VODAFONE GROUP PUBLIC LTD CO
Form 20-F
June 02, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 20-F

o **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, 2010

OR

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

OR

o **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	52,663,134,573
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 o

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 o 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 o

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 o No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

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

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 o Item 18 o

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 o 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	NASDAQ Global Select Market

Receipts) each representing ten ordinary shares	
Floating Rate Notes due June 2011	New York Stock Exchange
5.50% Notes due June 2011	New York Stock Exchange
5.35% due Feb 2012	New York Stock Exchange
Floating Rate Notes due Feb 2012	New York Stock Exchange
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
5.75% Notes March 2016	New York Stock Exchange
5.625% Notes due Feb 2017	New York Stock Exchange
4.625% Notes due July 2018	New York Stock Exchange
5.450% Notes due June 2019	New York Stock Exchange
6.25% Notes due November 2032	New York Stock Exchange
6.15% Notes due Feb 2037	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 constitutes the annual report on Form 20-F of Vodafone Group Plc (the Company) in accordance with the requirements of the US Securities and Exchange Commission (the SEC) for the year ended 31 March 2010 and is dated 2 June 2010. This document contains certain information set out within the Company s annual report in accordance with International Financial Reporting Standards (IFRS) and with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS, dated 18 May 2010, as updated or supplemented if necessary. Details of events occurring subsequent to the approval of the annual report on 18 May 2010 are summarised on page A-1. The content of the Group s website (www.vodafone.com) should not be considered to form part of this annual report on Form 20-F.

In the discussion of the Group s reported financial position, operating results and cash flow for the year ended 31 March 2010, information is presented to provide readers with additional financial information that is regularly reviewed by management. However this additional information is not uniformly defined by all companies, including those in the Group s industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

All amounts in this document marked with an (*) represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates.

For further information see Non-GAAP information on pages 136 and 137 and Definition of terms on page 141.

The terms Vodafone , the Group , we , our and us refer to the Company and, as applicable, its subsidiaries and/or i interests in joint ventures and associates.

This document contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group s financial condition, results of operations and business management and strategy, plans and objectives for the Group. For further details please see Forward-looking statements on page 140 and Principal risk factors and uncertainties on pages 38 and 39 for a discussion of the risks associated with these statements.

We are one of the world s largest mobile communications companies by revenue, operating across the globe providing a wide range of communications services. Our vision is to be the communications leader in an increasingly connected world.

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These sections make up the directors report.

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Executive summary

Highlights

Executive summary For more information, visit: www.vodafone.com/investor Highlights Group highlights for the 2010 financial year Revenue Financial highlights Q Total revenue of £44.5 billion, up 8.4%, with improving trends in most £44.5bn markets through the year. 8.4% growth Q Adjusted operating profit of £11.5 billion, a 2.5% decrease in a recessionary environment. Q Data revenue exceeded £4 billion for the first time and is now 10% Adjusted operating profit of service revenue. Q £1 billion cost reduction programme delivered a year ahead of schedule; £11.5bn further £1 billion programme now underway. 2.5% decrease Q Final dividend per share of 5.65 pence, resulting in a total for the year of 8.31 pence, up 7%. Q Higher dividends supported by £7.2 billion of free cash flow, an increase Free cash flow of 26.5%. £7.2bn Operational highlights 26.5% growth Q We are one of the world s largest mobile communications companies by revenue with 341.1 million proportionate mobile customers, up 12.7% during the year. Proportionate mobile customers Q Improved performance in emerging markets with increasing revenue market share in India, Turkey and South Africa during the year. 341.1m Q Expanded fixed broadband customer base to 5.6 million, up 1 million during the year. 12.7% growth Q Comprehensive smartphone range, including the iPhone, BlackBerry® Bold and Samsung H1. Q Launch of Vodafone 360, a new internet service for the mobile and internet. Q High speed mobile broadband network with peak speeds of up to 28.8 Mbps. Vodafone Group Plc Annual Report 2010 1

Chairman s statement

Sir John Bond Chairman Chairman s statement Your Company continues to deliver strong cash generation, is well positioned to benefit from economic recovery and looks to the future with confidence. Environment and performance more efficiently and pleasurably, making better use of their time and Q Against a difficult background, we generated £7.2 billion opportunities. This has resulted in ever increasing demand, with voice of free cash flow, up 26.5%. minutes up by 22.3%(*) and data revenue up by 19.3%(*) across the Q Total dividends per share of 8.31 pence, up 7%; three year Group. This additional demand on our networks means that we need dividend per share growth target of at least 7% per annum. to manage traffic to ensure both good service for our customers and Q Original £1 billion cost programme completed a year ahead appropriate returns for our shareholders from continued investment of schedule with a further £1 billion initiative underway. in those networks. Q Continued strong investment in network capability to maintain and enhance the quality of service. Innovation Q Continued innovation in our products and services 2009 saw the sharpest contraction in the world s economy for more broadens and enhances our business portfolio. Dividends per share than a generation. Unquestionably, this has been the most difficult The new Vodafone 360 service combines the benefits (Pence) Q economic environment in which your Company has ever operated. of mobile communications and the internet to bring 8.31 7.51 7.77 Against this background, I am very pleased to report that the Group your phone, email chat and social network contacts delivered an adjusted operating profit of £11.5 billion (down 2.5%), together in one place. and generated £7.2 billion of free cash flow (up 26.5%). The Board is recommending a final dividend of 5.65 pence, making a total for the Innovation in the services we offer, and the expansion of those services year of 8.31 pence per share (up 7%). The Board is also targeting to into other sectors such as health care or communication between maintain growth in dividends per share at no less than 7% per annum different types of machine smart metering on energy grids or smart for the next three years. This year s results have been achieved while communications for delivery truck fleets can make important 2008 2009 2010 maintaining the capital expenditure (up slightly at £6.2 billion) needed contributions to our societies, lowering carbon emissions and to serve our customers growing demand for voice minutes and data enhancing lifestyles. This kind of innovation is important both for the services. The share price has increased by 6% since 1 April 2009, wider benefits it brings but also because it broadens and enhances the broadly in line with other major European telecommunications base on which our business is built. We have now set-up separate companies, but behind the increase in the FTSE 100. health and machine-to-machine teams to ensure that we maximise these opportunities. While the Group is not immune from the economic environment in which we operate, with our retail customers seeking to control their Your Company has also continued to innovate in the services we expenditure as much as possible and our business customers seeking provide. This year has seen the launch of Vodafone 360, a service to control cost, we have responded swiftly with cost reduction designed to help bridge the intersection between mobile and efficiency programmes. On top of our original £1 billion cost communications and the internet making it easier to communicate programme, delivered a year ahead of plan, we have now committed with friends, colleagues and family from your mobile using social to a further £1 billion cost programme by the 2013 financial year. With media or more traditional forms of electronic communication. The mobile voice prices continuing to decline in Europe by over 1 0% a year, Vodafone Money Transfer system (branded M-PESA in Kenya and tight cost control will remain a high priority in the future. Tanzania) is available in three countries with 13 million customers transferring US$3.6 billion during the 2010 financial year. We expect The telecommunications sector as a whole has seen declining revenue to roll-out the service to further markets later this year. We recently through this period but we have not seen the extremely steep declines launched two of the world s most inexpensive handsets for example in revenue experienced by some other sectors of the economy the Vodafone 150 retails in most markets at unsubsidised prices below mobile communications remain an essential element in most people s US $15 and we are working on low cost handsets which will give lives. We see how our services are allowing people to lead their lives access to the internet. 2 Vodafone Group Plc Annual Report 2010

