk

The significant areas of operational risk for the Group are investment risk, particularly in relation to the management of the counterparties holding our cash and liquid investments; trading risks primarily in relation to procurement and related contractual matters; and business continuity risks focused on cash management in the event of disruption to banking systems.

Financial/investment risk: We remain focused on counterparty risk management and in particular the protection and availability of cash deposits and investments. We carefully manage counterparty limits with financial institutions holding the Group s liquid investments and maintain a significant proportion of liquid investments in sterling and US dollar denominated holdings. Our policies require cash sweep arrangements, to ensure no operating company has more than 5 million on deposit on any one day. Further, we have had collateral support agreements in place for a number of years, with a significant number of counterparties, to pass collateral to the Group under certain circumstances. We have a net £1,151 million of collateral assets in our statement of financial position at 31 March 2013. See Financial risk management Credit risk in note A6 to the consolidated financial statements for further information.

Trading risks: We continue to monitor and assess the structure of certain procurement contracts to place the Group in a better position in the event of the exit of a country from the eurozone.

Business continuity risks: Key business continuity priorities are focused on planning to facilitate migration to a more cash-based business model in the event banking systems are frozen, developing dual currency capability in contract customer billing systems or ensuring the ability to move these contract customers to prepaid methods of billing, and the consequential impacts to tariff structures. We also have in place contingency plans with key suppliers that would assist us to continue to support our network infrastructure, retail operations and employees.

We continue to maintain appropriate levels of cash and short-term investments in many currencies, with a carefully controlled group of counterparties, to minimise the risks to the ongoing access to that liquidity and therefore our ability to settle debts as they become due. See Financial risk management Liquidity risk in note A6 to the consolidated financial statements for more information.

Risk of change in carrying amount of assets and liabilities

The main potential short-term financial statement impact of the current economic uncertainties is the potential impairment of non-financial and financial assets.

We have significant amounts of goodwill, other intangible assets and plant, property and equipment allocated to, or held by, companies operating in the eurozone.

We have performed impairment testing for each country in Europe as at 31 March 2013 and identified aggregate impairment charges of £7.7 billion in relation to Vodafone Italy and Spain. See note 12 to the consolidated financial statements for further detail on this exercise, together with the sensitivity of the results to reasonably possible adverse assumptions.

Our operating companies in Italy, Ireland, Greece, Portugal and Spain have billed and unbilled trade receivables totalling £1.9 billion. IFRS contains specific requirements for impairment assessments of financial assets. We have a range of credit exposures and provisions for doubtful debts that are generally made by reference to consistently applied methodologies overlaid with judgements determined on a case-by-case basis reflecting the specific facts and circumstances of the receivable. See Financial risk management Credit risk in note A6 to the consolidated financial statements for detailed disclosures on provisions against loans and receivables as well as disclosures about any loans and receivables that are past due at the end of the period, concentrations of risk and credit risk more generally.

Chairman s overview

Effective corporate governance is an essential prerequisite to sustainable business performance. Companies that operate with integrity at all times will maintain the trust of their investors, customers and other important stakeholders.

Dear Shareholder

At Vodafone, we seek to create a working culture in which honesty, openness and fairness are valued and reinforced at all levels of the organisation, underpinned by a simple, clear and consistently applied governance framework.

The Board has overall responsibility for the manner in which your Company runs its affairs. How Vodafone achieves its goals matters: stakeholders rightly expect the highest standards of corporate behaviour in all our activities. Everyone is expected to work in the Vodafone Way and to follow our Code of Conduct, the details of which we explain on page 66. Central to this is the Company s compliance function which is embedded within each of our local businesses and which has senior executive leadership at Group level and has regular and direct interaction with your Board.

To be effective, the Board must have a full understanding of the complexities of our sector, and in its composition it must also reflect the diversity of the societies within which Vodafone operates. The directors are drawn from seven different nationalities. Each director has extensive experience of emerging markets and international businesses and the majority of them have deep knowledge of the technology and data management sectors. The recent appointments of Omid Kordestani and, in 2011, Renee James, exemplify your Board s forward-looking approach to maintain a high level of informed scrutiny, challenge and guidance as Vodafone s strategy continues to evolve. My medium-term ambition for the composition of the Board is to bring in further marketing expertise. For further details, please see the directors biographies on page 52.

Gender is an important aspect of boardroom diversity. Vodafone supports the principles outlined in Lord Davies report, Women on boards , in February 2011 and aspires to have a minimum of 25% female representation on your Board by 2015. With the departure of Sir John Buchanan and Michel Combes from the Board and the appointment of Omid Kordestani, that proportion currently stands at 15%. Over the coming year and as opportunities to appoint arise,

we will continue to seek candidates who have both the appropriate skills and who will help achieve the Board s gender diversity aspiration.

