VODAFONE GROUP PUBLIC LTD CO
Form 6-K
June 12, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

Dated June 12, 2003

Vodafone Group Public Limited Company
(Exact name of registrant as specified in its charter)

Vodafone House,
The Connection,
Newbury,
Berkshire,
RG14 2FN,
England
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes No

If Yes is marked indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__

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Vodafone Group Plc Annual Review & Summary Financial Statement, for the year ended 31 March 2003.

* Forms part of Summary Financial Statement

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Vodafone Group Plc

Annual Review & Summary Financial Statement

For the year ended 31 March 2003

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GROUP FINANCIAL HIGHLIGHTS

Statutory

	Year ended 31 March 2003 £m	Year ended 31 March 2002 £m	**Increase %**
Turnover	**30,375**	22,845	**33**
Total Group operating profit, before goodwill amortisation and exceptional items	**9,181**	7,044	**30**
Profit/(loss) on ordinary activities before taxation:			
before goodwill amortisation and exceptional items	**8,429**	6,199	**36**
goodwill amortisation	**(14,056)**	(13,470)	**4**
exceptional operating items	**(576)**	(5,408)	
exceptional non-operating items	**(5)**	(860)	
Loss on ordinary activities before taxation	**(6,208)**	(13,539)	
Loss for the financial year	**(9,819)**	(16,155)	

Proportionate

	Proportionate turnover			**Proportionate EBITDA** before exceptional items		
	Year ended 31 March 2003 £m	Year ended 31 March 2002 £m	**Increase %**	**Year ended 31 March 2003 £m**	Year ended 31 March 2002 £m	**Increase %**
Mobile telecommunications	**31,853**	27,818	**15**	**12,235**	9,902	**24**
Other operations	**2,073**	1,981	**5**	**444**	191	**132**
	33,926	29,799	**14**	**12,679**	10,093	**26**

Proportionate information is calculated as described on page 46.

Cash flow information	**Year ended 31 March 2003 £m**	Year ended 31 March 2002 £m	**Increase %**

Net cash inflow from operating activities	**11,142**	8,102	**38**
Free cash flow	**5,171**	2,365	**119**
Net debt at 31 March	**13,839**	12,034	**15**

Per share information	**Year ended 31 March 2003**	Year ended 31 March 2002	**Increase %**
Earnings/(loss) per share			
before goodwill amortisation and exceptional items	**6.81p**	5.15p	**32**
after goodwill amortisation and exceptional items	**(14.41)p**	(23.77)p	****
Dividends per share	**1.6929p**	1.4721p	**15**

The Summary Financial Statement contains certain information on the Group s results and cash flows that have been derived from amounts calculated in accordance with UK Generally Accepted Accounting Principles, (UK GAAP), but are not themselves UK GAAP measures. They should not be viewed in isolation as alternatives to the equivalent GAAP measure and should be read in conjunction with the equivalent UK GAAP measure. Further disclosures are also provided under Use of Non-GAAP Financial Information on page 49.

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CHAIRMANS STATEMENT

Lord MacLaurin of Knebworth, DL, Chairman
with Sir Christopher Gent, Chief Executive

Your Company has again demonstrated its inherent strength by producing an excellent operating performance and very positive financial results against the background of another turbulent and difficult year for the worlds economies and equity markets. The details of the doubling of free cash flow, the improvements in adjusted earnings per share, the growth in customer numbers and increases in average revenue per user in many of our key markets are detailed later in this Annual Review but as the Chairman of your Company I feel very proud and privileged to be part of a truly world class company.

World class companies need world class leaders and Vodafone has been fortunate to have, in Chris Gent, someone as its Chief Executive who, in my view, is in the highest echelon of business leaders. Last summer, Chris expressed to me his wish to step down, believing that it was time to hand over the reins to a successor who could take the Group forward in a different world from that which confronted Chris when he became Chief Executive. In January 1997, he inherited a highly successful, financially sound company of relatively modest scale. His vision, his courage, his intellect, his dedication and commitment, his determination and his tireless enthusiasm in pursuit of enormously stretching targets, and in some instances seemingly impossible goals, has transformed Vodafone into one of the world's leading companies.

