

## Final Results - Part Four

### Vodafone Group Plc 24 May 2005 PART 4 VODAFONE GROUP PLC PRELIMINARY RESULTS

**FINANCIAL UPDATE** Profit and loss account Exceptional items The exceptional operating cost of £315 million in the year ended 31 March 2005 is due to an impairment of the carrying value of goodwill relating to Vodafone Sweden. The impairment results from recent fierce price competition in the Swedish market combined with onerous 3G licence obligations. Net exceptional operating income for the previous financial year of £228 million comprised £351 million of expected recoveries and provision releases in relation to a contribution tax levy on Vodafone Italy, net of £123 million of restructuring costs, principally in the UK. The net exceptional non-operating credit for the year ended 31 March 2005 of £13 million (2004: charge of £103 million) principally relates to profits on disposal of fixed asset investments. The prior year charge principally related to a loss on disposal of the Japan Telecom fixed line operations.

Interest	Year ended 31 March 2005	2004	£m	£m	% change
Group net interest payable before dividends from investments	151	310	(51)		
Dividends from investments	(19)	(26)	(7)		
Potential interest charges arising on settlement of outstanding tax issues	261	215	21		
Group net interest payable	393	499	(21)		
Share of associated undertakings	211	215	(2)		
Total Group net interest payable	604	714	(15)		

Group net interest payable before dividends from investments has fallen by 51% to £151 million, primarily reflecting a reduction in average net debt. Group net interest payable was covered 37 times by operating cash flow plus dividends received from associated undertakings. Taxation The effective tax rate on profit on ordinary activities, before goodwill and exceptional items, was 27.5% compared with 30.4% for the year ended 31 March 2004. The rate has fallen due to the finalisation in the year of the reorganisation of the Group's German operations, the benefits of which have outweighed the impact of reduced tax incentives in Italy, and the absence of the previous year's one-off benefit from the restructuring of the Group's associated undertakings in France. The Group's tax charge has also benefited from exceptional current and deferred tax credits totalling £599 million, which relate to tax losses in Vodafone Holdings K.K. becoming eligible for offset against the profits of Vodafone K.K. following the merger of the two entities on 1 October 2004. Earnings and loss per share Earnings per share, before goodwill amortisation and exceptional items, increased by 14% from 9.10 pence to 10.41 pence for the year ended 31 March 2005. Basic loss per share, after goodwill amortisation and exceptional items, improved from a loss per share of 13.24 pence to a loss per share of 11.39 pence for the year ended 31 March 2005. The loss per share includes a charge of 22.21 pence per share (2004: 22.33 pence per share) in relation to the amortisation of goodwill and a credit of 0.41 pence per share (2004: charge of 0.01 pence per share) in relation to exceptional items. Total shareholder returns The Company provides returns to shareholders through a combination of dividends and share purchases. Dividends The Company has historically paid dividends semi-annually, with a regular interim dividend in respect of the first six months of the financial year payable in February and a final dividend payable in August. The directors expect that the Company will continue to pay dividends semi-annually. In considering the level of dividends, the Board takes account of the outlook for earnings growth, operating cash flow generation, capital expenditure requirements, acquisitions and divestments, together with the amount of debt and share purchases. In November 2004, the directors declared an interim dividend of 1.91 pence per share, representing an approximate 100% increase over last year's interim dividend, with the expectation that the final dividend would also be increased by 100%. Consistent with this, the directors have recommended a final dividend of 2.16 pence per share, representing an approximate 100% increase over last year's final dividend, and bringing the total dividend per share to 4.07 pence, a doubling of last year's total. Following this rebasing of the dividend, the Board expects future increases in dividends per share to reflect underlying growth in earnings. The ex-dividend date is 1 June 2005 for ordinary shareholders, the record date for the final dividend is 3 June 2005 and the dividend is payable on 5 August 2005. Share purchases When considering how increased returns to shareholders can be provided in the form of share purchases, the Board reviews the free cash flow, anticipated cash requirements, dividends, credit profile and gearing of the Group. The Board intends

