
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

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

OR

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

For the fiscal year ended: March 31, 2000

OR

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

For the transition period from: _____ to _____

Commission file number: 1-10086

VODAFONE AIRTOUCH PUBLIC LIMITED COMPANY

(formerly VODAFONE GROUP PUBLIC LIMITED COMPANY)

(Exact Name of Registrant as specified in its Charter)

England

(Jurisdiction of incorporation or organization)

The Courtyard, 2-4 London Road, Newbury, Berkshire RG14 1JX, England

(Address of Principal Executive Offices)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Ordinary shares of \$0.10 each*	New York Stock Exchange**

* In connection with the Merger with AirTouch Communications, Inc. the nominal value of the ordinary shares was redenominated from 5p each to \$0.10 each on June 30, 1999.

** 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.

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 \$0.10 each	61,334,032,162
7% Cumulative Fixed Rate Shares of £1 each.....	50,000

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark which financial statements item the registrant has elected to follow:

Item 17 Item 18

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Definitions and Technical Terms

Unless the context indicates otherwise, the following terms have the meanings shown below:

“ADS”	American Depositary Share.
“ADR”	American Depositary Receipt.
“AirTouch”	AirTouch Communications, Inc. and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings).
“ARPU”	Average revenue per customer.
“Bell Atlantic”	Bell Atlantic Corp.
“CDMA”	Code division multiple access, which is a continuous digital transmission technology that uses a coding system to mix discrete voice signals together during transmission and then separates the signals at the end of the transmission.
“Churn”	Customer disconnections from cellular telephone systems. The “churn rate” is the number of customers who disconnect from a network in a given period or have their service terminated, divided by the average number of customers for the same period.
“Company” or “Vodafone AirTouch”	Vodafone AirTouch Plc, not including its subsidiary undertakings and its investments in joint ventures and associated undertakings. Vodafone AirTouch Plc changed its name from Vodafone Group Public Limited Company on June 29, 1999. Vodafone AirTouch is seeking shareholder approval of a change of its name to Vodafone Group Plc. The vote is scheduled for July 27, 2000.
“Customer”	Unless the context otherwise requires, a mobile handset connected to a cellular network.
“Director General”	The UK Director General of Telecommunications.
“Directors”	The directors of Vodafone AirTouch.
“FCC”	The Federal Communications Commission.
“GPRS”	General packet radio service, an enhancement to the GSM mobile communications system that supports data packets, enabling continuous flows of data packets over the system for such applications as Web browsing and file transfer.
“GSM”	Global system for mobile communications, a standard for digital wireless telephone transmissions at a frequency of 900 MHz, 1800 MHz, or 1900 MHz.
“GTE”	GTE Corp.
“IMT-2000”	A framework for third generation wireless phone standards for the delivery of high-speed multimedia data as well as voice.

“ISDN”	Integrated services digital network, an international telecommunications standard for transmitting voice, video and data over digital lines.
“Mannesmann”	Mannesmann AG and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings).
“Market penetration”	Total number of customers in a market divided by the estimated population in that market, expressed as a percentage.
“Merger”	The merger of AirTouch Communications, Inc. and Apollo Merger Sub, Inc., a wholly owned subsidiary of Vodafone AirTouch, pursuant to an agreement and plan of merger dated as of January 15, 1999, whereby AirTouch Communications, Inc. became a subsidiary of Vodafone AirTouch.
“MIS”	Management information systems.
“MSC”	Mobile switching center.
“MTX”	Computerized mobile telephone exchange.
“Multi-media portal”	Service which provides web access from a range of fixed and mobile services.
“NYSE”	The New York Stock Exchange Inc.
“Orange”	Orange plc.
“PCN”	Personal communication network.
“PCS”	Personal communications services.
“POPs”	The estimated population in a licensed market.
“Proportionate customers”	The number of customers of a venture multiplied by Vodafone AirTouch’s percentage ownership interest in the venture.
“Proportionate POPs”	The estimated population in a licensed market multiplied by Vodafone AirTouch’s percentage ownership interest in a licensee operating in the market including networks under construction.
“PTO”	Public telecommunications operator.
“Service provider”	A company providing retail services to the mobile telecommunications market.
“The Group”	The Company and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings) as constituted after the Merger and, where the context requires, before the Merger
“TDMA”	Time division multiple access, a cellular phone technology that interleaves multiple digital signals onto a single high-speed channel.
“UK”	The United Kingdom.
“UMTS”	Universal mobile telecommunications system, also known as 3G, the third generation digital standard for wireless telecommunications.

“US”	The United States.
“Venture customers”	The number of customers in ventures in which Vodafone AirTouch has an ownership interest.
“Verizon Communications”	The new venture formed from the completion, on June 30, 2000, of the merger between Bell Atlantic and GTE.
“Verizon Wireless”	The trading name of a new entity, Cellco Partnership, which was created on April 3, 2000 through the combination of Vodafone AirTouch’s and Bell Atlantic’s US wireless assets.
“Vodafone”	Vodafone Limited, Vodafone AirTouch’s subsidiary network operating company in the UK.
“WAP”	Wireless application protocol, a standard for providing cellular phones, pagers and other handheld devices with secure access to e-mail and text-based Web pages.
“3G”	Third generation wireless service or UMTS, the new digital standard for wireless telecommunications.

Introduction

On June 29, 1999, Vodafone Group Public Limited Company was renamed Vodafone AirTouch Public Limited Company. On June 30, 1999 the merger of Apollo Merger Sub, Inc., a wholly owned subsidiary of Vodafone AirTouch, and AirTouch Communications, Inc. was completed, with the result that AirTouch then became a subsidiary of Vodafone AirTouch. References in this document to the Group refer to Vodafone AirTouch Public Limited Company and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings) after the Merger and to Vodafone Group Public Limited Company and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings) before the Merger on June 30, 1999. Vodafone AirTouch is seeking shareholder approval of a change of its name to Vodafone Group Public Limited Company. The vote is scheduled for July 27, 2000.

In connection with its acquisition of Mannesmann AG, Vodafone AirTouch agreed to divest Mannesmann AG's interest in Orange, a competitor of Vodafone in the UK market. Vodafone AirTouch and Mannesmann AG reached an agreement to sell Orange to France Telecom in May 2000. Consequently, except as specifically set forth herein, information in this annual report, including turnover, operating profit, customer numbers, interests in wireless licensees and operating statistics, excludes information with respect to Orange and its subsidiary, joint venture and associated undertakings. Information about Orange is included in documents filed by Orange with the Securities and Exchange Commission, including Orange's Annual Report on Form 20-F, filed in June 2000.

Vodafone AirTouch did not receive European Commission approval to acquire Mannesmann AG until April 12, 2000. Consequently, except as specifically set forth herein, information in this annual report, including turnover, operating profit, customer numbers, interests in wireless licensees and operating statistics excludes information with respect to Mannesmann AG and its subsidiary, joint venture and associated undertakings.

Historical consolidated financial information concerning Mannesmann is included in Vodafone AirTouch's report on Form 6-K filed on July 21, 2000. Pro forma financial information with respect to the impact of the Mannesmann acquisition on Vodafone AirTouch is included in a separate Form 6-K also filed by Vodafone AirTouch on July 21, 2000.

Vodafone AirTouch publishes its Consolidated Financial Statements in pounds sterling. In this Annual Report, references to "US dollars", "\$", "cents" or "¢" are to United States currency and references to "pounds sterling", "£", "pence" or "p" are to UK currency. References to "euros" or "€" are to the currency of the European Union, which is used in "paperless" transactions (pending the issue of euro banknotes and coins). Merely for convenience, this Annual Report contains translations of certain pound sterling and euro amounts into US dollars at specified rates. These translations should not be construed as representations that the pound sterling or euro amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated or at any other rate. Unless otherwise indicated, the translations of pounds sterling and euro amounts into US dollars have been made at \$1.5922 per £1.00 and \$0.9574 per €1.00, the noon buying rate in the City of New York for cable transfers in pounds sterling and euro amounts as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 2000. The Noon Buying Rate on July 19, 2000 was \$1.5154 per £1.00 and \$0.9622 per €1.00. See "Exchange Rates" in "Item 8. Selected Financial Data" of this Annual Report for information regarding the Noon Buying Rate for the fiscal years ended March 31, 1996 through March 31, 2000.

Forward-Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and businesses of the Group and certain of the plans and objectives of the Group with respect to these items. In particular, among other statements, this statement and certain statements concerning the Company's expectations and plans, strategy, management's objectives, the anticipated sales proceeds to be received in connection with pending dispositions, the effect of regulatory developments, prospects, trends in market shares, market standing, overall market trends, risk management, churn rate, exchange rates and revenues and general and administration expenses, contain forward-looking statements. In addition, forward-looking statements also include statements with respect to future performance, costs, revenues, cash flows, earnings, acquisitions, growth, market share, wireless penetration rates, growth in Internet use, and other trend projections of the Group as well as the synergistic benefits of the Merger,

the combination of Vodafone AirTouch and Mannesmann and the combination of the US cellular, PCS and paging assets of Vodafone AirTouch, Bell Atlantic and GTE.