Chris has rightly always been swift to point to the contributions made by his colleagues in achieving Vodafone's current position within the telecommunications industry but he has been the team's leader. His tenure has seen expansion into Europe, the United States and the Far East and a ten-fold increase in the market capitalisation of the Company. His achievements have been outstanding and his legacy to Vodafone, the mobile sector and the telecommunications industry is immense. I am sure all shareholders will join me in thanking him for his service to the Company and in wishing him and his family well for the future.

Arun Sarin will become Chief Executive following the Annual General Meeting on 30 July and in Arun I believe we have a worthy successor. He was

President and Chief Operating Officer of AirTouch Communications, Inc. until its merger with Vodafone in 1999, when he became Chief Executive of Vodafone's Americas and Asia Region. When our US based mobile businesses were merged with others to form Verizon Wireless in 2000, Arun remained with the Company as a non-executive director. The Nominations Committee undertook a rigorous selection process over a number of months and saw some outstanding individuals and eventually recommended Arun to the Board as the next Chief Executive. I am delighted that he has made the commitment to take the Group forward to the next phase of growth and believe that, with his ability, stature and knowledge of the industry and the Group's markets, he is the ideal person to be the Chief Executive of Vodafone. I know he is looking forward to the challenges ahead and to having your support.

I would like to take this opportunity to welcome John Buchanan to the Board as a non-executive director. John, who was appointed in April 2003, recently retired as Group Chief Financial Officer of BP plc. His financial and management skills in multi-national business will further strengthen the Board.

During the year, new legislation was enacted in the United States following a number of high profile corporate scandals and as your Company is listed on the New York Stock Exchange it is required to adhere to this new law. As a Board, we have always sought to achieve the highest standards of corporate governance and I am pleased to say that, as a result of our already existing policies, practices and procedures, the new law is not expected to have a significant impact on the conduct of our business. We are, however, mindful of the ongoing need to maintain, and where possible improve upon, the standards we have set ourselves.

More recently, the Higgs Review of the role and effectiveness of non-executive directors in the UK has resulted in proposed revisions to the existing Combined Code. Your Board is supportive of most of the conclusions of the Higgs Review. We are currently awaiting the publication by the Financial Reporting Council of final amendments to the Combined Code and we will keep the matter under review.

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CHAIRMAN□S STATEMENT continued

The year saw the start of our move into our new purpose built head office located on the outskirts of Newbury in Berkshire and the relocation of employees is now largely complete. This move was necessitated by the growing number of employees located in Newbury town centre who were occupying over 60 different buildings. Vodafone's home has always been Newbury and our new location will allow us to remain a large contributor to the local community.

You will read elsewhere in this Annual Review of the Company's progress during the year, including its continued achievements in bringing new products and services to its customers □ in particular the successful launch of Vodafone live! in October, the launch of the Company's first global service for business customers, Mobile Office, the continuing development of the Vodafone brand and the increases in shareholdings in countries where we already have a presence. In addition we have further developed our partner network strategy, which has allowed us to extend our brand presence without the need for equity investment and to improve the reach of our roaming products and services for our customers.

None of these achievements would have been possible without the dedication and enthusiasm of all employees at all levels and, during the year, Chris Gent and Julian Horn-Smith have continued to meet and listen to employees throughout the organisation as part of a commitment to visit all our controlled

operations on an annual basis. This listening process had been augmented by our first global employee survey, in which the vast majority of our employees participated. The main findings showed a high level of understanding of, and pride in, our brand, belief in our products, services and prospects and a strong sense of teamwork. I would like to thank all our employees on behalf of the Board and shareholders.