to continue to consider share purchase programmes, subject to the maintenance of credit ratings. On 25 May 2004, the directors allocated £3 billion to the share purchase programme for the year to May 2005. The Board subsequently increased the share purchase programme to £4 billion, completing by March 2005, subject to the maintenance of credit ratings. For the period from 27 May 2004 to 31 March 2005, 2,985 million shares were purchased on market on the London Stock Exchange for a total consideration of £4 billion, including stamp duty and broker commissions. The average share price paid, excluding transaction costs, was 133.30 pence, compared with the average volume weighted price over the same period of 133.62 pence. At the Company's Annual General Meeting ("AGM") in July 2004, approval was obtained from the shareholders to purchase up to 6.6 billion ordinary shares of the Company. This approval will expire at the conclusion of the Company's AGM on 26 July 2005. Up to 23 May 2005, 2,661 million shares had been purchased under this approval. The Board of directors has approved a share purchase target for the year to 31 March 2006 of £4.5 billion, including £565 million already spent. Achieving the target purchases will be subject to renewed shareholder approval on 26 July 2005 at the AGM. Shares will be purchased on market on the London Stock Exchange and the maximum share price payable for any share purchase will be no greater than 105% of the average of the middle market closing price of the Company's share price on the London Stock Exchange for the five business days immediately preceding the day on which any shares are contracted to be purchased and otherwise in accordance with the rules of the Financial Services Authority. Purchases will be made only if accretive to earnings per share, excluding items not reflecting underlying business performance. Prior to the close period from 1 April 2005 to 23 May 2005, the Group placed irrevocable purchase instructions which resulted in the purchase of 406 million shares at a total consideration of £565 million, including stamp duty and broker commissions, in the close period. Treasury shares The Companies Act 1985 permits companies to purchase their own shares out of distributable reserves and to hold shares with a nominal value not to exceed 10% of the nominal value of their issued share capital in treasury. If shares in excess of this limit are purchased they must be cancelled. Whilst held in treasury no voting rights or pre-emption rights accrue and no dividends are paid in respect of treasury shares. Treasury shares may be sold for cash; transferred (in certain circumstances) for the purposes of an employee share scheme; or cancelled. If treasury shares are sold, such sales are deemed to be a new issue of shares and will accordingly count towards the 5% of share capital which the Company is permitted to issue on a non pre-emptive basis in any one year as approved by its shareholders at the AGM. The proceeds of any sale of treasury shares up to the amount of the original purchase price, calculated on a weighted average price method, is attributed to distributable profits which would not occur for the sale of non-treasury shares. Any excess above the original purchase price must be transferred to the share premium account. Share options On 1 July 2002, Vodafone awarded share options to all eligible employees in all countries in which the Group then operated, other than Japan and Sweden, under its 1999 Long Term Stock Incentive Plan. These share options may be exercised from 1 July 2005 until 30 June 2012 at a price of 90 pence per share (92.99 pence per share for participants in Italy). If all share options are exercised, Vodafone would issue approximately 480 million ordinary shares. Vodafone believes that a substantial number of share options will be exercised on 1 July 2005 and in the period immediately following. Cash flows and funding During the year ended 31 March 2005, the Group increased its net cash inflow from operating activities by 3% to £12,713 million and generated £7,847 million of free cash flow. Free cash flow decreased from the prior financial year, principally due to one-off cash receipts in the prior year, including £572 million received from the closure of financial instruments and £198 million from the fixed line business in Japan prior to its disposal. Year ended 31 March 2005 2004 % change £m £m Net cash inflow from operating activities 12,713 12,317 3 Net capital expenditure on intangible and tangible fixed assets (4,879) (4,371) 12 ----- Purchase of intangible fixed assets (59) (21) Purchase of tangible fixed assets (4,890) (4,508) Disposal of tangible fixed assets 70 158 ---- ----- Operating free cash flow 7,834 7,946 (1) Dividends received from associated undertakings (1) 2,020 1,801 12 Taxation (1,616) (1,182) 37 Net