Forward-looking statements are sometimes, but not always, identified by the use of such words as “anticipates”, “may”, “should”, “expects”, “believes” or “estimates”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Actual results and developments are likely to differ, and could differ materially from those expressed or implied by these forward-looking statements due to many factors. These factors include, but are not limited to, the following:

- changes in economic conditions in markets served by the operations of Vodafone AirTouch that would adversely affect the level of demand for wireless services;
- greater than anticipated competitive activity requiring reduced pricing and/or new product offerings or resulting in higher costs of acquiring new customers or slower customer growth;
- greater than expected growth in customers and usage, requiring increased investment in network capacity;
- greater than anticipated costs associated with 3G license auctions;
- failure to be awarded 3G licenses in Vodafone AirTouch’s main markets;
- the impact on capital spending from the deployment of new technologies, or the rapid obsolescence of existing technology;
- the possibility that technologies, including wireless internet platforms, will not perform according to expectations or that vendors’ performance will not meet Vodafone AirTouch’s requirements;
- the ability of Vodafone AirTouch to achieve the anticipated cost savings or revenue enhancements following its Merger with AirTouch;
- the ability of Vodafone AirTouch to achieve the anticipated cost savings or revenue enhancements in connection with its partnership with Verizon Communications;
- the ability of Vodafone AirTouch to achieve anticipated cost savings or revenue enhancements following its acquisition of Mannesmann;
- any conditions imposed in connection with regulatory approvals sought in connection with pending acquisitions and dispositions;
- the risk that Mannesmann’s performance may suffer as a result of labor disputes following the combination with Vodafone AirTouch;
- the ability to realize benefits from entering into partnerships for developing data and internet services;
- changes in the regulatory framework in which Vodafone AirTouch operates; and
- changes in exchange rates, including particularly the exchange rate of the pound to the euro.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under “Item 1. Description of Business — Additional Factors That May Affect Vodafone AirTouch’s Business”. All subsequent written or oral forward-looking statements attributable to Vodafone AirTouch, or any persons acting on behalf of the Group, are expressly qualified in their entirety by the factors referred to above. Vodafone AirTouch undertakes no duty to update or revise any forward-looking statements; you are cautioned that such statements may not reflect changes as a result of new information, future events or otherwise.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Introduction

Vodafone AirTouch is one of the world's leading wireless telecommunications companies with a significant presence in Continental Europe, the United Kingdom, the United States and the Asia Pacific region, through the Company's subsidiary, joint venture and associated undertakings. Vodafone AirTouch also has interests in wireless telecommunications businesses in the Middle East and Africa. The Group provides a full range of wireless telecommunications services, including cellular, PCS, paging and data communications.

Vodafone AirTouch Plc was formed in 1984 as a subsidiary of Racal Electronics Plc. Then known as Racal Telecom Limited, approximately 20% of the Company's capital, was offered to the public in October 1988. It was fully demerged from Racal Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc. Vodafone Group Plc changed its name to Vodafone AirTouch Plc on June 29, 1999.

The Group has been engaged in a number of major business transactions over the past year, which have significantly increased its geographic footprint and wireless customer base.

On June 30, 1999, the Company completed its Merger with AirTouch. The Merger created one of the world's largest international wireless telecommunications companies, in terms of the number of proportionate customers, with an extensive presence in both Europe and in the United States. Calculated on a proportionate basis in accordance with Vodafone AirTouch's percentage interest in its ventures, as of March 31, 2000 the Group served markets with over 400 million people worldwide and had more than 39.1 million proportionate customers, excluding paging customers. As of March 31, 2000, the Group had approximately 86.1 million customers through ventures the Company invests in or controls.

On September 21, 1999, Vodafone AirTouch, Bell Atlantic and GTE announced an agreement to combine their US cellular operations to create the largest wireless operator in the United States. The transaction was conditionally approved by the Department of Justice on December 6, 1999 and was approved by the Federal Communications Commission on March 30, 2000. The first stage of the transaction, involving the contribution of the US cellular operations of the Company and Bell Atlantic, was completed on April 3, 2000 and the combined entity was launched as Verizon Wireless. Following the completion of the merger of Bell Atlantic and GTE to form Verizon Communications, the second stage of the transaction was completed by the contribution of the US cellular operations of GTE to Verizon Wireless on July 10, 2000, creating a nationwide network with 25 million customers. Vodafone AirTouch now owns 45% of Verizon Wireless.

On November 19, 1999, Vodafone AirTouch announced its intention to make an offer for the entire issued share capital of Mannesmann AG and to merge their telecommunications businesses. A revised offer for Mannesmann AG became unconditional on February 9, 2000 and expired on March 27, 2000, at which date Vodafone AirTouch had received acceptances representing approximately 98.62% of the issued share capital of Mannesmann AG and 99.72% of its convertible bond. Vodafone AirTouch received conditional European Commission consent to the transaction on April 12, 2000. As a result of the Mannesmann acquisition, Vodafone AirTouch now has the most extensive controlled footprint in Europe, operating in 15 countries with over 38.1 million customers in ventures controlled by the Company and approximately 36.5 million proportionate customers, excluding Orange, based on the venture customers of its European operations at March 31, 2000. Vodafone AirTouch either controls, owns or has interests in the number one or two operator in 12 European markets.

As a condition to its approval, on April 12, 2000, of Vodafone AirTouch's acquisition of Mannesmann AG, the European Commission required Vodafone AirTouch to dispose as soon as practicable of its interest in Orange, a competitor of Vodafone in the UK, which Mannesmann AG purchased in October 1999 and which became a subsidiary of Vodafone AirTouch as a result of the Mannesmann acquisition. On May 30, 2000, the Company and Mannesmann AG announced that they had reached agreement to sell Orange to France Telecom. The consideration to be received comprises a cash payment of approximately £13.8 billion, subject to adjustment to reflect the difference between the actual net debt of Orange at March 31, 2000 and approximately £1.8 billion of Orange debt

estimated for the purposes of the agreement, and approximately 129.2 million of France Telecom shares. In addition, France Telecom will assume Orange's liability of £4.1 billion in respect of its UK 3G license. The sale is conditional upon approval by the European Commission and shareholders of France Telecom. Until the transaction is completed, the Company continues to plan to effect a demerger of Orange in accordance with an undertaking given to the European Commission.

In addition to Mannesmann's wireless telecommunications businesses, Vodafone AirTouch acquired Mannesmann AG's interests in certain fixed line telecommunications businesses in Europe, and Mannesmann's non-telecommunications businesses, which principally comprise the engineering and automotive businesses of Atecs Mannesmann. On April 17, 2000, Vodafone AirTouch announced that Mannesmann AG had reached an agreement with Siemens AG and Robert Bosch GmbH on the disposal of a 50% plus two shares stake in Atecs Mannesmann, with an option arrangement over Mannesmann AG's remaining stake. The transaction values Atecs Mannesmann at approximately €9.6 billion. Completion of the transaction is conditional, inter alia, upon the approval of the relevant European Union and US regulatory authorities. On May 30, 2000, Vodafone AirTouch announced that the Supervisory Board of Mannesmann AG had approved the sale of Mannesmann's tubes business to Salzgitter Handel GmbH and, on July 21, 2000, Mannesmann AG announced that it had agreed to sell Les Manufactures Horlogères, its luxury watches business, to Richemont S.A. for a cash consideration of approximately 2.8 billion Swiss francs (\$1.7 billion).

As a result of the AirTouch and Mannesmann transactions, the Group has the largest pan-European footprint of any wireless operator and, through its joint venture partnership with Bell Atlantic, has the largest footprint and customer base in the United States. Further details regarding these transactions are set out below in "Business Activities — Wireless Telecommunications" and "Business Activities — Other".

Revenues and Operating Income

The following table shows consolidated Group turnover and consolidated total Group operating profit for Vodafone AirTouch for the three years ended March 31, 2000 by geographic region. Group turnover and total Group operating profit for the year ended March 31, 2000 do not include any adjustments arising from the creation, on April 3, 2000, of Verizon Wireless or the results of Mannesmann, for which European Commission approval was received on April 12, 2000. The results of AirTouch have been consolidated from June 30, 1999, the date the Merger completed.

	Years ended March 31,					
	Group Turnover			Total Group Operating Profit		
	2000	1999	1998	2000	1999	1998
	£m	£m	£m	£m	£m	£m
Europe, Middle East & Africa	1,822	945	503	193	311	182
United Kingdom	2,901	2,088	1,772	695	643	564
United States & Asia Pacific	3,150	327	196	(92)	9	(59)
	<u>7,873</u>	<u>3,360</u>	<u>2,471</u>	<u>796</u>	<u>963</u>	<u>687</u>

See Note 3 of Notes to Consolidated Financial Statements for a further analysis of business segment information.

Business Strategy

Vodafone AirTouch's strategy is to concentrate on mobile telecommunications globally, to extend the reach, range and penetration of wireless services to as many customers as possible in as many geographic territories throughout the world as can sustain viable and profitable operating environments, and to provide its customers with new services made available by continuing technological developments in wireless communications. Vodafone AirTouch intends to further develop its existing businesses, increase current shareholdings and, where appropriate, bid for new licenses and make acquisitions. The continued development of the business will encapsulate the introduction of new services, based on data transmission and the Internet.

Business Activities — Wireless Telecommunications

Geographic operations

Vodafone AirTouch has interests in 25 countries across five continents. Based on venture customers at March 31, 2000, Vodafone AirTouch, through its subsidiary undertakings, joint ventures, associated undertakings and investments, had more than 39.1 million customers, excluding paging customers, and served markets covering a total population of approximately 411.8 million people worldwide, calculated on a proportionate basis in accordance with Vodafone AirTouch's percentage interest in its ventures.

At March 31, 2000, Vodafone AirTouch's operations were divided into three geographical areas: (i) Europe, Middle East & Africa; (ii) the United Kingdom; and (iii) the United States & Asia Pacific.

The following table sets forth a summary of the worldwide cellular and PCS operations of Vodafone AirTouch at March 31, 2000, and venture customer growth in the year then ended.