As I commented at the beginning of this report, for many this has been a turbulent and difficult year with concerns regarding geo-political stability and uncertainty in global equity markets. Your Company's share price has, nevertheless, outperformed its peers in the telecommunications' sector and the wider FTSE Index in the past year although, in the Board's view, it does not yet properly reflect the Company's performance and its prospects. I continue to hope that it will do so in the not too distant future.

Your Board remains confident in the continuing growth prospects for the Group and, therefore, the directors are proposing a final dividend per share of 0.8983p, bringing the total dividend for the year to 1.6929p per share, a 15% increase over last year.

With the continued commitment of all our employees and the exciting and new growth opportunities ahead, I am sure that the Group will continue to make further significant progress.

Lord MacLaurin of Knebworth, DL
Chairman

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CHIEF EXECUTIVE’S STATEMENT

The financial results for the year showed that Vodafone has again exceeded expectations and delivered excellent year-on-year growth on many measures.

Profit before taxation, goodwill and exceptional items was up 36% at £8.4 billion. Adjusted earnings per share, before goodwill and exceptional items, of 6.81 pence was up 32%.

Free cash flow was more than double last year at £5.2 billion. Capital additions were £4.8 billion, with the ratio as a percentage of turnover for our mobile businesses down to 16.3%. Group net debt was £13.8 billion.

The Group’s proportionate EBITDA margin for the mobile businesses, before exceptional items, was 38.4%, up 2.8 percentage points on last year. The total EBITDA margin, including fixed line and exceptional costs, was 37.1%, up 4.0 percentage points on last year.

With respect to business operations, we have achieved better than expected organic customer growth combined with more stake increases than originally envisaged. This year we have also seen a sustained improvement in average revenue per user in some key markets in Europe and the United States, combined with a better ARPU level than anticipated in Japan.

Progress in data continues to be strong, with revenues increasing by over 73% to £3.6 billion.

Today we serve over 295 million customers connected to the 28 national networks in which we have an interest. This is over 25% of the world’s cellular customer base. The global number of mobile users now exceeds the number of fixed line users.

Of the companies in the 28 countries in which we have an interest, we control 16. All but Japan have now moved to the single Vodafone brand and it will follow before the year end. We are now negotiating brand franchise agreements with some of our associate companies, having signed agreements with eight independent networks who wanted to offer Vodafone services, and make them available for their customers in the networks controlled by Vodafone, the world’s leading mobile service provider.

Sir Christopher Gent, Chief Executive with
Arun Sarin, Chief Executive Designate

Vodafone has an unmatched global footprint and is now combining that strength with a range of services for customers which make a real point of difference from those provided by our competitors. Voice services include one-rate roaming plans, international short code dialling in a virtual home environment and prepaid roaming with in-country top-ups.

To these we have added the data environments of Vodafone live! for consumers and Mobile Office for our business and corporate customers. These work across all of our branded footprint, except Japan where we will introduce them later this financial year.

Our global capability has been achieved by acquisitions which have been successfully integrated so that the performance of the Group's business operations is now clearly more than the sum of the parts. This can be seen by our new service propositions and by the achievement of Mannesmann synergy benefits in excess of the target set for the year.

We have also exceeded the financial targets we indicated to shareholders and markets at the time we recommended the Mannesmann transaction, with adjusted earnings per share becoming accretive after two years rather than in the fourth year, and with compound EBITDA growth in excess of 30% for the last three years. Even though we have expanded by acquisition and purchased licences for 3G in auctions, Vodafone has a very sound balance sheet with a strong credit profile and three stable single A ratings. We therefore have the resources to both invest in our core business and to take advantage of further opportunities to expand the business in the years ahead.

The strong financial performance of the Group is underlined by its ability to generate £5.2 billion of free cash flow after investing over £5.1 billion in capital expenditure for our future including investment in both 2.5 and 3G. The continuing growth in revenues and cash flow enables the Group to build new services for the future while improving returns for shareholders.