cash outflow for returns on investments and servicing of finance (391) (44) -----  
----- Interest on group debt(2) (336) 31 Dividends from investments 19 25 Dividends  
paid to minority interests (74) (100) ----- Free  
cash flow 7,847 8,521 (8) ===== (1) Year ended 31 March 2005 includes £923  
million (2004: £671 million) from Verizon Wireless and £616 million (2004: £802 million) from the  
Group's interest in SFR (2) Year ended 31 March 2005 includes £nil (2004: £572 million) of cash  
receipts from the closure of financial instruments related to interest rate management activities,  
including those in connection with bond repurchases in subsidiaries The Group invested a net  
£2,014 million in acquisition and disposal activities, including the purchase and disposal of  
investments, in the 2005 financial year and an analysis of the significant transactions is shown  
below: £m Acquisitions: Japan (69.7% to 97.7%) 2,380 Hungary (92.8% to 100%) 55 Other  
acquisitions, including investments 45 Disposals: Japan Telecom withholding tax recovered (226)  
Japan Telecom preference shares (152) Egypt (67.0% to 50.1%) (65) Other disposals, including  
investments (23) ----- 2,014 ===== The Group's consolidated net debt position at 31 March  
2005 was £8,339 million, reduced from £8,488 million at 31 March 2004, principally as a result of  
the cash flow items above, share purchases, equity dividend payments and £143 million of foreign  
exchange movements. The Group remains committed to maintaining a solid credit profile, as  
currently demonstrated by its stable credit ratings of P-1/F1/A-1 short term and A2/A/A long term  
from Moody's, Fitch Ratings and Standard & Poor's, respectively. Credit ratings are not a  
recommendation to purchase, hold or sell securities, in as much as ratings do not comment on  
market price or suitability for a particular investor, and are subject to revision or withdrawal at any  
time by the assigning rating organisation. Each rating should be evaluated independently. In  
aggregate, the Group has committed facilities of approximately £6,814 million, of which £5,572  
million was undrawn at 31 March 2005. The undrawn facilities include a \$4.9 billion Revolving  
Credit Facility that matures in June 2006 and a \$5.5 billion Revolving Credit Facility that matures in  
June 2009. Both facilities support US and Euro commercial paper programmes of up to \$15 billion  
and £5 billion respectively, both of which were undrawn at 31 March 2005. Other undrawn facilities  
of £77 million are specific to the Group's subsidiaries in Egypt and Albania. Facilities of €350 million  
(£240 million) in Vodafone Hungary were repaid and cancelled during the period. On 7 October  
2004, the Group's Yen 600 billion shelf programme in Japan became effective. No bonds have been  
issued under this programme. On 19 April 2005, the Board of directors of Vodafone Italy approved a  
proposal to buy back issued and outstanding shares for approximately €7.9 billion (£5.4 billion). If  
the proposal is approved by the shareholders of Vodafone Italy, participation will be invited on a pro  
rata basis. In accordance with Dutch and Italian corporate law the buy back will take place in two  
tranches, the first in June 2005 and the second expected to be in October 2005. After the transaction  
is completed the Company and Verizon Communications Inc will continue to hold approximately 77%  
and 23% respectively of Vodafone Italy indirectly through their wholly owned subsidiaries. It is  
anticipated that the buy back will be funded from currently available and forecast available cash of  
Vodafone Italy. At 31 March 2005, Vodafone Italy had net cash on deposit with Group companies of  
€7.2 billion (£4.9 billion). SIGNIFICANT TRANSACTIONS Acquisitions The Group significantly  
increased its effective interest in two subsidiary companies in the year. These were: % interest at %  
interest at 31 March 2004 31 March 2005 Vodafone Japan 69.7 97.7 Vodafone Hungary 87.9 100.0  
In the first half of the year, the Group increased its effective shareholding in Vodafone K.K. to 98.2%  
and its stake in Vodafone Holdings K.K. to 96.1% for a total consideration of £2.4 billion. On 1  
October 2004 the merger of Vodafone K.K. and Vodafone Holdings K.K. was completed, resulting in  
the Group holding a 97.7% stake in the merged company, Vodafone K.K. The Group increased its  
effective shareholding in Vodafone Hungary to 100% in the financial year by subscribing for  
additional equity of HUF89,301 million (£248 million) in the first half of the financial year and the  
subsequent acquisition of the remaining 7.2% shareholding from Antenna Hungaria Rt, completing  
on 12 January 2005 for consideration of £55 million. On 15 March 2005, the Group announced it had  
entered into agreements with Telesystem International Wireless Inc. ("TIW") of Canada to acquire

approximately 79% of the share capital of MobiFon S.A. ("MobiFon") in Romania, increasing the Group's ownership of MobiFon to approximately 99%, and 100% of the issued share capital of Oskar Mobil a.s. in the Czech Republic for a cash consideration of approximately \$3.5 billion (£1.9 billion) to be satisfied from the Group's cash resources. In addition, Vodafone will be assuming approximately \$0.9 billion (£0.5 billion) of net debt. The acquisition is conditional on TIW shareholder approval, the receipt of all necessary unconditional regulatory and Canadian Court approvals and certain customary conditions and is expected to complete shortly.