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Geographic diversity experience of the Asia Pacific region have been great assets to the Proportionate mobile Q Wide portfolio of operations including developed and emerging Board, and I am grateful for the contribution he has made. customers markets. Q In emerging markets growth prospects remain positive. The Vodafone Foundation 341.1m We now have over 100 million customers in our key Q The Vodafone Foundation supports communities and societies up 12.7% Indian market. in the countries in which we operate. Q Vodafone invested a total of £42 million in foundation One of the benefits of our broad spread of operations in both programmes and social causes. developed and emerging markets is the diversification of risk that this allows. The Board keeps a close watch on this portfolio of investments, We have continued to fund the work of the Vodafone Foundation. particularly those where we do not exercise management control. In Through the Vodafone Foundation and our network of national affiliate Verizon Wireless we have an outstanding asset whose value has foundations we support communities and societies in the countries in increased substantially over recent years, and SFR has secured a which we operate. In this financial year we invested a total of £42 million strong market position and provided good dividends. The Board in foundation programmes and social causes, and our World of reviews these investments regularly and will remain focused upon the Difference programme enabled 604 people to take paid time to work best way of realising maximum shareholder value. for a charitable purpose of their choice in their own community or in a developing country. Across the Group we have also put in place The impairment of our investment in Vodafone Essar in India was a mechanisms to make it easy for our customers to give money to support major disappointment to the Board. It results from an intense price war, charitable appeals following disasters. After the Haiti earthquake, triggered by the unprecedented and unforeseeable entry of six new Vodafone foundations donated £0.3 million to the emergency relief and competitors into the Indian market. Our operational performance in reconstruction effort, and we helped our customers in 14 countries to India however remains strong and we remain confident in the long- give a total of £4.7 million by text message. term prospects for the Indian market. We recently passed a very important milestone, with Vodafone Essar now having more than 100 Summary million customers one of only five national mobile operators in the On behalf of the Board, I would like to thank all Vodafone staff around world to have reached this scale, reflecting strong growth from 28 the world for the great efforts they have made in the past year in such million customers when we acquired control of Vodafone Essar in May challenging economic conditions. Vodafone would not have been able 2007. Elsewhere in the emerging markets, the operational turnaround to deliver these results without the tremendous effort of the team. of our company in Turkey has yielded very positive results and we have seen good progress in Ghana. The Board is heartened by your Company s strong results especially in the face of such a sharp economic downturn. It believes that the Group Your Board is well positioned to benefit from economic recovery and looks to the This year we conducted an evaluation on the effectiveness of the future with confidence. Board and its Committees aided by the external advisors MWM Consulting. They concluded that the Board was effective, had the right composition and skills and was generally performing well. More detail is contained at page 48 of this report. Sir John Bond Simon Murray, who has been a non-executive Director since July 2007, Chairman has decided to step down from the Board after this year s AGM. His knowledge of telecommunications, entrepreneurial spirit, and Vodafone Group Plc Annual Report 2010 3

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Telecommunications industry

Telecommunications industry At a glance The telecommunications industry has grown rapidly in size to provide essential services that facilitate a fundamental human need to communicate. Customers Mobile penetration Competition and regulation Q There are 4.7 billion mobile customers across Q Global mobile penetration is around 70% and Q Ongoing competitive and regulatory the globe with growth of around 20% per is generally higher in more mature markets pressures have contributed to significant annum over the last three years. The majority such as Europe and the United States but is reductions in mobile prices which are being of customers are in emerging markets such growing most quickly in emerging markets partly offset by higher mobile usage. as India and China. Vodafone is a leading such as India, China and Africa. company with a 7% share of the global market. The industry has 4.7 billion mobile customers across Mobile penetration (the proportion of the population Competition in the telecommunications industry the globe, up from 2.7 billion in 2006. that have a mobile) has grown to around 70% from 40% is intense. Consumers have a large choice of in December 2006. communication offers from established mobile and Consumers are increasingly choosing to make voice fixed line operators. Newer competitors, including calls over mobile rather than fixed phones and mobile Looking forward the number of worldwide mobile phone handset manufacturers, internet based companies calls accounted for 70% of all phone calls made in 2009 users is expected to continue to grow strongly. Most of and software providers, are also entering the market compared to 50% in 2006. As a result the number of this growth is expected in emerging markets such as offering converged communication services. mobile users now far exceeds the number of fixed India, China and Africa where mobile penetration is around telephones (1.3 billion). 50% compared to about 130% in mature markets such Industry regulators continue to impose lower mobile as Europe. termination rates (the fees mobile companies charge for Over the last three years mobile customer growth calls received from other companies networks) and has been strongest in emerging markets such as India Developing countries are generally expected to deliver lower roaming prices. Termination fees and roaming and China. In contrast growth has been more muted faster GDP growth which combined with relatively little charges accounted for 17% of Group revenue in 2010. in developed regions such as Europe which are alternative fixed line infrastructure is positive for mobile relatively mature.. penetration growth prospects. The combination of competition and regulatory pressures have contributed to a 17% per annum decline in the average price per minute across our global network over the last three years. However price pressures are being partly offset by increased usage. During the year our customers spoke for an average of 191 minutes per month compared to 137 in 2007. Mobile customers (m) Mobile penetration at December 2009 (%) Vodafone outgoing voice prices and minutes (%) 24.0 22.7 130 120 519 764 12.4 93 480 Western Europe Eastern Europe 69 464 USA/Canada (16.8) (12.5) (21.8) 309 54 45 48 India China 525 Other Asia Pacific 866 Africa Price 725 Other Western Eastern USA/ India China Other Africa Minutes Europe Europe Canada Asia 2008 2009 2010 Pacific 4 Vodafone Group Plc Annual Report 2010

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Product focus: Vodafone 360 Samsung H1 Customers are increasingly using high-end smartphones to download applications and browse the internet. Major trends The mobile industry continues to evolve rapidly, driven by new sources of revenue, rising smartphone proliferation and new technologies. Services Mobile handsets Network and product evolution Q Around 80% of our service revenue comes Q Global handset volumes increased 5% per Q Our industry is undergoing significant from traditional voice and messaging annum over the last three years. In this time technological change, with faster download services. The remaining 20% stems from the mix has changed, with more demand for speeds and product innovation improving the faster growing areas of mobile data both smartphones and low cost devices at the customer experience. and fixed broadband. the expense of mid range feature phones. Our revenue from traditional voice and messaging The mobile industry shipped around 1.1 billion handsets Our technological capabilities are rapidly changing. Our services in mature markets is declining due to ongoing worldwide in 2009. These include ultra low cost devices networks have evolved from 2G or second generation competitive and regulatory pressures, partly offset by for more value conscious consumers, standard feature systems for voice, text and basic data services to 3G or faster growth in newer areas of data and fixed services. 2G and 3G devices, and high-end smartphones which third generation networks which also provide high speed can access the internet and download increasingly internet and email access. Vodafone s peak mobile data We have seen demand for data services such as laptop popular user applications. We have seen a change in mix, download speeds have increased to up to 28.8 Mbps. access to the internet and mobile internet browsing lead with increased demand for both smartphones and low Looking forward we, along with other operators, have to a four fold increase in our data traffic over the last two cost devices. been testing 4G, or fourth generation, technologies years. Data revenue has expanded from £1.1 billion in the which offer even faster network speeds to enhance the 2006 financial year to £4.1 billion in the 2010 financial Smartphones accounted for 15% of the industry handset customer experience. year. Data growth has been driven by faster network shipments in 2009 compared to 8% in 2006. 24% of speeds and increased penetration of mobile broadband our new handset sales in Europe during the year were We have been a pioneer in a range of new products. services and smartphones. smartphones and this is expected to grow further over These include high speed mobile broadband for internet the next few years. and email access and femtocells to enhance customers Our fixed services mainly comprise fixed broadband indoor 3G signals via their household broadband rather than fixed voice calls. The number of fixed Our low cost devices are targeted at developing markets connection. We have also developed quality of service broadband customers has grown to 5.6 million at and certain prepaid segments in Europe. Demand has techniques which enable careful management of the 31 March 2010 from 2.1 million in March 2007. been driven by lower prices and an expanding portfolio assignment of capacity in our networks during the with attractive features, including touchscreen and busiest times to enhance our customers experience. data capabilities. Service revenue (%) Smartphone share of global handset shipments (%) Vodafone mobile peak downlink speeds (Mbps) 15.3 3.8 28 12.8 7.9 10.9 21 9.7 7.9 14 11.5 Voice 67.1 Messaging Data 7 Fixed line Other 0 2006 2007 2008 2009 2006 2010 Note: (1) Market data sourced from Wireless intelligence and Strategy Analytics. Vodafone Group Plc Annual Report 2010 5