In the time that I have been Chief Executive, my colleagues and I have developed a strategy aimed at achieving world leadership and executed it, while at the same time maintaining the financial strength of the Group.

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CHIEF EXECUTIVE's STATEMENT continued

The successful integration of the businesses acquired has improved the strength of the management team, as has the management development and succession planning that we have introduced.

Today, externally we are progressively building a brand ascendancy in mobile telecommunications which is gaining recognition both within our industry and the world at large. Our reputation is being enhanced by our involvement in community and social responsibility and the engagement of our employees in programmes that underpin our commitment to society.

Internally we have built a commitment to a single vision that unites the Company, gives us all a great sense of purpose, and energises our actions. This vision of being the world's leading provider of mobile communications services, enriching our customers' lives in an increasingly connected world, is underpinned by four values to which everybody in the Company is committed.

We call these values the four passions: passion for our customers, passion for our people, passion for results and passion for the world around us. Passion defines the intensity of what motivates and unites us. This explains why we continually raise our performance with all of the stakeholders that matter to us.

Vodafone's growth performance over the last 19 years has been remarkable and though I retire this year, it is not because I believe that the growth potential in the future is diminishing. In many respects I expect the future to be even more exciting. Vodafone has the opportunity to gain market share through its superior capability in a market which has the potential to double over the next decade in terms of the number of customers worldwide. I also expect the range of services to expand giving an even bigger opportunity for Vodafone to gain a larger share of our customers' expenditure; the so called share of wallet. To these new services we could add the potential for mobile to substitute for fixed telecommunications, which is already occurring in some markets around the world.

In the coming year, we expect to achieve growth of over 10% in average proportionate customers with a similar growth in proportionate revenues. In addition, a forecast small improvement in proportionate EBITDA margins should generate better proportionate EBITDA growth than revenue growth. We anticipate a good performance for adjusted earnings per share growth.

This year should see a further improvement in capital efficiency. This year's tangible fixed asset additions are expected to be approximately £5 billion, slightly higher than the year just finished, mainly through deferred investment from that year. We also expect to generate free cash flow somewhat higher than the £5.2 billion in the year just ended.

From my perspective I have been hugely fortunate and privileged to have been in Vodafone since it started trading and to have led the Group over the last six and a half years. I believe that my contribution has been to lead the development and execution of our global strategy and to help build a great team of people who have achieved so much already and with whom the foundations for continuing success have been laid for the future.

It is, however, time for me to move on and to hand over to Arun Sarin. He is, in my judgement, an outstanding executive and business leader as well as somebody who has a greater empathy than me for the new service environments that we are now creating for our customers. He also has the advantage of being that much younger, with the energy, enthusiasm, intensity and passion for the business essential to continue its growth over the next decade. I wish him and all of my colleagues huge success in the future. I shall be cheering them on as a company pensioner, significant shareholder and someone who forever will be a believer in Vodafone and what it can do to make the world a better place for our customers, our shareholders and the society we serve.

Sir Christopher Gent
Chief Executive

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BUSINESS REVIEW

Julian Horn-Smith
Group Chief Operating Officer

Turnover

Statutory turnover increased by £7,530m to £30,375m, an increase of 33% in the year. Growth from existing operations was £2,440m, an increase of 11%, and growth in respect of acquired businesses was £5,090m, mainly comprising J-Phone Vodafone and Japan Telecom which became subsidiaries from October 2001.

Mobile service revenue increased 32% to £24,824m, as a result of greater usage of voice services, increased penetration of data products and services and the benefit of a full year's service revenues from J-Phone Vodafone. Revenues from voice services for the year were £21,201m, representing an increase of 27% over the comparable period. The Group achieved a sustained improvement in annual ARPU in some key markets in Europe, compared with the prior year, as benefits from the Group's continued focus on high value customers led to increased penetration of the contract customer segment and initiatives to stimulate usage, including the launch of new and innovative products, were realised.