Summary of Worldwide Cellular and PCS Operations

<u>Market</u>	<u>Service name</u>	<u>Percentage ownership(1)</u>	<u>Venture customers at March 31, 2000</u> (thousands)	<u>Venture customer growth</u> (percent)	<u>Proportionate customers</u> (thousands)	<u>Proportion prepaid</u> (percent)	<u>Wireless market penetration</u> (percent)	<u>Proportionate POPs</u> (millions)
Europe, Middle East & Africa(8)								
Belgium	Proximus	25.0	2,307	64	576	32	36	2.6
Egypt	Click GSM	60.0	405	314	243	87	2	40.4
France	SFR	20.0	7,910	71	1,582	37	39	11.8
Germany(2)	D2	34.8	11,107	70	3,862	32	33	28.6
Greece	Panafon	55.0	1,773	49	975	62	40	5.9
Hungary	Vodafone	50.1	47	n/a	24	70	16	5.1
Italy(2)	Omnitel	21.6	11,222	60	2,426	87	58	12.2
Malta	Vodafone	80.0	45	88	36	58	12	0.3
Netherlands	Libertel	70.0	2,450	71	1,715	66	49	11.1
Poland	Plus GSM	19.6	1,692	79	332	26	11	7.6
Portugal	Telecel	50.9	1,795	24	913	72	52	5.0
Romania	Connex GSM	20.1	765	112	154	33	7	4.5
South Africa	Vodacom	31.5	3,069	53	967	68	11	13.7
Spain(3)	Airtel	21.7	5,624	113	1,220	59	45	8.5
Sweden	Europolitan	71.1	885	33	629	19	61	6.3
Uganda(4)	CelTel	36.8	23	44	8	87	—	8.4
			<u>51,119</u>	<u>68</u>	<u>15,662</u>	<u>54</u>		<u>172.0</u>
United Kingdom								
United Kingdom(5)	Vodafone	100.0	<u>8,791</u>	<u>58</u>	<u>8,791</u>	<u>58</u>	46	<u>59.1</u>
United States & Asia Pacific								
United States(6)	AirTouch Cellular	Various	10,082	21	9,354	10	32	97.1
	CMT	46.9	936	(3)	440	1		
	PrimeCo	49.8	1,526	43	759	52		
Australia	Vodafone	91.0	1,440	48	1,310	21	42	17.1
Fiji	Vodafone	49.0	24	200	12	67	3	0.4
India	RPG Cellular	20.6-49.0	45	15	13	—	—	36.9
Japan(7)	J-Phone	20.2-28.8	8,107	31	1,907	1	40	20.0
New Zealand	Vodafone	100.0	473	161	473	67	39	3.7
South Korea	Shinsegi Telecom	11.7	3,579	40	418	—	55	5.5
			<u>26,212</u>	<u>30</u>	<u>14,686</u>	<u>10</u>		<u>180.7</u>
Group Total			<u>86,122</u>	<u>53</u>	<u>39,139</u>	<u>41</u>		<u>411.8</u>

Notes:

- (1) All ownership percentages are stated as of March 31, 2000 and exclude options, warrants or other rights of Vodafone AirTouch to increase ownership. Ownership interests have been rounded to the nearest tenth of one percent.
- (2) Following European Commission approval of the Mannesmann acquisition on April 12, 2000, a proportion of the Group's ownership interests in these ventures is now held through Mannesmann AG. The Group owned 98.62% of Mannesmann AG based on valid acceptances from its shareholders at March 31, 2000, and this has increased the Group's effective percentage ownership in Mannesmann Mobilfunk (Germany) to 99.1% and in Omnitel (Italy) to 76.0%.
- (3) On July 16, 2000, Vodafone AirTouch announced that its offer to a group of shareholders of Airtel to acquire their 43.5% shareholding in Airtel had been accepted. The consideration will comprise the issue of between approximately 2.4 billion and 3.2 billion new Vodafone AirTouch ordinary shares.
- (4) On June 14, 2000, Vodafone AirTouch announced that it had agreed to divest its 36.8% holding in Celtel for approximately \$7 million in cash. The transaction was completed on June 28, 2000.
- (5) Vodafone AirTouch's interest in Orange, held through Mannesmann AG, has been excluded on the basis that it will be divested following the agreement on May 30, 2000 for the sale of Orange to France Telecom.
- (6) On April 3, 2000, Vodafone AirTouch's US cellular, PCS and paging assets were contributed to Verizon Wireless which is jointly owned by Vodafone AirTouch and Verizon Communications. After the close of the Bell Atlantic/GTE Corporation merger to form Verizon Communications, and the contribution of GTE's US wireless assets, Verizon Communications owns 55% of Verizon Wireless and Vodafone AirTouch owns 45%. The assets of Verizon Wireless do not include interests in CMT Partners, PrimeCo PCS, L.P. and PrimeCo 10MHz, L.P., each of which is indirectly 50% owned by Vodafone AirTouch. Vodafone AirTouch intends to divest its interest in CMT Partners and the assets held by PrimeCo PCS, L.P.
- (7) Following a restructuring in May 2000, the Group's percentage ownership in each of Japan's nine regional wireless telecommunications companies, which varies according to region, has remained broadly unchanged and ranges between 23% and 28%.
- (8) On May 31, 2000, Vodafone AirTouch announced that it had signed an agreement with Telkom Kenya to form Safaricom Limited. Vodafone AirTouch has a 40% interest in the new venture; the consideration for the license from the Kenyan Government amounted to \$55 million. The GSM 900 license operates for a 15 year period.

The impact on Vodafone AirTouch's worldwide operations of the changes to the Company's percentage ownership interests in certain of its ventures since March 31, 2000, as described in the notes to the above table, are discussed in the description of each region's business activities below.

From June 5, 2000, Vodafone AirTouch's geographical division of operations were reorganized into the European region, the Americas and Asia Pacific region, and the UK, Middle East and Africa region. Vodafone AirTouch does not believe that these changes to its division of operations will materially affect the way in which it conducts business across geographic lines or the manner in which it manages its interests worldwide. The description of each region's business activities below is based on the geographical division of Vodafone AirTouch's operations at March 31, 2000.

On July 5, 2000, Vodafone AirTouch announced that its worldwide customer base at June 30, 2000 had increased to approximately 59.3 million proportionate customers. The largest Vodafone AirTouch region at June 30, 2000 was the European region with a proportionate customer base of almost 32.3 million. In the Americas and Asia Pacific region, the Group had a proportionate customer base of more than 16.2 million, and the UK, Middle East and Africa region had a proportionate customer base of almost 10.8 million at June 30, 2000.

Europe, Middle East and Africa ("EMEA")

Vodafone AirTouch has a number of interests in the EMEA region. Vodafone AirTouch has structured its interests as stand-alone ventures. This structure enables Vodafone AirTouch to address more effectively national and regional business issues.

There have been significant changes in Vodafone AirTouch's interests in the EMEA region during the past year. Before the Merger with AirTouch, which was completed on June 30, 1999, the EMEA region had network operations in nine countries through three subsidiary companies, five associated undertakings and a 17.24% shareholding in E-Plus Mobilfunk GmbH (Germany). The Merger resulted in the addition of four subsidiary undertakings, including two entities previously accounted for as associated undertakings, and six new associated undertakings to the region's operations. On February 4, 2000, the Group completed the sale of its 17.24% interest in E-Plus Mobilfunk GmbH in accordance with an undertaking given to the European Commission as a condition to its approval of the Merger.

The Group also increased its shareholdings in several of its associates following the Merger. In August 1999, the Group exercised an option to increase its stake in Omnitel Pronto Italia, Italy's second GSM network, from 17.8% to 21.6% and, in November 1999, the Group increased its stake in MobiFon, Romania's third GSM operator, from 10.0% to 20.1%. In December and January, the Group exercised its pre-emption rights to increase its shareholding in Polkomtel, Poland's second GSM operator, from 19.25% to 19.6%.

Following the above changes, at March 31, 2000, Vodafone AirTouch had network operations in sixteen countries in the EMEA region, operating through seven subsidiary network companies and nine associated undertakings, with a proportionate customer base of over 15.6 million customers. This excludes the changes in ownership interests arising from the acquisition of Mannesmann, for which European Commission approval was received on April 12, 2000.

The acquisition of Mannesmann AG has increased the Group's effective interest in Mannesmann Mobilfunk (D2) and Omnitel Pronto Italia (Omnitel) to approximately 99.1% and 76.0%, respectively, and has resulted in an approximate 13.3 million increase in the EMEA region's total proportionate customers to almost 28.9 million (excluding Mannesmann AG's interest in Orange) at March 31, 2000, based on the region's total venture customer base of 51.1 million at that date. In addition, Vodafone AirTouch acquired Mannesmann AG's 53.1% interest in tele.ring, the Austrian wireline carrier, which has acquired a license for mobile telecommunications. The rapid integration of the former Mannesmann businesses into the existing Vodafone AirTouch portfolio is being implemented along with initiatives designed to realize the potential synergy benefits, both on cost (in areas such as infrastructure and handset procurement) and revenues (through improved product offerings across the enlarged European footprint).

Vodafone AirTouch's operations now cover most of the European continent. Vodafone AirTouch presently has controlling stakes, through its effective ownership percentages, in the following key wireless telecommunications operators: tele.ring in Austria (53.1%); D2 in Germany (99.1%); Panafon in Greece (55%); Omnitel in Italy (76%); Libertel in The Netherlands (70%); Telecel in Portugal (50.9%); and Europolitan in Sweden (71.1%). It also has strategic stakes in Proximus in Belgium (25%), SFR in France (20%, prior to the acquisition of Mannesmann AG) and Airtel in Spain (21.7%). Through the acquisition of Mannesmann AG, the Group acquired a 15% interest in Cegetel which holds the remaining 80% shareholding in SFR. The Group has agreed to sell a 7.5% stake in Cegetel to Vivendi. Vodafone AirTouch is one of the pioneers in developing the rapidly growing Eastern European markets and has interests in Vodafone in Hungary (50.1%), Polkomtel in Poland (19.6%) and MobiFon in Romania (20.1%).

Vodafone AirTouch's operations and ownership interests in the Middle East and Africa comprise Misrfone in Egypt (60%), Vodacom in South Africa (31.5%) and Safaricom in Kenya (40%). On May 31, 2000, Vodafone AirTouch announced that its wholly owned subsidiary, Vodafone Kenya Limited, had signed an agreement with Telkom Kenya to form Safaricom Limited. Safaricom Limited has a 15 year GSM 900 license and is currently the only cellular operator in Kenya. On June 14, 2000, Vodafone AirTouch announced that it had agreed to divest its 36.8% holding in Celtel in Uganda to its partner, MSI Cellular Investments (Uganda) B.V., for approximately \$7 million in cash. The transaction was completed on June 28, 2000.

Set out below is a summary of the business activities of Vodafone AirTouch in each of its major markets in the Europe, Middle East & Africa region.