Chief Executive s review

Chief Executive s review In a challenging economic environment our financial results exceeded our guidance on all measures, we increased our commercial focus, delivered our cost reduction targets ahead of schedule and maintained strong capital investment levels. Financial review of the year profit was £11.5 billion, with a growing contribution from Verizon Q 2010 financial results were ahead of guidance on all measures. Wireless and foreign exchange benefits offsetting weaker performance Q Increased revenue contribution from our targeted growth in Europe. areas in data, fixed line and emerging markets. Q Free cash flow generation of £7.2 billion, up 26.5%. Group free cash flow was £7.2 billion, up 26.5%, benefiting from significant improvements in working capital management and a We have made significant progress in implementing our strategy. We deferred dividend from Verizon Wireless. This exceptional level of cash now generate 33% of service revenue from products other than mobile flow was generated whilst maintaining capital investment, developing voice reflecting the shift of Vodafone to a total communications provider. fixed broadband services in Europe, funding the turnaround in Turkey In particular, mobile data and fixed broadband services continue to grow and Ghana, and expanding in India. while we increased the contribution being made by our operations in emerging economies, primarily by gaining market share. We have At the year end we had 341 million proportionate mobile customers reduced costs and working capital to manage better in the recessionary worldwide. Free cash flow environment while maintaining investment in our networks. Europe service revenue declined by 3.5%(*). Data and fixed line £7.2bn As a result, Vodafone s financial results are ahead of the guidance revenue growth was strong but this was more than offset by ongoing up 26.5% range we issued in May 2009 and the upgraded guidance we issued in voice price reduction and lower volume growth in our core voice February 2010. The Group generated free cash flow of approximately products. Europe s adjusted EBITDA margin declined by 1.0 percentage £1 billion ahead of our medium-term target established in November point, at about the same rate as the previous year, reflecting lower 2008 even after adjusting for beneficial foreign exchange. revenue, increased commercial activity, reduced cost and the increased contribution from lower margin fixed broadband. Operating The economic situation has remained challenging throughout the year free cash flow was strong at £8.2 billion. affecting our business in several ways. In our more mature European and Central European operations, voice and messaging revenue Africa and Central Europe service revenue declined by 1.2%(*), with declined and roaming revenue fell due to lower business and leisure good revenue growth at Vodacom and a much stronger result in travel. In addition, enterprise revenue declined in Europe as our business Turkey being offset by the impact of weaker economies in Central customers reduced activity and headcount. However, results in Africa Europe. The adjusted EBITDA margin declined by around 2 percentage and India remained robust driven by continued, albeit lower, GDP points, due to lower profitability in Turkey where we have focused on growth and increasing market penetration. During the course of the investment in the network, distribution, driving market share and financial year the impact of the global slowdown on the Group s financial brand visibility. performance has diminished somewhat with Group service revenue declining in the fourth quarter by only 0.2%(*), better than the preceding Asia Pacific and Middle East service revenue increased by 9.8%(*), three quarters and the second successive quarterly improvement. reflecting another strong contribution from India where service revenue grew by 14.7%(*). During the 2010 financial year we attracted In the full year Group revenue increased by 8.4% to £44.5 billion, 32 million customers in India and in March we exceeded the 100 declining 2.3%(*) after excluding benefits from foreign exchange and million customer mark. In a very competitive pricing environment we acquisitions. The Group s adjusted EBITDA margin declined by 2.2 were pleased to have confirmed our number two position in the percentage points to 33.1%, in line with our expectations, primarily as a market. Since Vodafone s entry into India in 2007, our performance has result of lower revenue in Europe and the greater weight of lower been strong. We have gained about 1 percentage point per annum in margin operations in emerging economies. Group adjusted operating revenue market share, added 72 million customers, moved the 6 Vodafone Group Plc Annual Report 2010

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We have improved business into operating free cash flow generation and launched Indus Vodafone continues to evolve towards being a total communications our commercial Towers, the world s largest tower company with more than 100,000 provider, rebalancing mobile voice in mature economies with focus and cost towers under management. However the introduction of six additional increasing revenue from broadband data services. We have also national mobile licences one year after our entry and the resulting increased the proportion of revenue we generate from emerging efficiency, with intense price competition have led to a £2.3 billion impairment charge. economies. In parallel we continued to reduce our cost base to finance visible results. In Australia our joint venture company with Hutchison continues to growth and commercial competitiveness primarily by leveraging our perform in line with the merger plan with pro-forma revenue growth Group scale. of 8%. The adjusted EBITDA margin for the region declined by 2.2 percentage points, primarily reflecting lower margins in India caused 1. Drive operational performance by the competitive pricing environment and operating investment in We have reinforced the commercial focus of our operating companies new circles. by emphasising relative market share of quality customers, exploitation of the data opportunity and expansion into converged services. Verizon Wireless posted another set of strong results for the financial Progress in all areas has become more evident in the second half of the year. Service revenue growth was 6.3%(*) driven by increased customer year. penetration and data, although price competition has increased and growth rates have slowed in the second half of the year. We have At the same time we accelerated our £1 billion cost reduction established joint initiatives with Verizon Wireless around LTE programme, announced in 2008, and delivered its full benefits one technology and enterprise customers during the year. year ahead of plan. The majority of these savings were generated by our European operations and from cost reductions in our central We maintained capital investment at a similar level to the previous functions. Despite growth in mobile voice minutes and a significant financial year and invested £6.2 billion, consistent with our guidance increase in data usage, Europe s overheads declined enabling in May 2009. Capital expenditure in Europe was slightly higher than in commercial investment to be increased. the 2009 financial year as we took advantage of our strong cash generation to accelerate investment in fixed and mobile broadband In November we announced a further £1 billion cost saving programme networks, and in services to enterprise customers. to be delivered by the 2013 financial year. This will help us to offset inflationary pressures and the competitive environment and Adjusted earnings per share was 16.11 pence, lower than last year enable us to invest in our revenue growth opportunities. Around half primarily as the result of a one-off tax and associated interest benefit of these savings will be available for commercial reinvestment or in the prior year. Excluding this, adjusted earnings per share increased margin enhancement. by 6.6%. We will continually update our programme to identify further ways in Total dividends per share have increased by 7% to 8.31 pence with a which the Group can benefit from its regional scale and further reduce final dividend of 5.65 pence per share, up 9% reflecting the strong cash costs in order to offset external pressures and competitor action and performance of the Group. to invest in growth. Strategy 2. Pursue growth opportunities in total communications Q Cost reduction targets delivered a year ahead of plan. Data revenue grew by 19.3%(*) and is now over £4 billion. In addition to Q Strong revenue growth from data and fixed line services. driving continued growth in PC connectivity services, we have been Q Continued strong growth in emerging markets. particularly successful in increasing smartphone penetration across Q Enhanced shareholder returns new three year our customer base and in ensuring that smartphone customers dividend target. subscribed for additional data services. Vodafone Group Plc Annual Report 2010 7