Another key driver was the continued success of the Group's data product and service offerings. Revenues from data services increased 73% in the year to £3,622m from £2,093m for the previous year, to represent 14.6% of service revenues in the Group's controlled mobile subsidiaries, compared with 11.1% for the 2002 financial year. Whilst SMS revenues continue to represent the largest component of data revenues, an increased focus on providing value-added services has contributed to the increase in data revenues and the increased penetration of data services into the Group's customer base. In Japan, J-Phone Vodafone data revenues have represented over 20% of service revenues every month since August 2002.

Mobile equipment and other turnover increased 36% to £2,719m for the year, largely attributable to the volume of gross customer connections and upgrades in the year, including a full year impact of J-Phone Vodafone and the effects of the reduction in handset subsidies, in line with the Group's strategy.

Turnover from other operations increased by £730m in the year to £2,833m, an increase of 35%. This change was primarily a result of the impact of Japan Telecom, which was consolidated for a full year, and a turnover reduction from other operations, principally in Arcor, following the disposal of the Telematiks business.

Expenses

Consolidated cost of sales represented 58.9% of turnover for both the current and previous financial years. Excluding J-Phone Vodafone, the Group's equipment costs and cost of providing financial incentives to service providers and dealers for acquiring and retaining customers declined to 13.8% of turnover from mobile telecommunications compared with 14.7% for the prior year, demonstrating the continued focus on gaining and retaining high-value customers in the most cost-efficient manner. Inclusive of J-Phone Vodafone, equipment costs and financial incentives amounted to 21.1% of turnover from mobile telecommunications as these costs, although reducing, remain higher in Japan than in the Group's other key markets.

Other operating expenses increased almost entirely as a result of the full year inclusion of results from J-Phone Vodafone and Japan Telecom, and represent 17.8% of turnover for the year, compared with 18.9% for the prior year. Excluding J-Phone Vodafone and Japan Telecom, other operating expenses represented 20.3% and 23.5% of turnover for the current and previous years, respectively, as these costs were reduced across the Group, reflecting the realisation of benefits from the Group's continued focus on cost control and the realisation of synergies. Exceptional operating costs comprise impairment charges of £405m and £80m in respect of the tangible fixed assets of Japan Telecom and goodwill in respect of the Group's interest in Grupo Iusacell respectively, and additional costs incurred as a result of the integration of Vizzavi into the Group and the related restructuring of the Group's global mobile platform business.

Proportionate results

Proportionate turnover increased 14% to £33,926m as a result of strong organic growth together with the effect of increased stakes in certain of the Group's existing businesses, principally in Japan. In the mobile businesses, proportionate turnover grew by 15% to £31,853m, including 10.4% organic growth in service revenues.

The Group's proportionate EBITDA margin before exceptional items in the mobile business increased to 38.4% from 35.6%, with most of the Group's main operations reporting increased EBITDA margins. Greater control over customer acquisition and retention costs accounted for 1.1 of the 2.8 percentage point increase in the Group's mobile EBITDA margin during the year, with the remainder of the margin improvement arising from cost control measures and the realisation of synergies and efficiency gains.

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BUSINESS REVIEW Continued

Peter Bamford

Chief Executive, Northern Europe, Middle East and Africa Region

Northern Europe

Financial highlights		Year ended 31 March 2003 £m	2002 £m	Increase %
Statutory turnover	United Kingdom	**4,026**	3,763	**7**
	Other Northern Europe	**2,031**	1,669	**22**
		6,057	5,432	**12**
Statutory total Group operating profit (1)	United Kingdom	**1,120**	941	**19**
	Other Northern Europe	**1,102**	744	**48**
		2,222	1,685	**32**
Proportionate turnover	United Kingdom	**4,026**	3,763	**7**
	Other Northern Europe	**3,396**	2,753	**23**
		7,422	6,516	**14**
Proportionate EBITDA (before exceptional items)	United Kingdom	**1,541**	1,294	**19**
	Other Northern Europe	**1,358**	970	**40**
		2,899	2,264	**28**

(1) Before goodwill amortisation and exceptional items.