No board can be effective over the long-term if it remains static in its thinking and passive in the face of rapid changes within both the Company and the wider industry. Your Board regularly seeks an external evaluation of its own effectiveness. In the spring of 2013, Ffion Hague of Independent Board Evaluation interviewed the directors and senior executives as part of a comprehensive review of the Board s performance. Mrs Hague s findings are summarised on page 58.

In common with many businesses, Vodafone is operating under tough economic conditions in most of our markets. Measures to preserve the value of the Company s core assets will be a critical priority for the Board, as will further development of strategies to deliver growth over the years ahead. Doing so will require a combination of careful stewardship underpinned by rigorous risk management processes and agile decision-making to capture opportunities to create value for shareholders. I am confident that your Board is well-equipped to deliver against that mandate.

/s/ Gerard Kleisterlee

Gerard Kleisterlee

Chairman

21 May 2013

Compliance with the UK Corporate Governance Code

Throughout the year ended 31 March 2013 and to the date of this document, we complied with the code provisions and applied the main principles of the UK Corporate Governance Code (the Code). The FRC has issued a revised version of the Code which applies to financial years commencing on or after 1 October 2012. We will report on it for the first time in our 2014 financial year and intend to be in compliance. The Code can be found on the FRC website (frc.org.uk). We describe how we have applied those main principles in this section of the annual report which includes our statement of internal control and risk management, together with the Directors remuneration section on pages 67 to 82.

Corporate governance statement

We comply with the corporate governance statement requirements pursuant to the FCA s Disclosure and Transparency Rules by virtue of the information included in this Governance section of the annual report together with information contained in the Shareholder information section on pages 166 to 173.

Board of directors and Group management

Directors and senior management

Our business is managed by our Board of directors (the Board). Biographical details of the directors and senior management as at 21 May 2013 are as follows (with further information available at vodafone.com/investor):

Gerard Kleisterlee

Chairman

Age: 66

Tenure: 2 years

Nationality: Dutch

Skills and experience:

- Deep knowledge of consumer electronics, technology, healthcare and lifestyle sectors
- Wealth of experience operating in developed and emerging markets
- Koninklijke Philips Electronics N.V. President/Chief Executive Officer and Chairman of Board of Management (2001 2011)
- Career with Philips spanning over 30 years

Other current appointments:

- Daimler AG Supervisory Board member
- Dell Board member
- Royal Dutch Shell Non-executive director and Audit

Vittorio Colao

Chief Executive

Executive director

Age: 51

Tenure: 6 years

Nationality: Italian

Skills and experience:

- Over 20 years experience working in the telecoms sector
- Vodafone Group Plc Chief Executive Europe (2006 2008)
- RCS MediaGroup Chief Executive (2004 2006)
- Vodafone Group Plc Regional Chief Executive Officer, Southern Europe (role later expanded to include Middle East and Africa regions) (2001 2004)
- Omnitel Pronto Italia S.p.A. (became Vodafone Italy) appointed Chief Executive in 1999 (1996 2004)
- McKinsey & Company (1986 1996)

Committee member

Board Committees:

- Nominations and Governance (Chairman)

Other current appointments:

- Bocconi University, Italy International Advisory Board member
- European Round Table of Industrialists Steering Committee member
- McKinsey & Company Advisory Board member
- Oxford Martin School Advisory Council member

Board Committees:

- None

Andy Halford

Chief Financial Officer Executive director

Age: 54

Tenure: 7 years

Nationality: British

Skills and experience:

- Extensive experience as a finance director of UK, US and multinational companies
- The Hundred Group of Finance Directors Chairman (2010 2012)
- Verizon Wireless partnership Chief Financial Officer (2002 2005)
- Vodafone Group Plc Financial Director for Northern Europe, Middle East and Africa region (2001 2002)
- Vodafone Limited (UK operating company) Financial Director (1999 2001)
- East Midlands Electricity Plc Group Finance Director (1993 1998)

Stephen Pusey

Chief Technology Officer Executive director

Age: 51

Tenure: 3 years

Nationality: British

Skills and experience:

- Wealth of international experience across wireline and wireless industries
- Extensive understanding of business applications and solutions
- Nortel Networks Corporation various positions over period of 23 years, including Executive Vice President and President of EMEA region (2001 2005)
- British Telecom (1977 1982)

Other current appointments:

- Verizon Wireless partnership Board of Representatives member

Other current appointments:

- g Marks & Spencer Group plc Non-executive director
- g Verizon Wireless partnership Board of Representatives member

Board Committees:

- g None

Board Committees:

- g None

Renee James

Non-executive director

Age: 48

Tenure: 2 years

Nationality: American

Skills and experience:

- g Deep knowledge of the high-tech sector
- g Wide ranging experience of international management
- g Intel Corporation Executive Vice President and General Manager of the Software and Services Group (2012 2013)
- g Intel Corporation Senior Vice President (2010 2012)
- g Intel Corporation Vice President (2005 2010)
- g Intel Software and Services Group General Manager (2005 2010)
- g Intel s Microsoft Program Office Vice President and General Manager (2000 2005)
- g Intel Online Services (Intel s datacenter business) Director and Chief Operating Officer (1998 2000)

Alan Jebson

Non-executive director

Age: 63

Tenure: 6 years

Nationality: British

Skills and experience:

- g Senior leader in international business
- g Knowledge of international IT systems
- g MacDonald, Dettwiler and Associates (Canada) Non-executive director (2006 2012)
- g HSBC Holdings plc Group Chief Operating Officer (2003 2006); Group Chief Information Officer (1997 2003)
- g Saudi British Bank Senior Manager, Planning and Operations (1984 1987)
- g HSBC Holdings plc Head of IT Audit (1978 1984)

Other current appointments:

- g Experian plc Non-executive director

Other current appointments:

- Intel Corporation President
- Software subsidiaries of Intel Corporation: Havok Inc., Wind River Systems Inc. and McAfee, Inc. Chairman
- VMware Inc Independent director on Board of directors and Audit Committee member

Board Committees:

- Remuneration

Board Committees:

- Audit and Risk

Samuel Jonah

Non-executive director

Age: 63

Tenure: 4 years

Nationality: Ghanaian

Skills and experience:

- Widespread experience of business in Africa, particularly South Africa and Ghana
- Standard Bank of South Africa Non executive Director (2006 2012)
- Advisor to the former Presidents of Ghana (2001 2009) and South Africa (1999 2008)
- Awarded a Lifetime Award by the Commonwealth Business Council and African Business Magazine (2006)
- Awarded the Companion of the Order of the Star (Ghana s highest national award) (2006)

Omid Kordestani

Non-executive director

Age: 49

Tenure: <1 year

Nationality: American

Skills and experience:

- Innovator in the technology industry
- Commercial leader
- Google Senior Vice President Sales and Business Development (1999 2009)
- Netscape Communications Vice President of Business Development (1997 1999)
- Netscape Communications Director of OEM Sales (1995 1997)
- The 3DO Company Director of Product Management (1993 1995)
- GO Corporation Director of Business Development (1991 1993)

- Honorary Knighthood awarded (2003)
- AngloGold Ashanti Ltd Executive President (2002 2005)
- Lonmin Plc. Director (1992 2004)
- Ashanti Goldfields Co Ltd Chief Executive Officer (1986 2002)
- Advisory Council of the President of the African Development Bank Member (1990 1992)

Other current appointments:

- Advisor to the Presidents of Togo and Nigeria
- Imara Energy Corp. Chairman
- Iron Mineral Benefeciation Services Non-executive Deputy Chairman
- Jonah Capital (Pty) Limited Executive Chairman
- Range Resources Limited Non-executive Chairman
- Metropolitan Insurance Company Limited Chairman
- The Investment Climate Facility Trustee/Member of Trustee Board

Board Committees:

- Remuneration

- Hewlett-Packard Product Marketing Manager (1984 1989)

Other current appointments:

- Google Senior Advisor to the Office of CEO/Founders

Board Committees:

- None

Nick Land

Non-executive director

Age: 65

Tenure: 6 years

Nationality: British

Skills and experience:

g Financial expert with extensive international experience

g Retired from Ernst & Young in 2006 after a career spanning 36 years

g Ernst & Young Chairman (1995 2006); Managing Partner of North European, Middle East, India and Africa region (1999 2006)

Other current appointments:

g Alliance Boots GmbH Non-executive director

g Alsbridge plc Advisory Board member

g Ashmore Group plc Non-executive director

g BBA Aviation plc Non-executive director

g Farnham Castle Chairman of the Board of

Anne Lauvergeon

Non-executive director

Age: 53

Tenure: 7 years

Nationality: French

Skills and experience:

g Wealth of international business knowledge

g GDF SUEZ Non-executive director (2000 2012)

g AREVA group Chief Executive Officer (2001 2011)

g Areva NC (formerly Cogema) Chairman and Chief Executive Officer (1999 2011)

g Alcatel Senior Executive Vice President; Executive Committee member (1997 1999)

g Lazard Frères & Cie Partner (1995 1997)

g French Presidency Deputy Chief of Staff (1991 1995); Advisor for Economic International Affairs (1990)

Other current appointments:

Trustees

- Financial Reporting Council Non-executive director
- SNR Denton UK LLP Board advisor
- The National Gallery Member of Finance and Audit Committees
- The Vodafone Foundation Chairman of the Board of Trustees

Board Committees:

- Audit and Risk (Chairman)

- A.L.P. SAS Chief Executive Officer
- American Express Company Non-executive director
- EADS N. V. Non-executive director