During the financial year our active data users across the Group During the year we returned approximately £4.1 billion of free cash increased to around 50 million and within this the number of mobile flow to shareholders in the form of dividends. The remaining free cash internet users to around 31 million. These achievements, while flow was used to fund the Vodacom stake purchase completed in May significant, highlight the huge potential of data as we increase 2009 and spectrum purchases in Turkey, Egypt and Italy. Net debt penetration of the remaining part of our 341 million proportionate declined to £33.3 billion primarily as a result of foreign exchange customer base. movements. The Group has retained a low single A credit rating. Fixed line revenue increased by 7.9%(*) during the year. We now have We now expect that annual free cash flow for the Group will be between 5.6 million fixed broadband customers, an increase of around 1 million £6.0 billion and £7.0 billion (using guidance foreign exchange rates) for during the year. In Europe adjusted EBITDA margins of the fixed the next three financial years ending 31 March 2013 reflecting the activities remained stable at around 14% and the business was broadly successful execution of the Group s strategy and our expectations for free cash flow neutral after capital expenditure of approximately improving operating free cash flow from our emerging markets and fixed £450 million. line investments. Europe s enterprise revenue declined by 4.1%(*) during the year as a The Board is therefore targeting dividend per share growth of at least 7% consequence of the significant impact of the economic downturn on per annum for the next three financial years ending on 31 March 2013(1). our enterprise customers. In contrast Vodafone Global Enterprise, which We expect that total dividends per share will therefore be no less than serves our larger enterprise customers on a Group-wide basis, had a 10.18 pence for the 2013 financial year. good year and delivered revenue growth of around 2%(*) demonstrating the strength of Vodafone services to multinational corporations. During Performance-driven organisation the year we launched fixed mobile convergent products such as Significant changes have been made to the Group s internal structure, Vodafone One Net specifically for smaller and medium enterprise organisation and incentive systems in the last 12 months. Head office customers which will position us well for recovery in due course. functions and management layers have been reduced significantly, simplifying our business processes and increasing the speed with 3. Execute in emerging markets which we can respond to the changing environment. In India we have secured the number two position in the market by revenue despite fierce price competition stimulated by new entrants. The specific responsibilities of Group Technology, Group Marketing Indus Towers is now the world s largest tower company with over and our local operating companies have been simplified, eliminating 100,000 towers under management. overlapping areas and coordination activities. We are also shifting progressively into incentive schemes which emphasise reward for Vodacom increased service revenue by 4.6%(*) and maintained its competitive performance and cash generation. leadership in South Africa. In Turkey service revenue increased by 31.3%(*) in the last quarter and 5.3%(*) in the full year. The turnaround plan Prospects for the year ahead(1) has brought the company back to growth and we now have to focus on Q Adjusted operating profit of £11.2 to £12.0 billion. continuing this momentum in the forthcoming financial year. Q Free cash flow in excess of £6.5 billion. While we look at opportunities to expand as they are presented, we We expect the Group to return to organic revenue growth during the remain cautious with respect to future footprint ex pansion. Our primary 2011 financial year although this will be dependent upon the strength focus remains on driving results from our existing emerging markets. of the economic environment and the level of unemployment within Europe. In contrast, revenue growth in other emerging economies, in 4. Strengthen capital discipline to drive shareholder returns particular India and Africa, is expected to continue as the Group drives Cash generation by the Group has been strong throughout the recession, penetration and data in these markets. reflecting significant cost reductions and the success of the Group wide working capital improvement plan in its first of two years. 8 Vodafone Group Plc Annual Report 2010

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Executive summary Our strategy The key focus of our strategy is to drive free cash flow generation. This is supported by four main objectives: drive operational performance, pursue growth opportunities in total communications, execute in emerging markets and strengthen capital discipline. Drive operational Execute in emerging markets performance We aim to improve our performance through targeted commercial investment in high value customers, improved device portfolio In emerging markets we and cost reduction. are focused on operational performance and driving the Progress mobile data opportunity. Q Increased smartphone penetration across our customer base. Progress Q Capital investment of £6.2bn to enhance our product portfolio Q Increasing revenue market share and network quality. in India, Turkey and South Africa Q £1bn cost reduction programme during the year. delivered a year early; a further Q India now has 100m customers, £1bn programme now underway. up a record 32m during the year. Adjusted EBITDA margins are expected to decline at a significantly Q Cost initiatives include: greater Q Returned to revenue growth in lower rate than in the 2010 financial year. This reflects the continuing network sharing, efficiencies in Turkey driven by investment in benefit of the Group s cost saving programme which is enabling us to customer self-service and the network, IT and distribution. increase commercial activity and drive increased revenue in data and streamlining of support functions. Q 33%(*) data revenue growth fixed line. in Vodacom. Cost savings over last two years Adjusted operating profit is expected to be in the range of £11.2 billion Service revenue to £12.0 billion. Performance will be determined by actual economic £1bn trends and the extent to which we decide to reinvest cost savings into 32% total communications growth opportunities. from emerging markets(2) Pursue growth opportunities Free cash flow is expected to be in excess of £6.5 billion, consistent with in total communications our new three year target. Strengthen capital discipline We intend to maintain capital expenditure at a similar level to last year, adjusted for foreign exchange, ensuring that we continue to invest in We are focused on enhancing high speed data networks, enhancing our customers experience and returns to shareholders and increasing the attractiveness of the Group s data products. have clear priorities for Summary surplus capital. In an extremely challenging economic environment, we have improved Vodafone s commercial focus and cost efficiency with We have identified three Progress visible results. revenue growth opportunities, mobile data, fixed broadband Q £4.1bn of free cash flow used to We have made good progress in our growth areas mobile data, pay dividends. and enterprise services, broadband and enterprise and exceeded our improved guidance, Q Total dividends per share of 8.31 generating strong free cash flow of £7.2 billion. As a result of greater which represent our total pence, up 7%. confidence in Vodafone s prospects and cash generation ability, the communications services. Q Remaining free cash flow used Board has adopted a revised dividend policy, delivering attractive to purchase spectrum and growth for shareholders over the next three years(1). Progress an additional 15% of Vodacom. Q New dividend target dividends Economic growth remains fragile in many of our largest markets but Q 19%(*) data revenue growth; driven by per share growth of at least 7% we remain confident that our strategy is creating a stronger Vodafone. PC connectivity services and mobile over the next three years. internet usage. Q Fixed broadband customer base Total dividends of 5.6m, up 1m. Q 2%(*) revenue growth in Vodafone 8.31p Vittorio Colao Global Enterprise. up 7% Chief Executive Mobile data users Notes: 50m (1) For guidance and dividend assumptions see page 37. up 135% over the year (2) Africa and Cent ral Europe and Asia Pacific and Middle East. Vodafone Group Plc Annual Report 2010 9