Austria. Through the acquisition of Mannesmann AG, Vodafone AirTouch acquired a 53.1% interest in tele.ring, the Austrian wireline carrier. In May 1999, tele.ring acquired a license for mobile telecommunications. On June 1, 2000, tele.ring launched service as Austria's fourth mobile network operator, with a focus initially on the company's

100,000 fixed line customers and new customers in the small and medium sized corporate segments. Current coverage is 77% of the population, with a stated aim of achieving 95% coverage by December 2000.

France. Prior to the acquisition of Mannesmann AG, Vodafone AirTouch had a 20% interest in Société Française du Radiotéléphone S.A. (SFR). Through the acquisition of Mannesmann AG, the Group acquired a 15% interest in Cegetel, the French telecommunications group, which is the leading privately owned provider of wireless and wireline services in France and has the remaining 80% shareholding in SFR. Vodafone AirTouch has agreed to sell a 7.5% stake in Cegetel to Vivendi, and Vivendi has indicated its interest in purchasing the remaining 7.5% in the near future.

SFR is positioned as the second largest wireless carrier in the highly competitive French market. During the year, SFR expanded its customer base by over 70% to 7.9 million customers at March 31, 2000 and launched a number of new products, including WAP functionality, for its mobile customers. The French market continues to be highly competitive, with significant connection incentives being required in respect of both prepaid and contract connections.

At December 31, 1999, SFR's mobile network consisted of 65 MSCs and more than 8,500 base stations. In calendar year 2000, it is expected that SFR will expand the network by more than 2,000 base stations and over 10 new MSCs.

Germany. Following its acquisition of Mannesmann AG, Vodafone AirTouch has an effective 99.1% interest in Mannesmann Mobilfunk D2 ("D2"), the leading German wireless operator. By December 31, 1999, D2 had 9.5 million customers, representing a 59% increase in its customer base from the prior year. By March 31, 2000, D2 had further increased its customer base to over 11.1 million. D2 also has the leading position in the prepaid segment of the German market, with more than 32% of customers using the CallYa prepaid card at March 31, 2000. In 1999, D2 made significant investments in its network, including the acquisition of additional frequencies in the 1,800 MHz waveband. This is expected to expand its network capabilities and enable D2 to offer innovative services in the field of mobile data communications.

D2 intends to introduce the new GPRS technology into its network. This high-speed technology makes it possible to transmit data packets at speeds up to 100,000 bits per second, faster than ISDN. This technology will offer mobile users more convenient access to the Internet. D2 is also playing a major role in the development of the next generation of mobile telecommunications, UMTS. D2 is currently operating the only UMTS test system in Germany.

An auction for blocks of UMTS spectrum will commence on July 31, 2000, with currently seven contenders to bid for between four and six licences. Further details are provided in the section on "Regulation" below.

In 1999, D2 launched a number of innovations, including the introduction of a new WAP-based service which makes it possible to transmit text-based Internet content, simple graphics and games to mobile terminal devices. Among other things, D2 customers can use their Internet mobiles to access the latest news from the ARD "Teggesschau" newsroom, bid in Internet auctions at "eBay" and access other Internet pages available through WAP.

During the fiscal year, Vodafone AirTouch divested its interest in E-Plus Mobilfunk GmbH pursuant to an undertaking given to the European Commission in connection with its Merger with AirTouch. On October 4, 1999, Vodafone AirTouch reached an agreement with France Telecom for the sale of Vodafone AirTouch's 17.24% equity interest in E-Plus Mobilfunk GmbH, the third largest of the four German cellular network operators. In connection with the sale, Vodafone AirTouch would have received cash consideration (net of debt) of DM 3.42 billion (approximately \$1.9 billion) from France Telecom. However, on December 9, 1999, Bell South Corporation announced that, in accordance with the existing agreements among the shareholders of E-Plus Mobilfunk GmbH, it had exercised its right of first refusal to purchase Vodafone AirTouch's 17.24% interest. The sale to Bell South was completed on February 4, 2000 and realized a profit on disposal of £939 million.

Greece. Vodafone AirTouch has a 55% interest in Panafon, the leading cellular operator in Greece. In December 1998, a 15% minority shareholding in Panafon was sold in a public offering and the shares in Panafon were listed on the Athens Stock Exchange, following which Vodafone AirTouch's shareholding remained unchanged. Panafon's shares also trade in the form of Global Depositary Shares on the London Stock Exchange and are quoted on

NASDAQ. As of March 31, 2000, Panafon had a market capitalization of £4.7 billion (\$7.5 billion), making it one of the top five companies by market capitalization on the Athens Stock Exchange.

The consolidation of cellular services distribution in the Greek market continued in 1999 and Panafon acquired a 25% stake in Mobitel, a service provider which owns one of the largest retail networks for GSM products and services in the Greek mobile telecommunications market. Furthermore, in early 2000, Panafon announced its participation in the restructuring of Ideal Telecom, in which Panafon will have a 51% shareholding. Ideal Telecom will act as service provider to Panafon in the data communications market.

Panafon continues to innovate in the Greek market and was the first to introduce a comprehensive Internet strategy in the Greek cellular market, through the launch of its ISP "Panafonet" and its own branded portal Pan.gr, which operates as an Internet content service provider. Panafon was also the first company to offer WAP services in Greece. Furthermore, Panafon's expertise in management information systems was demonstrated by increased sales of its MIS products to new customers during the year.

The Greek market continues to be highly competitive, with aggressive action by the other network operators. Panafon, however, continues to maintain its market leadership at over 40%. During the year ended March 31, 2000, its customer base increased by 49% to over 1.7 million customers at the end of December.

Panafon's network consists of 12 MSCs and over 1,100 base stations, giving population coverage of over 96% and geographical (land) coverage of over 70%. Its major development in the next 12 months will be the introduction of GPRS capability into its network.

Italy. Through its acquisition of Mannesmann AG, Vodafone AirTouch acquired Mannesmann AG's 54.4% stake in Omnitel, Europe's second largest mobile telecommunications operator, increasing its ownership in Omnitel to 76.0%. At March 31, 2000, Omnitel had a 34.1% market share in Italy, the largest mobile telecommunications market in Europe, with a total market penetration of 58%. By March 31, 2000, venture customers for Omnitel had reached 11.2 million, of which 87% were connected to prepaid products.

Omnitel's wholly-owned subsidiary develops and distributes new value added services, such as Internet portals that can be reached from mobile telephones through voice recognition and WAP mobile phones. Omnitel is also currently developing e-commerce service offerings which are expected to be launched in the second half of 2000. In May 1999, Omnitel launched "Spazio Omnitel on Line", a novel on-line sales channel with sales of more than €1.5 million and 30,000 customers in the second half of 1999.

Omnitel increased its number of base stations by 31% in 1999 and converted over 650 stations to 1800 MHz operations. Omnitel began operations in the GSM 1800 MHz band network in January 1999. Omnitel has signed a UMTS trial agreement with Lucent Technologies to facilitate the transition from the present GSM network to the broadband network.

Awards of UMTS licenses are to be made in September 2000 on a hybrid beauty contest/auction basis. Further details are provided in the section on "Regulation" below.

Netherlands. Vodafone AirTouch has a 70% shareholding in Libertel (previously Libertel Groep BV), a digital GSM network operator. ING Bank, which previously owned 30% of Libertel, offered a minority shareholding on the Amsterdam Stock Exchange through an initial public offering in June 1999. Following the offering, the Company's shareholding in Libertel remained unchanged, while ING retained a 5% shareholding in Libertel. As of March 31, 2000, Libertel had a market capitalization of approximately £4.2 billion (\$6.7 billion).

Libertel consolidated its position as the second mobile network operator in the highly competitive Dutch market during the year ended March 31, 2000. Its customer base increased by 71% to almost 2.5 million. Libertel continued its stated strategy of increasing control over its customer base, with the acquisition of small customer bases and service providers during the year.

Libertel will launch its own Internet Service Provider (ISP) during 2000 and a portal to increase the distribution of mobile-based services over the Internet. Libertel is currently bidding for one of five UMTS licenses which are being auctioned by the Dutch government.

Portugal. Vodafone AirTouch has a 50.9% shareholding in Telecel, Portugal's second largest GSM 900 network operator, which is listed on the Lisbon Stock Exchange. As of March 31, 2000 Telecel had a market capitalization of approximately £2.6 billion (\$4.1 billion). The competitive situation in Portugal was heightened in 1999 with the launch of a third mobile network operator. Telecel has continued to develop its customer base and, in the twelve months ended March 31, 2000, its customer base had increased by 24% over the prior year.

Telecel continues to focus on the provision of a wide range of telecommunications services and, to that end, announced its intention during the year to invest in certain fixed line and Internet services as appropriate.

Telecel offers dual band access to both GSM 900 and 1800 frequencies, using Enhanced Full Rate (EFR) technology. During 1999, it launched its Internet Service Provider and WAP portal. Telecel now offers indirect fixed access service which is cheaper than the incumbent operator. In the first quarter of 2000, Telecel commenced trials using GPRS technology as the first step towards 3G mobile services.

Telecel is investing significantly in its network to ensure that the increased services described above can be delivered effectively. At the end of March 2000, Telecel had 14 MSCs and over 1,500 base stations. During the next 12 months it expects to increase its number of base stations in operation by 33%.

Spain. Vodafone AirTouch has a 21.7% interest in Airtel Móvil, Spain's second largest mobile phone operator. In January 2000, Vodafone AirTouch granted a series of conditional put options to a number of Airtel's minority shareholders representing, in the aggregate, 16.9% of Airtel. Vodafone AirTouch also recently announced the signing of both commercial and co-operation agreements with a fellow shareholder, BT, which currently holds 17.8% of Airtel, with the intention of both increasing their stakes. On July 16, 2000, Vodafone AirTouch announced that its offer to a group of shareholders of Airtel to acquire their 43.5% shareholding in Airtel had been accepted. Vodafone AirTouch will enter into an agreement to acquire the relevant Airtel shares, subject to regulatory approval, in consideration of the issue of between approximately 2.4 billion and 3.2 billion new Vodafone AirTouch ordinary shares.