Disposals In January 2005, Telecom Egypt acquired a 16.9% stake in Vodafone Egypt from the Group, for cash consideration of \$123 million (£65 million), reducing the Group's controlling stake to 50.1%. In October 2004, preference shares held by Vodafone K.K. in Sora Holdings Japan, Inc. were re-purchased by Sora Holdings Japan, Inc. for Yen 33.9 billion (£152 million), further to the subsequent sale of Japan Telecom.

UPDATE ON IFRS IMPLEMENTATION The Group provided an update of its adoption of IFRS on 20 January 2005 which included IFRS financial information for the six months ended 30 September 2004 and the year ended 31 March 2004 on a pro forma basis. Additional IFRS segmental information was provided on 18 March 2005. The Group currently intends to publish financial information for the year ended 31 March 2005 prepared in accordance with IFRS in July 2005. On 14 April 2005, the SEC announced it had adopted proposed amendments to Form 20-F which will allow the Group, in the first year of IFRS adoption, to provide two years of statements of income, changes in shareholders' equity and cash flows prepared in accordance with IFRS, rather than the three years previously required. The Group's financial information prepared on the basis of IFRS provided on 20 January 2005 and 18 March 2005 had been prepared on the assumption that this rule change would be adopted. The Group is not currently aware of any developments to IFRS accounting standards or related interpretations which would result in significant changes to the reconciling differences, as previously reported, between UK GAAP and IFRS financial information for the year ending 31 March 2006.

FINANCIAL STATEMENTS CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 March 2005	Year ended 31 March 2004	fm	fm
Turnover: Group and share of associated undertakings - Continuing operations	45,781	42,920	-	-
Discontinued operations	-	818	-	-
Less: Share of associated undertakings (11,648) (10,179)	-	-	34,133	33,559
Turnover (Note 2) - Continuing operations	34,133	32,741	-	-
Discontinued operations	-	818	-	-
Operating (loss)/profit - Continuing operations	(5,304)	(4,842)	-	-
Discontinued operations	-	66	-	-
Share of operating profit in associated undertakings - Continuing operations	1,193	546	-	-
Total Group operating loss (Note 2)	(4,111)	(4,230)	-	-
Exceptional non-operating items (Note 4)	13	(103)	-	-
Loss on ordinary activities before interest	(4,098)	(4,333)	-	-
Net interest payable and similar items	(604)	(714)	-	-
Group	(393)	(499)	-	-
Share of associated undertakings	(211)	(215)	-	-
Loss on ordinary activities before taxation	(4,702)	(5,047)	-	-
Tax on loss on ordinary activities (Note 5)	(2,236)	(3,154)	-	-
Tax on loss on ordinary activities before exceptional tax	(2,835)	(3,154)	-	-
Exceptional tax credit	599	-	-	-
Loss on ordinary activities after taxation	(6,938)	(8,201)	-	-
Minority interests (including non-equity minority interests)	(602)	(814)	-	-
Loss for the financial year	(7,540)	(9,015)	-	-
Equity dividends	(2,658)	(1,378)	-	-
Retained loss for the Group and its share of associated undertakings	(10,198)	(10,393)	-	-
Basic and diluted loss per share (Note 6)	(11.39)p	(13.24)p	-	-
Adjusted basic earnings per share (Note 6)	10.41p	9.10p	-	-
Dividends per share	4.07p	2.0315p	-	-
CONSOLIDATED BALANCE SHEET				
31 March 2005	31 March 2004	fm	fm	
Fixed assets	83,464	93,622		
Tangible assets	18,398	18,083		
Investments	20,250	22,275		
Investments in associated undertakings	19,398	21,226		
Other investments	852	1,049		
Current assets	122,112	133,980		
Stocks	430	458		
Debtors: amounts falling due after more than one year	2,096	1,380		