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Global presence

Global presence We have a significant global presence, with equity interests in over 30 countries and over 40 partner markets worldwide. The Group operates in three geographic regions Europe, Africa and Central Europe, Asia Pacific and Middle East and has an investment in Verizon Wireless in the United States. Europe Africa and Central Europe Our mobile subsidiaries and joint venture operate under the brand name Vodafone . Our subsidiaries in this region operate under the Vodafone brand or, in the case Our associate in France operates as SFR and Neuf Cegetel , and our fixed line of Vodacom and its mobile subsidiaries, the Vodacom and Gateway brands. communication businesses operate as Vodafone , Arcor , Tele2 and TeleTu . Our joint venture in Poland operates as Plus and our associate in Kenya operates as Safaricom . Poland 3.3m Czech Republic 3.0m Hungary 2.6m Romania 9.7m Turkey 15.8m Ireland 2.1m UK 19.0m Netherlands 4.7m Germany 34.5m Ghana 2.8m France 8.6m Kenya 5.3m Democratic Republic of Congo(2) Italy 23.2m Tanzania(2) Portugal 6.0m Albania 1.7m Spain 16.7m Greece 6.0m Vodacom(2) 39.9m(3) Mozambique(2) Malta 0.2m Lesotho(2) South Africa(2)(3) Europe Revenue growth (%) Africa and Central Europe Revenue growth (%) Revenue(1) 8.7 Revenue(1) 3.2(*)(4) 2.1 £29.9bn £8.0bn (15.8) (1.1) 2.1 0.8% growth (1.7) (6.8) 0.5 45.9% growth Adjusted operating profit(1) Adjusted operating profit(1) £6.9bn Germany Italy Spain UK Other £0.5bn Vodacom Romania Turkey Other 2.9% decrease 21.9% decrease Operating free cash flow(1) (1) The sum of these amounts does not equal Operating free cash flow(1) (2) Vodacom refers to the Group s interest in Group totals due to Common Functions and Vodacom Group Limited (Vodacom) in South £8.2bn intercompany eliminations. £1.1bn Africa and its subsidiaries, including its operations in the Democratic Republic of Congo, 2.7% decrease 70.5% growth Lesotho, Mozambique and Tanzania. It also Capital expenditure(1) Capital expenditure(1) includes its Gateway services and business network solutions subsidiaries which have customers in more than 40 countries in Africa. £3.0bn £1.4bn (3) The Group s customers for Vodacom include 17.1 million customers in South Africa. 6.0% growth 61.1% growth (4) Vodacom became a subsidiary on 18 May 2009. The reported revenue growth was 150.3%. Partner markets Partner markets extend our brand exposure outside investment. Similar arrangements also exist with a Partnership agreements in place at 31 March 2010, the controlled operating companies through entering number of our joint ventures, associates and excluding those with our joint ventures, associates and into a partnership agreement with a local mobile investments. investments, are shown in the table to the right. operator, enabling a range of our global products and services to be marketed in that operator s territory. The results of partner markets are included within Under the terms of these partner market agreements Common Functions, together with the net result of we cooperate with our partners in the development unallocated central costs and recharges to the Group s and marketing of certain services. These partnerships operations, including royalty fees for the use of the create additional revenue through royalty and Vodafone brand. franchising fees without the need for equity 10 Vodafone Group Plc Annual Report 2010

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Executive summary Regions Revenue(1) Adjusted operating Operating free cash flow(1) Capital expenditure(1) (£bn) profit(1) (£bn) (£bn) (£bn) Europe 6.5 0.6 Africa and Central Europe 1.1 1.4 Asia Pacific and Middle East 4.1 8.0 Verizon Wireless (US) 3.0 6.9 29.9 1.4 0.4 8.2 0.5 Asia Pacific and Middle East Verizon Wireless (United States) Our subsidiaries and joint venture in Fiji operate under the Vodafone brand and our Our associate in the US operates under the brand Verizon Wireless . joint venture in Australia operates under the brands Vodafone and 3 . China 17.2m Egypt 24.6m Verizon Wireless 41.8m Qatar 0.5m India 100.9m Fiji 0.4m Australia 3.5m New Zealand 2.5m Asia Pacific and Middle East Revenue growth (%) Verizon Wireless (US) Revenue growth (%) Revenue(1) 15.8 Revenue(5) 22.3 £6.5bn 9.3 £17.2bn 11.4% growth 22.3% growth 5.1 Adjusted operating profit(1) Adjusted operating profit(1) £0.4bn India Egypt Other £4.1bn US 35.6% decrease 16.1% growth Operating free cash flow(1) (5) This amount represents the Group s share of Verizon Wireless revenue and is not included £0.6bn in Group revenue as Verizon Wireless is an associate. Subsidiary Capital expenditure(1) Joint venture Associate £1.4bn Investment 25.1% decrease Amounts on map represent proportionate mobile customers at 31 March 2010. Country Operator Country Operator Country Operator Note: Afghanistan Roshan Faroe Islands Vodafone Faroe Islands Russia MTS (1) Partnership includes Bermuda and the Armenia MTS Finland Elisa Serbia VIP mobile following countries within the Caribbean: Austria A1 Honduras Digicel Singapore M1 Anguilla, Antigua and Barbuda, Aruba, Barbados, Bonaire, Curaçao, the Cayman Azerbaijan Azerfon-Vodafone Hong Kong SmarTone-Vodafone Slovenia Si.mobile Islands, Dominica, French West Indies, Bahrain Zain Iceland Vodafone Iceland Sri Lanka Dialog Grenada, Haiti, Jamaica, Samoa, St Lucia, Belgium Proximus Japan SoftBank Sweden TDC St Kitts and Nevis, St Vincent, Trinidad Bulgaria Mobiltel Latvia Bité Switzerland Swisscom and Tobago, Turks and Caicos Islands and Caribbean(1) Digicel Libya Al Madar Taiwan Chunghwa British Guyana. Channel Islands Airtel-Vodafone Lithuania Bité Thailand DTAC Chile Entel Luxembourg Tango Turkmenistan MTS Croatia VIPnet Macedonia/FYROM VIP operator Ukraine MTS Cyprus Cytamobile-Vodafone Malaysia Celcom United Arab Emirates Du Denmark TDC Norway TDC Uzbekistan MTS Estonia Elisa Panama Digicel Vodafone Group Plc Annual Report 2010 11

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Customers and distribution

Proportionate mobile customers across the globe. 341.1m (2009: 302.6m; 2008: 260.5m) BrandFinance global ranking 7th most valuable brand (2009: 8th; 2008: 11th) Customers and distribution Customers are at the core of everything we do. Through our products and services we endeavour to address all our customers communications needs. International customer base with diverse needs Enterprise Vodafone has a truly international customer base with 341.1 million Vodafone also caters to all business segments ranging from small-proportionate mobile customers across the world. We continually office-home-office (SoHo) and small-medium enterprises (SMEs) to seek to develop new and innovative propositions that deliver relevance corporates and multinational corporations (MNCs). While our core and value to all our customers and build a long lasting relationship mobile voice and data business continues to grow, our enterprise meeting their expectations and needs. As customers move between customers are increasingly asking for combined fixed and mobile work and home environments and look for integrated solutions, solutions for their voice and data needs as well as integrated services we have a suite of propositions which often bundle together and productivity tools. voice, messaging, data and increasingly fixed line services to meet their needs. Brand We have continued to build brand value by delivering a superior, consistent and differentiated customer experience. During the 2010 financial year we evolved our brand positioning to power to you emphasising our role of empowering customers to be able to live their lives to the full. It is a further expression of the importance of the customer being central to everything we do and is reinforced in communications substantiating how products and services impact and empower our customers. We regularly conduct brand health tracking which is designed to Global sponsorship measure the performance of the brand in each country and generate Our title sponsorship of the Vodafone insights to manage the brand as effectively as possible. External McLaren Mercedes F1 team delivered benchmark studies have shown that Vodafone brand equity has strong coverage across an exciting and maintained a top ten position in a number of rankings of brands across hard contested 2009 championship. In all industries including the seventh most valuable brand in the world addition to press and news coverage we as measured by BrandFinance. integrated the sponsorship into a wide variety of business activities including Customer segmentation communications, events, content, and Consumer acquisition and retention promotions to Consumer customers are typically classified as prepaid or contract maximise the impact and return on its investment. Significant sponsorship and customers. Prepaid customers pay in advance and are generally not support is also undertaken at a local bound to minimum contractual commitments offering great country level where it builds awareness flexibility and cost control. Contract customers usually sign up for a and brand value by resonating with our predetermined length of time and are invoiced for services, typically customers and their interests. on a monthly basis. Increasingly we offer SIM-only tariffs allowing customers to benefit from our network whilst keeping their existing handset. Around a third of our proportionate customer base including consumer and enterprise customers are contract customers and the remainder are prepaid. 12 Vodafone Group Plc Annual Report 2010