Airtel is currently experiencing strong customer growth in one of Europe's most rapidly expanding mobile telecommunications market. Its customer base more than doubled to 5.6 million during the year ended March 31, 2000. Airtel launched a number of new products and services during the year, highlighting its positioning as Spain's first fully integrated network operator across mobile, fixed and Internet. These included its indirect fixed service and Internet Service Provider (ISP). In March 2000, its portal, Navegalia, was launched together with WAP services for mobile phones.

In March 2000, Airtel was awarded one of four UMTS licenses by the Spanish government and intends to launch UMTS services by the end of 2001 in accordance with the license.

Sweden. Vodafone AirTouch has a 71.1% interest in Europolitan Holdings AB, Sweden's third mobile network operator. Europolitan, which is listed on the Stockholm stock exchange, had a market capitalization as of March 31, 2000 of approximately £5.5 billion (\$8.8 billion). Europolitan's customer base increased by 33% in the year to March 31, 2000.

Europolitan continues to be at the leading edge of mobile data developments and, during the fourth quarter of 1999, Europolitan launched its Hantera web site for personal tailoring of mobile delivered services and also announced the launch of its WAP portal. Europolitan also acquired a controlling shareholding in an Internet services company in December 1999.

Europolitan has announced its intention to apply for one of four UMTS licenses, which are expected to be granted by the government following a beauty contest in late 2000 or early 2001.

VIZZAVI Joint Venture. On May 17, 2000, Vodafone AirTouch and VivendiNet (a joint venture between Vivendi and Canal+) announced that an agreement had been signed for the creation of a new joint venture company, VIZZAVI, to establish a multi-access Internet portal for Europe. The Company and VivendiNet will both have a 50% shareholding in VIZZAVI. Operating under the VIZZAVI global brand name, the new venture is expected to become the default home page for Vodafone AirTouch's, Vivendi's and Canal+'s national operating companies throughout Europe, with plans for access to more than 70 million customers. The multi-access Internet portal will provide services to customers in a consistent format across different platforms, including mobile handsets, personal computers,

televisions and personal digital assistants. VIZZAVI will have its own technology team to develop the multi-access interfaces, working in close co-operation with Vodafone AirTouch's global mobile platform technology team to ensure a seamless global service.

Egypt. Vodafone AirTouch has a 60% shareholding in Misrfone, Egypt's second largest mobile operator, which trades under the name ClickGSM. Since its launch in November 1998, Misrfone had increased the number of customers connected to its network to over 400,000 by March 31, 2000.

Misrfone offers both contract and prepaid services, with prepaid customers representing the largest proportion of the customer base (just under 90%). After initial coverage in the Cairo city and Nile Delta areas, Misrfone is now concentrating on expanding its network coverage to other areas of the country. During the year, Misrfone exceeded the geographical coverage of its competitor, even though its network was launched two years later.

After being the first network to offer prepaid services in Egypt, Misrfone continues to innovate in Egypt and during 1999 was the first operator to offer data, fax and text messaging services.

Kenya. On May 31, 2000, Vodafone AirTouch announced that its wholly owned subsidiary, Vodafone Kenya Limited, had signed an agreement with Telkom Kenya to form Safaricom Limited. The Company has a 40% interest in Safaricom Limited, which has a 15 year GSM 900 license and is currently the only cellular operator in Kenya.

South Africa. Vodafone AirTouch has a 31.5% interest in Vodacom, South Africa's largest mobile operator with over 60% of the market. Its customer base increased by 53% in the year to March 31, 2000 to almost 3.1 million customers, of which approximately 68% are connected to the prepaid service, Vodago. Vodacom offers a wide range of services and, at the end of 1999, was awarded a license to operate in Tanzania. The Company also offers mobile services in Lesotho.

Vodacom launched an Internet company in October 1999 in conjunction with World Online to focus on mobile services offered over the Internet. Vodacom is also seeking to launch its Globalstar service in South Africa following regulatory approval.

United Kingdom

Vodafone introduced cellular technology into the United Kingdom on January 1, 1985. It is the largest of the four cellular network operators in the United Kingdom in terms of number of customers and has been the UK market leader since 1986.

There were over 27 million mobile phone customers in the UK at March 31, 2000 and market penetration had reached 46%, compared with 26% at the beginning of the fiscal year. Vodafone has maintained its clear leadership in this highly competitive market place with a record 3.2 million net new customers in the year and a customer base at March 31, 2000 of almost 8.8 million, representing a market share of 32%, 5% or 1.4 million customers ahead of its nearest competitor.

Prepaid products have driven the growth in the UK mobile market during the year. Vodafone's Pay As You Talk (PAYT) product has operated very successfully in this market, achieving over 3.2 million net connections in the year ended March 31, 2000, compared with 1.6 million net connections last year. PAYT customers totaled 5.1 million at March 31, 2000 and represented almost 58% of Vodafone's UK customer base. The contract customer base was stable, with over 3.7 million customers at March 31, 2000.

The UK distribution companies continued to drive the majority of Vodafone's growth, achieving net growth, excluding service provider acquisitions, of 198,000 contract customers and two thirds of the growth in PAYT. By March 31, 2000, the Group's distribution companies accounted for 63% of the Vodafone contract customer base, up from 48% at the beginning of the year.

Vodafone was one of the world's first network operators to introduce a network operating to the GSM standard, and was one of the world's first operators to introduce international roaming. At March 31, 2000, Vodafone had roaming agreements in 107 countries and across 234 networks, giving over 170 million customers access to its network. Roaming revenues, both from Vodafone customers using their phones overseas and visitors using the UK network, represented 24% of contract digital outgoing airtime and access revenues.

At March 31, 2000, Vodafone's UK digital network consisted of 69 MSCs and approximately 6,700 digital base stations in service, giving declared coverage of 99%. The increased roll-out of the digital network is reflected in Vodafone's capital expenditure, with approximately £523 million being expended in total on network infrastructure in the financial year ended March 31, 2000. The principal components of the network have been purchased mainly from Ericsson and also from Nokia. Vodafone is required to cease providing service on the analog network, before the end of 2005, pursuant to an agreement with the Department of Trade and Industry in the UK. The current digital network investment program will ensure that Vodafone has an alternative for its analog customers prior to that date.

Vodafone continued to lead the UK market in the commercial development of data and value added services. By March 31, 2000, 43% of Vodafone's customers made use of the Short Message Service (SMS), compared with 15% at the same time last year. The average number of messages sent by each customer also increased with a total of 141 million short messages being carried on the network in March 2000, compared with 15 million in March 1999.

Vodafone launched a multi-media portal in December 1999 and, by the end of the fiscal year, had over 60,000 registered customers. Additional services are being progressively launched and the number of active customers continues to increase.

In May 1999, the UK government announced that it would auction five 3G wireless telephone licenses. The auction started in March 2000 and, on April 27, 2000, Vodafone was provisionally awarded one of the five 3G licenses for £5.964 billion (\$9.5 billion). If granted to Vodafone, the license will provide the UK network with additional systems capacity. To be awarded the license, the Company must divest Orange as soon as practicable and by no later than 180 business days after April 27, 2000. The license is one of two 15 MHz licenses auctioned, while the other three were 10 MHz. It should give the maximum spectrum available to enable the full development of video, picture messaging, e-commerce and other data and mobile multi-media services. For the first time, Vodafone will have more capacity for its products and services than any of its UK competitors. In parallel with the development of the 3G network, Vodafone is testing and rolling out GPRS, which is expected to be in commercial service by the end of 2000.

The Company's UK paging business improved its share of the highly competitive subscription paging market through securing several major corporate contracts. The new paging services recently launched by the Company's paging business have positioned it to take the lead in the introduction of two-way messaging services into the traditional paging market.

United States and Asia Pacific

As of March 31, 2000, Vodafone AirTouch had over 14.7 million proportionate customers in the United States & Asia Pacific region. At the beginning of the fiscal year and prior to the Merger with AirTouch, the region's proportionate customers amounted to just under 1.1 million, primarily through the Company's network operations in Australia. Following the Merger, AirTouch's operations in the United States, Japan, South Korea and India were incorporated into the region which, together with subsequent increases in Vodafone AirTouch's ownership interests in its associated undertakings in Japan, and organic growth, has resulted in the 13.6 million increase in the proportionate customer base in the region during the year ended March 31, 2000.

On April 3, 2000, Bell Atlantic's and Vodafone AirTouch's US cellular, paging and PCS businesses were combined to create Verizon Wireless. With the addition of GTE's wireless business on July 10, 2000, following completion of the merger between Bell Atlantic and GTE, Verizon Wireless ranks as the largest wireless company in the United States, serving 25 million wireless and 4 million paging customers. Vodafone AirTouch has a 45% interest in the new venture.

Vodafone AirTouch's interests in the Asia Pacific region are in Australia, Fiji, India, Japan, New Zealand and South Korea, with over 4.1 million proportionate customers as at March 31, 2000. Each interest operates as a stand-alone venture dealing with national or regional business issues arising from running a wireless telecommunications business in the particular country or region.

Set forth below is a description of the business developments and activities of Vodafone AirTouch in each of its major markets in the United States & Asia Pacific region.

United States. Following the Merger on June 30, 1999, Vodafone AirTouch's US operations comprised a controlling interest in the AirTouch Cellular wireless business, together with AirTouch's joint venture interests in CMT Partners, PrimeCo PCS, L.P. and PrimeCo 10MHz, L.P., each of which was indirectly 50% owned by Vodafone AirTouch. In January 2000, Vodafone AirTouch also acquired CommNet Cellular, Inc., a provider of wireless technology services in the midwest of the United States, for \$744 million in cash and the assumption of \$728 million of debt.

On September 21, 1999, Vodafone AirTouch and Bell Atlantic/GTE announced an agreement to combine their US wireless assets to form a new business partnership. Under the transaction agreements, the contribution of assets involved two stages. In Stage I, Vodafone AirTouch contributed certain US wireless interests to an existing partnership which held Bell Atlantic's US wireless interests. Stage II of the closing was required to occur shortly after completion, on June 30, 2000, of the merger between Bell Atlantic and GTE to form Verizon Communications. In Stage II, Verizon Communications contributed the US wireless assets of GTE.