United Kingdom

Vodafone UK has had a successful year, strengthening its contract customer base, launching innovative new products and increasing ARPU which, coupled with the continued focus on cost efficiencies, have driven growth in statutory turnover and proportionate EBITDA before exceptional items.

Statutory turnover increased 7% to £4,026m and within this, service revenue increased by 6% to £3,748m. ARPU grew by 6% to £292, primarily due to a favourable combination of the improved mix of the customer base, the focus on high value customers and through stimulation of usage.

In the latest figures reported by Oftel, Vodafone UK maintained its lead in revenue market share for outbound calls, with a lead of 7 percentage points over its nearest competitor. Data as a percentage of service revenue grew by 2.6 percentage points from 11.8% to 14.4%. Vodafone UK anticipates continuing improvement in the 2004 financial year as the full benefits from propositions such as Vodafone live! are increasingly realised.

Attracting and retaining contract customers has continued to be a key objective in the past year as part of the focus on high value customers.

Contract customers grew by 9% in the year and, with contract churn falling from 26.2% to 23.1%, Vodafone UKs contract base now exceeds that of its nearest competitor by 21%. Prepaid churn increased to 34.5%.

Vodafone UK participated in the Groups launch of Vodafone live! in October 2002 and, by the end of March 2003, 240,000 Vodafone live! handsets had been activated. In total 413,000 MMS capable handsets had been activated.

Total operating expenses, before goodwill amortisation and exceptional items, as a proportion of turnover continued to decline, falling from 19.9% in the previous year to 19.6% this year. The average cost to connect for contract customers was £117, slightly up compared with the £116 as reported for the prior year. The average cost to connect for prepaid customers fell from £26 to £10 for the year, reflecting continued efforts to reduce subsidies.

Vodafone UK continues to be recognised in Oftel surveys as the leading UK network, with a call success rate of 98.3% as a result of continued investment to improve its network.

During the year, the Competition Commission concluded its investigation into the cost of calling mobile phones. Despite its acknowledgement that the overall profits within the industry were not excessive, it sought to re-balance margins across the industry by requiring a reduction in the cost of calling mobile phones across all UK networks. Vodafone UK believes the basis on which the Competition Commission calculated these reductions is flawed and is requesting a judicial review of this decision. Vodafone UK has also taken commercial actions to mitigate the effect of the reduction.

Other Northern Europe

All operations in the region reported increases in customer numbers, most notably in Sweden where customer numbers grew by 14% to 1,325,000, despite market penetration of 89% and in France where SFR grew its base by 7% to 13,324,000 and its market share from 34.2% to 35.1%. The increase in revenues is partially as a result of these improvements in customer numbers but is mainly due to increased customer usage. In the Netherlands, ARPU grew by over 13%, driven by the improved mix in the customer base and the introduction of new services. In Ireland, outstanding data revenue growth resulted in data representing 19.1% of service revenue for the year, and exceeding 20% of service revenues since December 2002. As a result of this growth in data usage and the highest levels of voice usage in the Groups European businesses, ARPU in Ireland continues to be amongst the highest in the Group.

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BUSINESS REVIEW Continued

Jurgen von Kuczkowski
Chief Executive, Central Europe Region

Central Europe

Financial highlights		Year ended 31 March 2003 £m	2002 £m	Increase %
Statutory turnover	– Germany	**4,646**	4,112	**13**
	– Other Central Europe	**129**	65	**98**
		4,775	4,177	**14**
Statutory total Group operating profit (1)	– Germany	**1,435**	1,429	–
	– Other Central Europe	**181**	114	**59**
		1,616	1,543	**5**
Proportionate turnover	– Germany	**4,642**	4,101	**13**
	– Other Central Europe	**691**	593	**17**
		5,333	4,694	**14**
Proportionate EBITDA (before exceptional items)	– Germany	**2,016**	1,837	**10**
	– Other Central Europe	**265**	231	**15**
		2,281	2,068	**10**

(1) Before goodwill amortisation and exceptional items.