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Business Vodafone branded franchise stores Directly owned and 7,600 managed stores (2009: 5,300; 2008: 5,800) 2,100 (2009: 1,800; 2008: 1,150) Distribution Our customers interact with us in a variety of ways including via retail locations, by telephone or increasingly online. Through our subsidiaries, we directly own and manage approximately 2,100 stores selling services to customers and providing customer support. To be most accessible to our customers we constantly review our store footprint and capabilities. We also have around 7,600 Vodafone branded stores in our controlled markets which sell our products and services exclusively through franchise and exclusive dealer arrangements. Additionally, in most operating companies, sales forces are in place to sell directly to business customers. The internet is increasingly a key channel to promote and sell our products and services and to provide customers with an easy, user friendly and accessible way to manage their services and access support, whilst reducing costs for the Group. The extent of indirect distribution varies between markets but may include using third party service providers, independent dealers, distributors and retailers. We host mobile virtual network operators Customer satisfaction (MVNOs) in a number of markets, selling access to our network at a Historically we have measured customer wholesale level. satisfaction using our customer delight index, a proprietary diagnostic system which tracks customer satisfaction across all points of interaction with Vodafone and identifies the drivers of customer delight and their relative impact. At the end of the 2010 financial year we migrated to the net promoter score (NPS) customer measurement system to monitor and drive customer satisfaction at both an operational and country level in many of our markets. The NPS diagnostic system replaces the customer delight Customer delight index index and uses a scale of how likely customers would be to recommend 73.1 us to friends and family. (2009: 72.9; 2008: 73.1) Vodafone Group Plc Annual Report 2010 13

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Products and services

Voice revenue £28.0bn (2009: £26.9bn; 2008: £24.2bn) Handsets Our wide range of handsets Voice & messaging services covers all our customer segments and price points and is Products and services We provide value focused pricing available in a variety of designs. through unlimited bundles of Q 66 new models released in the 2010 voice and text services. We offer a wide range of products and services financial year. including voice, messaging, data and fixed line Q 23 exclusive handsets launched. Q Voice services incorporate revenue for national, international and solutions and devices to assist customers in roaming calls. Smartphones SMS services include text meeting their total communications needs. Q messages as well as multiple Q A handset offering advanced media, such as pictures, music, Handsets capabilities including access to sound, video and text. The core functionality and use of handsets continues to be voice and email and the internet. text messaging services. Many different tariffs and propositions are Q 24% of handset sales in Europe. available, targeted at different customer segments, and include a All leading brands represented Voice usage (billions of minutes) Q range of unlimited usage offers which have been particularly appealing including iPhone in 14 countries. 686.6 to customers. Q Launched two tailor-made 548.4 Vodafone 360 handsets: Samsung H1 427.9 With sophisticated handsets becoming readily available, customers and Samsung M1. are increasingly using their mobile phones to complement their lives in new and innovative ways. Data usage continues to grow rapidly fuelled by large numbers of intuitive internet enabled devices Vodafone branded handsets (smartphones), many with touch screens such as the iPhone and 2008 2009 2010 BlackBerry® Storm , and transparent pricing available through our Q Enabling millions of people in internet on your mobile unlimited browsing tariff. Instant messaging emerging markets to share the SMS usage (billions of messages) is available with Yahoo! and MSN and we offer integrated services from benefits of mobile technology. 223.5 leading internet brand partners including YouTube, eBay, Google and Q Prices start from less than US$15. 172.0 Google Maps . Q 16 new models released under our 131.4 own brand. Our partnership agreements with leading companies, such as RIM, Q Low cost combined with high-end Samsung and Google, have enabled us to be first to market with features, such as touch screen and cutting-edge devices such as the BlackBerry Storm, Samsung H1 and mobile internet capability. Samsung M1 (our two tailor-made handsets that support our Vodafone 2008 2009 2010 360 proposition) and Google Nexus One. Vodafone branded handsets shipped Messaging revenue Available in 31 markets including partner markets, Vodafone branded 5.4m devices are designed to meet a range of customer needs and £4.8bn (2009: 10.7m; 2008: 10.0m) preferences from low cost phones offering simple voice and text, (2009: £4.5bn; 2008: £4.0bn) through fashion and design influenced, to competitively priced mobile internet devices with cutting-edge smartphone functionality including touch screen and mobile internet capability. During the 2010 financial year Vodafone launched its most affordable handset to date, the Vodafone 150, which retails for less than US$15 unsubsidised, giving millions of people in emerging markets the opportunity to share in the benefits of mobile technology for the first time. Product focus: Vodafone branded handsets Apple iPhone 3GS Vodafone 845 (left) Android smartphone Vodafone 150 (right) ultra low-cost handset. 14 Vodafone Group Plc Annual Report 2010