On December 6, 1999, the US Department of Justice approved the transaction, subject to a consent decree that called for the disposition of one or two competing wireless properties in each market where an overlap would be created by the new venture. It is estimated that the overlapping operations served approximately 3 million customers in several major US markets, covering a total of approximately 49 million POPs. Vodafone AirTouch and Bell Atlantic eliminated their wireless overlaps under the terms of the consent decree and, on March 31, 2000, the Federal Communications Commission granted approval to Bell Atlantic and Vodafone AirTouch to combine their US cellular, paging and PCS businesses to form a new nationwide wireless company. Stage I of the partnership agreement was completed on April 3, 2000, whereupon Vodafone AirTouch held 65.1% of Verizon Wireless and Bell Atlantic owned the remaining 34.9%.

The decree gave Vodafone AirTouch and Verizon Communications until June 30, 2000 to resolve more than half of the remaining overlapping wireless properties created by the Bell Atlantic/GTE merger. On June 19, 2000, Bell Atlantic, Vodafone AirTouch and GTE announced that they had reached agreement to sell overlapping wireless operations in San Francisco, San Diego and Houston to AT&T wireless. Verizon Wireless maintained a wireless presence in San Francisco, including San Jose and Oakland, and in Houston, including Beaumont and Galveston, through the GTE wireless operations. In San Diego, Verizon Wireless continued to operate the former AirTouch property and retained 10MHz of PCS spectrum in the Houston market.

Stage II of the closing occurred on July 10, 2000, with the contribution by Verizon Communications of the US wireless assets of GTE. Following the completion of Stage II, Vodafone AirTouch owns 45% of the partnership and Verizon Communications owns 55%. Verizon Communications manages the partnership and has designated four of the seven members to the partnership board of representatives. Vodafone AirTouch designates the other three representatives.

The new business has assumed or incurred existing and new debt, which has caused Vodafone AirTouch's net consolidated debt to decline by \$4.0 billion. An additional \$500 million remains due to the Company. Vodafone AirTouch can elect to sell shares through an initial public offering of a company formed to hold ownership interests in the wireless business at any time after three years from the closing of the transaction. Vodafone AirTouch can also put up to \$10 billion worth of its interest in the partnership to Verizon Communications or the wireless venture (subject to certain credit tests being met) following the third anniversary of the Stage II closing and up to \$20 billion (less any amount previously paid on the third anniversary) following the fifth anniversary of the Stage II closing.

Verizon Wireless operates a nationwide network on a single digital technology, with a national footprint covering over 90% of the US population and 96 of the top 100 US wireless markets, with 232 million proportionate POPs. Verizon Wireless serves approximately 25 million wireless customers and 4 million paging customers throughout the United States, making it the largest wireless telecommunications operator in the United States, based on number of customers. Verizon Wireless can provide its customers with national offerings, including Single Rate

calling plans with no roaming or long distance charges, coast-to-coast. The business is headquartered in New York City and Bedminster, NJ, and has 30,000 employees.

Verizon Wireless offers analog and digital service in all of its US markets, its digital service being principally based on CDMA technology. Since the US operations offer dual-mode cellular telephones capable of sending and receiving both analog and certain digital transmissions, Verizon Wireless's analog and digital cellular customers can roam to virtually any cellular market in the United States. Substantially all of the company's network capital expenditures in the US relate to the expansion of digital capacity and coverage, although it is expected that analog and digital technologies will continue to co-exist for the foreseeable future due to continued demand for analog service, and the fact that analog networks provide the only common roaming platform currently available throughout the US.

On June 15, 2000, Verizon Wireless signed a letter of intent with Lucent Technologies for the supply of 3G high-speed mobile network. The letter of intent is planned to be worth up to \$1.5 billion and will allow Verizon Wireless to increase its coverage and capacity in key markets and to offer third generation high-speed mobile Internet access, other enhanced data and voice services to business and residential customers.

Japan. On October 7, 1999, Vodafone AirTouch announced a series of transactions, which resulted in the Company increasing its equity interests to more than 20% in each of Japan's nine regional mobile telecommunications companies, becoming the second largest shareholder, behind Japan Telecom, in each venture. The total consideration paid for the increased ownership interests in the three Digital Phone and six Digital Tu-Ka companies was £342 million (\$550 million). At March 31, 2000, total proportionate customers in Japan stood at over 1.9 million, with overall customer growth in ventures in which the Company has an interest being 31% for the year to March 31, 2000.

On March 30, 2000, Vodafone AirTouch announced, together with its partners Japan Telecom and BT, that it had agreed to restructure its interests in Japan prior to the commencement of the application process for 3G licenses. The restructuring is primarily intended to integrate the existing second generation operating companies, collectively known as the J-Phone Group, with IMT-2000 Planning Co., Ltd., the vehicle which was set up to pursue 3G business opportunities in Japan, in which Vodafone AirTouch has a direct 26% stake. IMT-2000 Planning Co., Ltd., which was renamed J-Phone Communications Co., Ltd. with effect from April 1, 2000, acquired a controlling interest of approximately 50% in the J-Phone Group, following an issue of new shares by the J-Phone Group on April 14, 2000. J-Phone Communications Co., Ltd. will be responsible for the group business plan and will coordinate nationwide technical planning. It will also assume responsibility for the integration of the J-Phone Group, as well as financial management, nationwide branding, marketing and communications, and research and development.

The J-Phone Group encompasses nine operating companies, together offering a nationwide mobile telecommunications service in Japan, and covers approximately 126 million POPs. Vodafone AirTouch's stake in the nine operating companies at March 31, 2000 ranged from 20% to 29%. Following completion of this transaction on May 9, 2000, Vodafone AirTouch's holdings (both direct and indirect) were broadly unchanged and range between 23% and 28%.

On April 26, 2000, the J-Phone Group announced that the nine operating companies will be merged into three companies with effect from October 1, 2000. Vodafone AirTouch's interest in the J-Phone Group is expected to remain unchanged after completion of this merger process.

The technology utilized by the Vodafone AirTouch's Japanese ventures represents Japan's entry into second-generation cellular communications. The Japan digital cellular standard uses a narrow-band Japanese TDMA standard that allows enhanced roaming and expanded supplementary services potential. To provide service to customers away from their home regions, all of Vodafone AirTouch's Japanese ventures have implemented automatic roaming, enabling customers of any of the companies to initiate and receive calls anywhere within the combined coverage area.

In early July 2000, the Ministry of Post and Telecommunications awarded one of three 3G licenses to J-Phone Communications Co., Ltd. No license fees are required by the Japanese government. The 3G license standard is based on CDMA technology.

Australia, New Zealand and Fiji. Network operations in Australia, New Zealand and Fiji, all of which operate under the Vodafone brand name, increased their proportionate customers by 68% to 1.8 million at March 31, 2000. Vodafone Australia increased its customer base by 48% to over 1.4 million customers. From April 2000, Australian customers were among the first in the world to access an early release of the Group's global platform for mobile data and Internet services.

Australia and New Zealand operate digital networks based on the GSM technical standard, providing coverage to approximately 92% and 95% of the population, respectively. The digital network in Australia consists of approximately 1,614 operational base stations that are controlled by 16 base station controllers and are managed by 13 Ericsson mobile switching centers. In New Zealand the digital network consists of approximately 502 operational base stations that are controlled by 17 base station controllers and are managed by five Nokia mobile switching centers. Nokia supplies all core network components in New Zealand except for microwave equipment.

Other developments

Vodafone AirTouch has signed an agreement with China Unicom Limited to collaborate on mobile phone technology and services in China and on providing global roaming services to their respective customer bases.

Marketing and distribution

The Group engages in two forms of marketing: brand marketing designed to increase general public awareness of the Vodafone brand or other local brands — its values, products and services — and marketing specifically directed at certain distribution channels. Brand communications include advertising on radio and television, in general circulation newspapers, magazines and in specialized publications.

Development of the Group's multi-access Internet portal will be achieved under the global brand name, VIZZAVI. In Europe, the VIZZAVI brand will be rolled out under the joint venture with Vivendi.

Europe, Middle East and Africa. Marketing is generally handled on a local market basis, where network brand marketing utilizes both mass-market media such as television and national newspapers and more targeted media aimed at specific market segments, such as specialized magazines. Customer database marketing is widely used to communicate directly and, linked with customer service, provides a strong basis for building customer relationships.

Distribution is achieved through a wide variety of channels, with different emphasis in different markets. Service providers are prevalent in some markets, although the Group's commitment to maintaining close links to the customer has resulted in a move to acquire service providers and operate them in-house. Independent dealers are used in all markets, with own-branded stores, "store-within-stores" and kiosks becoming increasingly popular. Products and services are available directly in most markets, either via direct response advertising or over the Internet.

The advent of the "phone in a box" prepaid product has led to the use of supermarket chains and multiple retailers to achieve mass distribution, with top-up vouchers available in a wide selection of outlets such as petrol stations, newsagents and local stores.

The Group's strategy is to progressively introduce the Vodafone brand into all businesses where it has control. This will be done in association with local company entities in order to enhance the global brand without destroying existing local brand equity. The progressive roll-out of the Vodafone identity is being associated with new services, such as single rate roaming charges and tariffs in Europe, to enhance the attractiveness of Vodafone and its operating companies to customers.

United Kingdom. The Company has three wholly owned UK service provider businesses. These in-house service providers supply cellular telephones and related equipment for connection to Vodafone's digital and analog networks, and invoice and provide customer support services for their contract customers. Each business focuses on a particular market segment and channel of distribution. Vodafone Corporate targets major corporate accounts through a direct sales force. Vodafone Retail serves consumers and small to medium-sized businesses through owned specialist shops while Vodafone Connect does so through independent retailers and dealers. At March 31,

2000, the in-house service providers accounted for 63% of Vodafone's contract customer base, up from 48% at March 31, 1999, following the acquisition of independent service providers during the year. The in-house service providers accounted for two-thirds of the growth in prepaid customers in the year to March 31, 2000.