Germany

Vodafone Germany delivered a good set of operating results with increased turnover and service revenue being driven by higher usage of both voice and data services.

In particular the proportion of messaging and data revenue rose by 2 percentage points, benefiting from the launch of Vodafone live!, and now represents 16.4% of service revenue for the year.

Vodafone Germany ended the financial year with a customer base of 22,940,000, representing an increase of 7% since 31 March 2002.

The proportion of contract customers rose by 4 percentage points, compared with the prior year, to 10,694,000 and now represents 47% of the total customer base. Customer churn decreased following a reduced contract churn rate, which decreased from 18.3% to 16.8%, and a reduction in prepaid churn rate from 27.1% to 24.8%.

ARPU increased 5% in the year to €313 although contract ARPU decreased from €559 to €519 as a result of higher contract penetration, including customer migrations from prepaid to contract tariffs. Prepaid ARPU increased from €110 to €130, reflecting higher usage levels.

Following further reductions in equipment subsidies in the contract segment and reduced commissions per gross addition in both segments, the cost to connect for contract customers decreased from €156 to €145 and the cost to connect for prepaid customers further declined from €24 to €19.

The 1.4 percentage point decrease in the proportionate EBITDA margin before exceptional items was predominantly due to higher retention costs. Operating profit was adversely affected by higher depreciation as a result of the prior year expenditure on network infrastructure and IT systems improvements.

Vodafone Germany participated in the Groups launch of Vodafone live! in October 2002 and, by the end of March 2003, 405,000 Vodafone live! handsets had been activated, with 694,000 MMS capable handsets activated in total.

The Mobile Connect Card has been launched for business customers and Wireless Local Area Network (W-LAN) will continue to be deployed by Vodafone Germany in the coming months. Lufthansa lounges, airports, exhibitions, congress centres and important hotel chains will also be equipped with W-LAN.

In the 2004 financial year, Vodafone Germany expects to launch other innovative services, including multimedia video clips, as it prepares for commercial launch of 3G services.

Vodafone Germanys 3G network infrastructure rollout is proceeding according to plan and in accordance with the licence obligation to provide at least 25% population coverage by the end of 2003.

Other Central Europe

The Groups other interests within Central Europe reported improved financial performance, reflecting both continued penetration of their respective mobile markets and improved operational efficiency.

Vodafone Hungarys turnover grew by 109% compared with the prior year, driven by the increase in customer numbers and higher usage, which led to a 6% increase in ARPU.

In Poland, Polkomtel increased its customer base by 34% to 4,839,000 at 31 March 2003. Swisscom Mobile, the market leader in Switzerland, acquired more new customers than its competitors, increasing its customer base by 206,000 in the year. ARPU remains strong at CHF1,081.

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BUSINESS REVIEW Continued

Vittorio Colao
Chief Executive, Southern Europe Region

Southern Europe

Financial highlights		Year ended 31 March 2003 £m	2002 £m	Increase %
Statutory turnover	Italy	**4,371**	3,711	**18**
	Other Southern Europe	**3,680**	3,032	**21**
		8,051	6,743	**19**
Statutory total Group operating profit (1)	Italy	**1,588**	1,267	**25**
	Other Southern Europe	**907**	805	**13**
		2,495	2,072	**20**
Proportionate turnover	Italy	**3,353**	2,838	**18**
	Other Southern Europe	**2,981**	2,271	**31**
		6,334	5,109	**24**
Proportionate EBITDA (before exceptional items)	Italy	**1,654**	1,295	**28**
	Other Southern Europe	**1,062**	836	**27**