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Business Data services We offer a number of products and services to enhance our customers access to data services including access to Fixed services the internet, email, music, games and television. We offer fixed voice and Organic data revenue growth fixed broadband solutions to our customers total Total communications services 19.3% communications needs. We have continued to diversify and expand the services we provide to (2009: 25.9%; 2008: 39.0%) assist customers in meeting their total communications needs. These Q Fixed line services available in include data services, such as mobile internet and mobile broadband 13 countries in addition to Gateway. and fixed services incorporating fixed line voice and fixed broadband. Data revenue Q 5.6m fixed broadband customers, up 1m. Data Q Data, a fast growing revenue Q Vodafone DSL Router launched We provide a range of data products including PC connectivity, internet stream, now accounts for 10% in six countries. services, applications and roaming. of service revenue. Q 50m total data users, up over 100%, PC connectivity services, available through Vodafone Mobile Broadband including 31m mobile internet users. Fixed line revenue (£bn) devices and certain handsets, provide mobile internet access for laptop, Q Integrated services from leading 3.3 netbook and PC users. Vodafone Mobile Broadband provides simple and internet partners including YouTube, 2.7 secure access to the internet and to business customers systems. We Google and Google Maps. 1.9 have been at the forefront of deployment of HSPA+ networks and development of devices (such as USB modems) to support these speeds. We were the first to deploy high speed HSPA services (peak rate of Data devices 14.4 Mbps) in selected markets, such as the UK, and HSPA+ (peak rate of 21.6 Mbps and 28.8 Mbps) in selected markets such Ireland, Portugal and Q Four netbook models with built-in 2008 2009 2010 Greece. USB sticks with exclusive designs and simple plug and play 3G broadband launched. software continue to be very popular. A wide variety of laptop models are Q Peak download speeds of up to Fixed broadband customers available with built in 3G broadband and Vodafone SIM cards. 28.8 Mbps. Q 13m smartphone users in Europe, 5.6m Internet services enable users to access the internet on their mobile representing 11% of customers. (2009: 4.6m; 2008: 3.6m) handset. Applications include email services with real time handheld Q First to launch a 21 Mbps USB stick access to email, calendar, address book and other applications. Data in several markets in Europe. roaming allows customers to use our services on a mobile network when travelling abroad. PC connectivity users Fixed 8.7m Our fixed service incorporates fixed broadband, offered mainly (2009: 5.7m; 2008: 2.7m) through DSL technology, and fixed line voice, which allows consumer and enterprise customers to make fixed line voice calls using Vodafone as their total communications provider. Data revenue (£bn) 4.1 The Vodafone DSL Router combines mobile and fixed broadband services. This means customers can connect immediately after 3.0 Product focus: Vodafone DSL Router purchase via the USB broadband modem and then later with fixed 2.1 The Vodafone DSL Router features instant broadband when this has been provisioned. At this stage the USB activation and a back-up connection via the modem can continue to be used with a laptop for usage outside of the separate USB dongle. home. During the year we have also launched Vodafone Sure Signal in the UK which, used in conjunction with home fixed broadband, 2008 2009 2010 provides customers with excellent indoor 3G coverage. Data traffic in Europe (petabytes) 81.8 40.8 18.8 Product focus: Vodafone Mobile Broadband USB modem Latest high-speed Vodafone USB modem, capable 2008 2009 2010 of supporting peak download speeds up to 28.8 Mbps. Vodafone Group Plc Annual Report 2010 15

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Value added services

Vodafone 360 is a new internet service for mobile, PC and Mac. It brings phone, email, chat and social network contacts together in one place. Vodafone 360 provides customers with access to games, music and thousands of applications as well as browsing the internet. Vodafone Money Transfer The Vodafone Money Transfer system is available in three countries with 13 million customers moving US$3.6 billion during the year. We Value added services expect to roll-out the service to further markets later this year. We have continued to diversify and expand Applications Vodafone Money Transfer customers (millions) the services we provide to our customers to meet their total communications needs. 13.0 We provide a wide range of additional services to customers. 6.5 Consumer During the 2010 financial year we launched an exciting new suite of Q Vodafone Email Plus, Windows 2.5 services called Vodafone 360 particularly catering to the needs of Mobile® Email from Vodafone customers wanting to be always connected both on the move and at and BlackBerry from Vodafone 2008 2009 2010 home. This allows customers to keep all their contacts and content in provide enterprise customers one place and access the latest information available on the internet. with real time handheld access Vodafone 360 integrates the latest updates from popular social to email, calendar, address book Roaming services networking sites, such as Facebook, so customers can stay instantly and other applications. up to date with their friends latest news. Q Vodafone PC Backup and Restore enables users to remotely store Our roaming services The Vodafone 360 store gives customers the choice to download from data securely and automatically allow Vodafone customers over 8,000 applications ranging from checking the weather and news to via their internet connection. to make calls and use the latest music and games. All the information, social contacts and Q Full track music down loads with data services on other content can also be seamlessly accessed online from PCs and Macs, in more than 2m songs available. addition to handsets, allowing customers the freedom to connect via operators mobile networks whichever channel is most convenient to them. Vodafone was the first whilst travelling abroad. operator to offer DRM-free bundles and now has the largest number of paid digital music subscriptions in Europe, with over 500,000 customers. 4.5m Q Over the last three years we Mobile email users , up 29% have reduced the cost of voice Applications roaming by 38% in Europe. Our range of total communications solutions provides customers with Q Vodafone Passport enables integrated office and mobile voice and data services, such as Vodafone PC Backup and Restore customers to take their home Always Best Connected, an internet connection management tariff abroad offering greater software tool which manages connections across all network price transparency and certainty. connection types including Mobile Broadband, Wi-Fi and LAN. This service allows customers to stay connected to the internet on the best available connection, simply and securely. The software provides a Vodafone Passport customers (millions) simple user experience for managing different connections in the 24.9 22.5 office, at home, in a hotspot or on the move by automatically Enables PC users to store data securely managing the switching between available connection types. and automatically, allowing access to files 17.5 and documents at any time from any computer with an internet connection, whether fixed or mobile. Service focus: DRM-free deals with all four major record labels in 2009 More than 500,000 customers signed up 2008 2009 2010 for music subscription services provided in partnership with all four major labels (EMI, Sony, Universal and Warner), making us the largest provider of paid digital music subscription services in Europe. 16 Vodafone Group Plc Annual Report 2010

Business Share of Europe service revenue from enterprise services 30% Product focus: Vodafone One Net Provides small and medium-sized business with just one Mobile broadband solutions number for their fixed and mobile calls. 7 Causes is a marketing consultancy with a difference. Based in the Netherlands, they ve changed the way they work with clients. Out went expensive office space and long commutes. Instead they bought a bus and turned it into a mobile office complete with Vodafone mobile broadband. So now instead of wasting time travelling, they can work on the move and see more of their clients and their own families. Enterprise services Vodafone offers total Business managed services communications solutions for a wide range of enterprise Q As customers look to improve their efficiency they are increasingly customers from small looking to Vodafone to take control businesses to large of their technology for them. Enterprise multinational companies. Q Business managed services We continue to add value to our enterprise customers, building on our provide fully managed solutions core mobile business and leading the way with a range of services which bring together every where applications and data are secured and hosted in the Vodafone Vodafone One Net aspect of a customers network or cloud . In addition, we are providing mobile internet telecommunications infrastructure, bundles for smartphones, mobile email (BlackBerry, Microsoft Q Vodafone One Net brings together both fixed and mobile, into a single ActiveSync and Vodafone Email Plus) and mobile broadband via a fixed and mobile communications in management view. range of innovative devices, such as the Vodafone Mobile Wi-Fi, a one system. It means that every user Q Services include logistics, cost portable mobile broadband powered Wi-Fi hub, and class leading USB can have just one number for their control, and security and online dongles, embedded laptops and netbooks. desk phone and mobile, and one management portals offering voicemail box for their messages. single-sign-on. As we embrace the convergence of mobile and fixed networks our Q For a fixed cost per employee, customers are seeing the value it brings to their business through a customers can get business quality range of convergent services. Building on our success in Italy and internet and email, a mobile and/or Machine-to-machine Spain with our cloud-based office phone solution, Vodafone One Net, desk phone for every user, with the service is expected to be launched in Germany and the UK during advanced call management Q Machine-to-machine (M2M) the 2011 financial year. The service provides enterprise customers of features and unlimited calls communication allows businesses all sizes with advanced office desk phone functionality integrated with between all their company phones to automate the capture of data, their mobile services. whether fixed or mobile. perform real-time diagnostics and repair and to control Our partnership with Microsoft has enabled us to combine these assets remotely. converged services with the Microsoft online suite, providing our Vodafone Unified Communications We support M2M solutions ranging Q customers with hosted email and productivity tools as well as from location monitoring of conferencing and collaboration services in a single package. The Q An integrated communications vehicles and remote patient services have launched successfully in Germany and Spain. solution in partnership with monitoring through to supporting Microsoft which provides a real-time secure payments and Vodafone Global Enterprise (VGE) manages the relationships with customer with just one interface providing real-time inventory over 550 of our largest multinational corporate customers. VGE for all of their communications, reports for retailers. corporate simplifies the provision of fixed, mobile and data services for MNCs enabling employees to access and MNC segments. who need a single operat ional and commercial relationship with emails, share documents and files, Vodafone worldwide. It provides a range of managed services, such as access calendars, hold web and central ordering, customer self-serve web portals, telecommunications video conferences and exchange expense management tools and device management coupled with a instant messages from any location single contract and guaranteed service level agreements. and using almost any device. Within VGE, our machine-to-machine (M2M) business unit provides MNC customers with global capabilities for M2M services through a Enterprise mobile voice connections (millions) single platform and a global numbering range. The business has achieved major customer wins in both the automotive and smart 25.2 metering sectors. VGE has continued to expand both its footprint and 22.4 Product focus: Vodafone Mobile Wi-Fi 19.6 the services it provides to our customers and now has dedicated Provides a personal Wi-Fi network resources in India and Africa, both growing areas for VGE s services. For for up to five users. the fourth year running VGE has extended its position in the Gartner Magic quadrant report to become the clear industry leader. 2008 2009 2010 Vodafone Group Plc Annual Report 2010 17