Marketing to third-party service providers includes maintaining a competitive tariff structure, providing technical and other training to their staff and providing financial incentives for service providers, their dealers and sales persons. It also entails providing assistance on advertising campaigns and supporting the development of both specialist retail outlets and programs with multiple retailers. In this regard, high street specialists and multiple retailers reinforced their position as the most effective route to market, with direct response also playing an important role. Distribution of the PAYT service through multiple retailers and the shift toward mass market channels, such as supermarkets, has contributed significantly to the increase in customer growth.

Service providers receive discounts on Vodafone's airtime rates for each tariff, with the level of discount increasing depending on the number of customers the service provider has registered on the UK network. Service providers also receive financial incentives from Vodafone related to their success in attracting new customers to the network. These comprise gross connection bonuses, airtime growth awards and other specific incentives as well as additional bonuses for the migration of customers from the analog to the digital network.

United States & Asia Pacific. Verizon Wireless offers a nationwide US footprint, under a single brand and operating common digital technology composed of Vodafone AirTouch's, Bell Atlantic's and GTE's US wireless assets.

Prior to the formation of the joint venture, the US operations marketed their cellular services under the AirTouch Cellular name, with the exception of its systems in the San Francisco Bay Area, Kansas and Missouri, which market service under the CellularOne brand name. The US operations sell their service directly to customers through their own sales force, telemarketing centers and the Internet, and indirectly through arrangements with independent agents such as consumer electronic stores, specialized cellular stores, automobile dealers, department stores, and other retail stores. In certain markets, cellular service is sold through resellers who, pursuant to FCC requirements, are allowed to purchase blocks of cellular telephone numbers and to access cellular services at wholesale rates for resale to the public. The costs of attracting new customers primarily consist of advertising and marketing costs, costs of direct distribution including costs related to the company's stores, compensation paid to independent agents or to its own sales force and handset subsidies.

The Company's ventures in Japan market their product under the common "J-Phone" brand, and advertise to promote brand awareness. The ventures use a combination of non-exclusive and exclusive agent channels as well as direct channels to market their products and services.

In Australasia, public awareness of the "Vodafone" brand is promoted by advertising through the media, sponsorships, including national team sports, and by point of sale marketing, which has propelled Vodafone to be one of the most recognized brands in Australia and New Zealand. In Australia, marketing and distribution of services is achieved through various distribution channels, including Vodafone owned channels, dealers and retail stores and service providers. In New Zealand, there is a fully integrated network and distribution operation and service providers are not used.

Global Platform and Internet Services

3G technology will offer users increased bandwidth connections to their wireless handsets, allowing them to access an extensive range of new services. These will include video telecommunications, high speed access to corporate intranets and the Internet, and the provision of electronic mail services which allow the user to access and control a range of messaging options, including e-mail and voice-mail.

On January 11, 2000, Vodafone AirTouch launched its initiative to provide a differentiated Global Mobile Internet Portal based on a single global technical platform. It is planned that this portal will be offered through its subsidiaries and affiliates around the world under a single brand name, VIZZAVI. The underlying strategy is to create a differentiated portal which will allow the Group to maintain its current relationships with customers and to capture new revenue streams in the emerging market for mobile Internet services. The portal will be accessible by customers on their mobile devices and via desktop personal computers and other means, such as interactive

television. The Group will differentiate its mobile Internet services in three major ways. First, the Group will utilize its strong presence in each of its national markets, including customer relationships, brand and distribution channels. Second, the Group will take advantage of its global reach and the consistent technical platform to lead in offering seamless mobile Internet services around the world. Finally, the Group will work with customers to customize their services based on personal preferences, customer location and type of access device. Through this strategy, customers will be able to access personalized services from both their home market and their destinations, in their own language, with consistent look and feel as they travel across the Group's networks. To support this, the Group may offer the Global Portal and Platform to carriers in markets in which it does not own networks.

In March and April pre-launches (version 0.5) of the services were made in the USA (Ohio and Northwest) and Australia. The first complete release of the mobile Internet portal, version 1.0, is planned to take place in July 2000. Version 1.0 includes the global look and feel and brand name and offers the basic set of functionality and services to customers. It will be followed by version 2.0, which is expected to be developed by the end of the year. Version 2.0 will represent a significant increase in customer ease of use and will offer a wider range of services. Vodafone AirTouch hopes to bring this version to all of its markets over the next few years. In addition, the Company expects to continue to improve its Global Portal and Platform over time. The portal and platform should complement the increase in network capacity and transmission speeds which will occur as wireless networks evolve from today's circuit switched technology to packet switched technology and to 3G/UMTS.

3G licenses

Many regulatory bodies around the world have licensed, or are in the process of licensing, companies to use new radio frequency bands that will enable the companies to provide services based on 3G technology. The status of these processes in the Group's major markets is summarized below.

In May of 1999, the UK government announced that it would auction five 3G wireless telephone licenses (one of which was reserved for a new entrant in the UK wireless telecommunications market). On February 10, 2000, the UK Secretary of State for Trade and Industry issued the Wireless Telegraphy (Third Generation Licenses) Notice 1999 which enabled both Vodafone Limited and Orange 3G Limited, a subsidiary of Orange, to participate in the auction. The notice was issued following an undertaking given by Vodafone AirTouch relating to the disposal of Orange and its group of companies, and other conditions regarding confidentiality of information and control over Orange. The UK auction commenced in March 2000 and, on April 27, 2000, Vodafone was provisionally awarded a license with a bid of £5.964 billion (\$9.5 billion). The license provided the largest available spectrum to existing operators of cellular networks in the United Kingdom and runs for a period of 20 years. Should the license be granted to Vodafone, it will provide Vodafone with additional systems capacity and the opportunity to market new products and data applications to customers. To be awarded the license, Vodafone AirTouch must divest Orange as soon as practicable and by no later than 180 business days after April 27, 2000. Subject to availability of 3G network infrastructure and handsets, Vodafone intends to offer customers commercial service on its new 3G network in 2002.

The Spanish government awarded Airtel a 3G wireless telecommunication license on March 13, 2000.

On April 19, 2000, the J-Phone Group applied for one of the three available 3G licenses in Japan. The evaluation process by the Japanese Ministry of Posts and Telecommunications took into account various technical and financial criteria, but did not involve a license fee. In early July 2000, the J-Phone Group was successful in securing a 3G license and plans to launch a network with Internet-style services by December 2001.

Vodafone AirTouch, through its subsidiaries, intends to participate in auctions/beauty contests for new 3G licenses in each of Australia, Germany, Italy, the Netherlands and New Zealand. It is expected that the processes in each of these countries will be completed in the second half of 2000.

Vodafone AirTouch, through Verizon Wireless, may pursue additional 3G spectrum licenses in the FCC auctions described below under "Regulation — United States", or through other means.

No assurances can be given that the Group will be successful in obtaining any 3G licenses for which it intends to bid.

Globalstar

Vodafone AirTouch holds an approximate 7.8% interest in the Globalstar partnership and has the exclusive rights to provide Globalstar service in the United Kingdom, the United States, Australia, Botswana, Canada, the Caribbean, Greece, Mexico, Mozambique, Namibia, South Africa and Zimbabwe.

Globalstar is a consortium of leading international telecommunications companies originally established in 1991. It is a wholesale provider of satellite-based telecommunications services, which complement existing GSM or CDMA infrastructures through the use by customers of a dual-mode terrestrial and satellite handset. Through Globalstar's constellation of 48 low-earth-orbiting satellites, customers are able to use their cellular telephones in remote locations which are not covered by existing mobile communications infrastructures. At March 31, 2000, Globalstar was in commercial service in 25 countries. As a wholesaler, Globalstar sells access to its system to regional and local telecom service providers.

Orange

In October 1999, Mannesmann AG made an offer for all of the outstanding ordinary shares of Orange, one of the four wireless telecommunications operators in the United Kingdom. Orange provides a range of telecommunications services, particularly through its digital mobile network in the United Kingdom, and also through operations in Belgium, Austria and Switzerland, and sells Orange products and services both in the United Kingdom and internationally. Mannesmann AG currently owns 100% of the outstanding shares of Orange. Vodafone AirTouch acquired beneficial ownership of those Orange shares through its acquisition of Mannesmann AG. Under European Community merger control law, Vodafone AirTouch is prohibited from owning both its UK cellular telephone operator, Vodafone, and Orange and therefore is required to dispose of its interest in Orange as soon as practicable. Pending disposal of Orange, Vodafone AirTouch has established an arm's length arrangement to hold its indirect interest in Orange. Vodafone AirTouch has no control over the management of Orange. Based on currently available information, Orange had approximately 7.2 million subscribers as at June 30, 2000 in the UK, and a turnover and operating loss of £1,857.9 million (\$2,958.2 million) and £20.3 million (\$32.3 million), respectively, for the year ended December 31, 1999.

On May 30, 2000, the Company and Mannesmann AG announced that they had reached an agreement for the sale of Orange to France Telecom. The consideration will comprise a cash payment of £13.8 billion to be paid upon completion of the sale, subject to adjustment for the actual net debt of Orange at March 31, 2000, and 129.2 million shares in France Telecom valued at £11.3 billion. France Telecom will repurchase 15.4 million of these shares upon completion of the sale in exchange for a loan note valued at £1.3 billion redeemable no later than March 31, 2001. In addition, France Telecom will assume Orange's liability of £4.1 billion in respect of its UK 3G license. Vodafone AirTouch's remaining holding of 113.8 million shares in France Telecom, valued at £10 billion, will represent 9.99% of the outstanding share capital of France Telecom and will not be voted. The Group may also sell its remaining shares in France Telecom in the market, subject to a six month lock-up period following completion of the sale. The agreement is conditional upon clearance by the European Commission and approval by France Telecom shareholders. Until the transaction is completed, Vodafone AirTouch continues to plan to effect a demerger of Orange in accordance with an undertaking given to the European Commission. Vodafone AirTouch believes that the sale of Orange to France Telecom will be beneficial to the interests of the Company's shareholders, in part because the terms offered by France Telecom value Orange's equity at a 28% premium to the value of Mannesmann AG's original offer for Orange, and at a 56% premium to Orange's equity value immediately prior to that offer, and because the proceeds from the sale should place the Group in a strong financial position to bid for additional 3G licenses in Europe.