amounts falling due within one year 5,602 5,521 Investments 816 4,381 Cash at bank and in hand  
 2,850 1,409 ----- 11,794 13,149 Creditors: amounts falling due within one year (14,837)  
 (15,026) ----- Net current liabilities (3,043) (1,877) ----- Total assets less current  
 liabilities 119,069 132,103 Creditors: amounts falling due after more than one year (12,382)  
 (12,975) Provisions for liabilities and charges (4,552) (4,197) ----- 102,135 114,931  
 ===== Capital and reserves Called up share capital 4,286 4,280 Share premium  
 account 52,284 52,154 Merger reserve 98,927 98,927 Own shares held (5,121) (1,136) Other  
 reserve 629 713 Profit and loss account (51,688) (43,014) ----- Total equity shareholders'  
 funds 99,317 111,924 Equity minority interests 1,965 2,132 Non-equity minority interests 853 875 ---  
 ----- 102,135 114,931 ===== CONSOLIDATED CASH FLOW Year ended  
 Year ended 31 March 31 March 2005 2004 £m £m Net cash inflow from operating activities (Note 7)  
 12,713 12,317 Dividends received from associated undertakings 2,020 1,801 Net cash outflow for  
 returns on investments and servicing of finance (391) (44) Taxation (1,616) (1,182) Net cash outflow  
 for capital expenditure and financial investment (4,768) (4,267) -----  
 ----- - Purchase of intangible fixed assets (59) (21) - Purchase of tangible fixed assets  
 (4,890) (4,508) - Purchase of investments (19) (43) - Disposal of tangible fixed assets 70 158 -  
 Disposal of investments 22 123 - Other 108 24 -----  
 Net cash outflow for acquisitions and disposals (2,017) (1,312) -----  
 ----- - Purchase of interests in subsidiary undertakings (2,461) (2,064) - Net cash acquired  
 with subsidiary undertakings - 10 - Disposal of interests in subsidiary undertakings 444 995 - Net  
 cash disposed of with subsidiary undertakings - (258) - Other - 5 -----  
 ----- Equity dividends paid (1,991) (1,258) ----- Cash inflow before management  
 of liquid resources and financing 3,950 6,055 Management of liquid resources 3,563 (4,286) Net  
 cash outflow from financing (6,108) (700) -----  
 Issue of ordinary share capital 115 69 - (Decrease)/increase in debt (2,170) 280 - Purchase of  
 treasury shares (4,053) (1,032) - Purchase of own shares in relation to employee share schemes -  
 (17) ----- Increase in cash in the  
 financial year 1,405 1,069 ===== Reconciliation of net cash flow to movement in  
 net debt Increase in cash in the financial year 1,405 1,069 Cash outflow/(inflow) from  
 decrease/(increase) in debt 2,170 (280) Cash (inflow)/outflow from (decrease)/increase in liquid  
 resources (3,563) 4,286 ----- Decrease in net debt resulting from cash flows 12 5,075  
 Translation difference 143 144 Premium on repayment of debt - (56) Net debt acquired on  
 acquisition of subsidiary undertakings (2) (7) Net debt disposed on disposal of subsidiary  
 undertakings - 194 Other movements (4) 1 ----- Decrease in net debt in the financial year 149  
 5,351 Opening net debt (8,488) (13,839) ----- Closing net debt (Note 8) (8,339) (8,488)  
 ===== CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND  
 LOSSES Year ended Year ended 31 March 31 March 2005 2004 £m £m Loss for the financial year -  
 Group (7,944) (8,996) - Share of associated undertakings 404 (19) ----- (7,540) (9,015) -----  
 ----- Currency translation - Group 1,681 (2,462) - Share of associated undertakings (214) (2,830) ----  
 --- ----- 1,467 (5,292) ----- Total recognised gains and losses for the financial year (6,073)  
 (14,307) ===== MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS Year ended  
 Year ended 31 March 31 March 2005 2004 £m £m Loss for the financial year (7,540) (9,015) Equity  
 dividends (2,658) (1,378) ----- (10,198) (10,393) Currency translation 1,467 (5,292) New  
 share capital subscribed 136 86 Purchase of treasury shares (3,997) (1,088) Purchase of own shares  
 in relation to employee share schemes - (17) Own shares released on vesting of share awards 12 10  
 Other (27) (12) ----- Net movement in equity shareholders' funds (12,607) (16,706) Opening  
 equity shareholders' funds 111,924 128,630 ----- Closing equity shareholders' funds 99,317  
 111,924 ===== This information is provided by RNS The company news service  
 from the London Stock Exchange

admin

Final Results - Part Four

484195

A

Tue, 05/24/2005 - 07:02

Results and Trading Reports

VOD