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Technology and resources

Technology and resources Our key technologies and resources include the telecommunications licences that we hold and the related network infrastructure which enable us to operate our telecommunications networks around the world. Delivering the best customer experience of GPRS called enhanced data rates for GSM evolution (EDGE). These We have built extensive coverage across our networks and strive networks provide download speeds of over 200 kilobits per second to deliver the best possible user experience for our customers. (kbps) to our customers. Q Over 200,000 base station sites for the transmission of wireless signals. Third generation (3G) Q Network traffic of nearly 700 billion minutes and over Our 3G networks, operating the wideband code division multiple 90 petabytes of data per year. access (W-CDMA) standard, provide customers with an optimised Q Peak download speeds of up to 28.8 Mbps. data access experience. We have continued to expand our service offering on 3G networks, which provide high speed internet and We continue to deliver a high quality customer experience across all email access, video telephony, full track music downloads, mobile TV of our markets, leveraging the extensive knowledge and expertise that and other data services in addition to existing voice and basic data Our networks we have across the Group. We measure key performance indicators connectivity services. provide peak across our markets on an ongoing basis to ensure we maintain high download speeds standards of service quality and availability. We also participate in High speed packet access (HSPA) of up to 28.8 Mbps. regular network drive test campaigns conducted by independent third HSPA is a 3G wireless technology enhancement enabling significant party companies to benchmark our networks against those of our increases in data transmission speeds. It provides increased mobile We expect to major competitors. data traffic capacity and improves the customer experience through provide ever faster the availability of 3G broadband services and significantly shorter data speeds in the Over the last year we have introduced advanced tools across all of transfer times. All of our markets with 3G capability now support the years to come. our established 3G markets in Europe providing us with the ability 3.6 mega bits per second (Mbps) peak speed evolution of high speed to monitor and proactively manage our customers experience on downlink packet access (HSDPA) and with peak speeds of up to the network. 28.8 Mbps peak speed in some areas. The figures are theoretical peak rates deliverable by the technology in ideal radio conditions with no Network infrastructure customer contention for resources. While HSDPA focuses on the Our network infrastructure provides the means of delivering our downlink (network to mobile), high speed uplink packet access mobile and fixed voice, messaging and data services to our customers. (HSUPA) focuses on the uplink (mobile to network) and peak speeds Our customers are linked via the access part of the network which of up to 1.4 Mbps on the uplink are now available across all of our connects to the core network that manages the set-up and routing of markets, with peak speeds up to 5.8 Mbps available in key areas across calls, transfer of messages and data connections. many of our 3G networks. Second generation (2G) Evolving our networks We operate 2G networks in all of our mobile operating subsidiaries We continually improve our network and IT capability in order to through global system for mobile (GSM) networks, offering customers enhance the service we provide our customers. services such as voice, text messaging and basic data services. In addition, all of the Group s controlled networks operate general packet With the increasing adoption of mobile broadband services and the radio services (GPRS), often referred to as 2.5G. GPRS allows mobile wider availability of advanced smartph ones we are seeing accelerated devices to be used for sending and receiving data over an IP based growth in data traffic across our networks. To ensure we continue to network and enabling data service offers such as internet and email deliver the best possible quality of service to our customers we are access. In a number of networks, we also provide an advanced version proactively evolving our infrastructure through a range of initiatives. 18 Vodafone Group Plc Annual Report 2010

Business Customer devices Access and transmission network Core network Other networks As a total communications Our access networks provide the means by which our customers can The core network is responsible Our networks connect to company our customers connect to Vodafone. We provide mobile access through a network for setting up and controlling a wide range of other can use a broad range of of base stations and fixed access through consumer digital the connection of our customers networks to enable our devices to access our subscriber lines (DSL) and optical fibre, or corporate private wire. to our voice and data services. customers to reach products and services. These access networks connect back to our core network via a customers of other transmission network. operators and access services beyond Vodafone. Base station Circuit switched Base stations manage the The circuit switched domain wireless radio transmissions to provides voice/video calls and from Vodafone s customers and some basic data services. Fixed line operators Standard handsets mobile devices. Smartphones Private wire Transmission Packet switched corporate access infrastructure Mobile operators Netbook and laptop We deliver private branch exchange The transmission infrastructure The packet switched domain computers services to our enterprise customers connects together our access provides our customers access to via dedicated private wire and core networks. data services. Internet service Fixed line devices connections. providers Desktop computers Fixed broadband IP multimedia subsystem Corporate networks We provide fixed line telephony The IP multimedia subsystem connections enabling our provides advanced control for all customers to connect to the internet protocol (IP) services. internet via DSL and optical fibre (GPON) technologies. Access network evolution in our networks in order to optimise the overall customer experience Population coverage We are actively driving additional 3G data technology enhancements we deliver. in Europe to further improve the customer s experience and capacity of our networks including evolutions of HSPA technology to increase both We have continued to expand the deployments of IP multimedia 99% the downlink and uplink speeds. We have successfully trialled subsystem (IMS) infrastructure across these markets in order to with 2G and over 80% evolutions of mobile broadband technology delivering peak rates of serve the increasing demand for advanced internet based services with 3G 43.2 Mbps. During the 2011 financial year we expect to extend the and applications. availability of 28.8 Mbps downlink and 5.8 Mbps uplink speeds within our network. Licences The licences held across our operating companies enable us to deliver We have continued to expand our fixed line footprint in accordance fixed and mobile communication services. Further detail on the issue with our total communications strategy by building our own and regulation of licences and a table summarising the most significant network and/or using wholesale arrangements in 13 countries at mobile licences held by operating subsidiaries and the joint venture 31 March 2010. in Italy at 31 March 2010 can be found in Regulation on page 133. In addition, we also have licences to provide fixed line services in many Transmission network evolution of the countries in which we operate. We continue to upgrade our access transmission infrastructure from the base stations to the core switching network to deal with the We regularly assess the value of our spectrum holdings and participate increasing bandwidth demands of the access network. We have in auctions to supplement our holdings on a case-by-case basis. continued to pursue a strategy of implementing scalable and cost effective self-build solutions and are also leveraging our DSL interests Innovation by increasingly backhauling data traffic onto more cost effective DSL We are a pioneer in products an d services to enhance customer transport connections. During the 2010 financial year we also choice and user experience. introduced new high capacity ethernet microwave solutions into our access transmission network and continued to deploy high bandwidth Quality of service for data applications optical fibre more widely across our access transmission network. In We have been driving the development of quality o