Business Activities — Fixed Line Telecommunications

In addition to Mannesmann's wireless telecommunications businesses, through the successful offer for Mannesmann AG, Vodafone AirTouch also acquired Mannesmann's interests in certain fixed line businesses.

Through Arcor (70% owned by Mannesmann AG), the Group provides fixed network services in Germany. Prior to the acquisition of Mannesmann AG, Vodafone AirTouch held a 3.7% interest in Arcor. Arcor's network is linked to that of the French telecommunications company, Cegetel, and the Austrian network telephone company, tele.ring.

Together with the fixed-line telephone company, o.tel.o, which is wholly-owned by Arcor, Arcor pursues a two-brand strategy in the German fixed-line market. Arcor, together with its wholly-owned subsidiary, germany.net, also offers Internet access and online services. In December 1999, Arcor acquired a majority stake (64.9%) in the Düsseldorf regional carrier, ISIS. With the addition of ISIS, it is expected that Arcor will strengthen its market position in the Rhine-Ruhr area. In line with the current strategy Arcor, together with ISIS, will market a complete ISDN package. Arcor offers both business and residential customers a complete range of voice, data and value added services, while o.tel.o concentrates on the residential customer segment.

Infostrada (100% owned by Mannesmann AG) provides fixed network services in Italy. In the Italian wireline market Infostrada is the largest competitor of the former state-owned telephone company in terms of voice and Internet services. Infostrada had € 723 million (\$692 million) in sales for the year to December 31, 1999, 58% of which was contributed by business customers. In 1999, the number of customers increased to 2.5 million, representing a 174% increase from the prior year. By December 31, 1999, Infostrada offered long distance calls, calls between wireline and wireless networks and international calls and, beginning January 1, 2000, also offers local calls. With Italia Online, its wholly-owned Internet service provider, Infostrada offers Internet access and online services in Italy. Italia Online is Italy's second largest Internet service provider, with over 1.5 million customers as of December 31, 1999. In 1999, Internet and data communications accounted for 10% of total sales. In addition to the original Internet subscription, Infostrada introduced a call-by-call Internet service without registration or basic charges in February 1999. In mid-July 1999, the company also launched the nationwide free Internet service "Libero", which had gained 1.1 million subscribers after only six months. With Libero, subscribers can surf without a time limit for the cost of a local telephone call.

Vodafone AirTouch is considering reducing its interest in the fixed line operators, Infostrada and Arcor, by way of minority initial public offerings. On July 12, 2000, Mannesmann AG announced that its Supervisory Board had approved the Mannesmann Executive Board's plan to dispose of up to approximately 49% of Mannesmann AG's interest in Infostrada which is expected to take place in the last quarter of 2000.

Mannesmann Eurokom is a strategic telecommunications holding company, which manages Mannesmann's international assets and extends Mannesmann's reach through acquisitions and applications for new licenses. Other assets include ipulsys, which offers a range of Internet protocol based communications services to a broad customer group, and Passo, which offers traffic breakdown and emergency services.

Business Activities — Other

As a result of the Mannesmann acquisition, Vodafone AirTouch acquired other assets not related to its core business of telecommunications. Vodafone AirTouch intends to, and is in the process of, disposing of these non-core assets. In addition, in connection with the Mannesmann acquisition, Vodafone AirTouch acquired Orange, a wireless telecommunications provider in the United Kingdom. Vodafone AirTouch is required to dispose of Orange in accordance with an undertaking given to the European Commission as part of its approval of the Mannesmann acquisition, and to the UK Secretary of State for Trade and Industry in connection with its successful bid for a 3G license.

Engineering and automotive businesses

The Mannesmann engineering business is a leading global supplier in the fields of hydraulics, materials handling and plastics technology. The engineering business is conducted through three main divisions: Mannesmann Rexroth (drives and controls); Mannesmann Dematic (material flow and logistics); and Mannesmann Demag Krauss-Maffei (plastics machinery, compressors, process and laser technology).

The Mannesmann automotive business is a systems developer and partner to the global automobile industry. The business is conducted through two main divisions: Mannesmann VDO (information systems, cockpit systems and audio and navigation systems); and Mannesmann Sachs (components and systems primarily for chassis and powertrain).

In March of 2000, Mannesmann AG renamed the engineering and automotive divisions Atecs. On April 17, 2000, Vodafone AirTouch announced that Mannesmann had reached an agreement with Siemens AG and Robert Bosch

GmbH regarding the disposal of its interest in Mannesmann's engineering and automotive businesses. Pursuant to the agreement, Mannesmann AG will dispose of 50% of its interest in Atecs, plus a two share stake. Mannesmann AG also agreed on an option arrangement with these companies regarding the disposal of its remaining stake in Atecs.

The transaction values Atecs at approximately € 9.6 billion (\$9.2 billion), consisting of:

- A payment of € 3.116 billion (\$2.983 billion) upon completion of the sale of the stake of 50% plus 2 shares in Atecs, but in no event later than September 30, 2000.
- A payment of between € 3.657 billion (\$3.501 billion) and € 3.807 billion (\$3.645 billion) upon exercise of options by Mannesmann AG, or Siemens AG and Robert Bosch GmbH, which can be exercised between closing and December 31, 2003, in respect of the remaining stake of Atecs. The exact amount of the payment depends on the trading performance of Atecs for the period between 2000 and 2002.
- The assumption of € 2.827 billion (\$2.707 billion) of pension liabilities and non-trading financial liabilities by Siemens AG and Robert Bosch, GmbH.

The completion of the transaction is conditional upon, among other things, the approval of the relevant EU and US regulatory authorities. The proceeds of the sale will be used by Vodafone AirTouch principally to repay existing debt.

Tubes

The Mannesmann tubes business is one of the world's largest producers of steel tubes. Demand in this market, already characterized by excess capacity, declined during 1999 due to low crude oil prices during the year, the low level of oil exploration and other factors. Sales from the tubes business fell from € 2.577 billion (\$2.467 billion) in 1998 to € 1.994 billion (\$1.919 billion) in 1999, a decrease of 22%. The business produced a loss of € 504 million (\$483 million) during 1999.

On May 30, 2000, Vodafone AirTouch announced that the Supervisory Board of Mannesmann AG had approved the sale of the tubes business to Salzgitter Handel GmbH. Prior to the sale, Mannesmann AG undertook a capital restructuring and made a further financial contribution to the tubes business at a cost of approximately € 260 million.

Watches

On July 21, 2000, the Company announced that Mannesmann AG had agreed to sell Les Manufactures Horlogères, its luxury watches business, to Richemont S.A. for a cash consideration of approximately 2.8 billion Swiss francs (\$1.7 billion). The agreement is conditional on the approval of the Mannesmann AG Supervisory Board and certain regulatory approvals. Completion is expected in September 2000.

Competition

Vodafone AirTouch faces significant competition in each of its geographic markets. As with other telecommunications operators, the Group is subject to indirect competition from providers of other telecommunications services in the domestic markets in which it operates in addition to direct competition from other current operators of wireless telecommunications services. Competitive pressures lead to reductions in tariffs, together with other retention initiatives, in order to manage the level of customer churn. Competitive pressures also lead to increased connection and selling costs for new customers, including increased marketing costs. The effects of these costs are generally offset by increased minutes' usage and access by customers to new services.

The Group expects that competition will continue from existing operators as well as from a variety of new market entrants following the award of new 3G licenses. The identity of new entrants, the scope of increased competition, and the extent of the impact on the Group's costs of acquiring new licenses, market share and results of operations all depend on a variety of factors, the outcome of which is currently uncertain.

Research and Development

The Group spent £34 million in 1998, £37 million in 1999 and £46 million in 2000 on research and development.

Vodafone AirTouch's strategy for research and development is to collaborate with other interested parties and to finance promising research activities. The purpose of these activities is to develop innovative services. Such development is pursued through the introduction in the network infrastructure of new platforms and systems that facilitate the provision of a wide range of services, and through the use of state-of-the-art information and communications technology for the design of highly innovative applications. The Group is taking a leading role in the development of standards for future mobile communications services. For example, the Group is actively involved in developing 3G telecommunications technologies, which are designed to handle the high bandwidth requirements of multimedia communications, as described above under "Global Platform and Internet Services".

R&D activities are mainly carried out by each of the Group's operations in response to local market opportunities although global Group initiatives are developed where it is beneficial to the Group's efforts on emerging technologies that have general commercial potential, and to protect and exploit technologies that will create value for shareholders, for example, development of the Global Portal and related Internet services.

In addition, research and development activities have been undertaken by Mannesmann. In 1999, Mannesmann reported research and development expenditure in its telecommunications sector of € 41 million. The focus of development work at D2 and Omnitel was also on projects dealing with 3G technology. Mannesmann also reported research and development expenditure in 1999 in the automotive and engineering sector of € 649 million and in the tubes/other companies sector of € 11 million.

Employees

During the year ended March 31, 2000, the Group had an average of 29,465 full time employees. See Note 29 to the Consolidated Financial Statements for an analysis of employees by category of activity. The Group considers its relations with its employees to be good.

Regulation

Vodafone AirTouch and its interests are subject to regulation imposed by each of the countries in which they operate and, within Europe, by the European Union, as discussed below. These regulations are generally in the form of industry-specific legislation and competition, or merger control, law.

The following briefly describes the broad regulatory framework and material telecommunication licenses in certain regions in which Vodafone AirTouch has a significant interest.

European and other jurisdictions

The European Union has taken on an increasingly important role in regulating the telecommunications industry within Europe. Over the past nine years, the European Union has implemented legislation to liberalize the European telecommunications market and to harmonize the relevant laws in each of the EU Member States. Several important directives have been implemented by EU Member States. Each EU Member State has brought local law into conformity with these directives.

The European Union Interconnection Directive (97/33/EC) is intended to guarantee the rights of operators to obtain interconnection with networks and services of others both domestically and internationally. The European Union Licensing Directive (97/13/EC) significantly reduces the scope for introducing new licensing conditions and amending existing ones.

The European Commission has considered the current state of implementation and harmonization of EU measures across the EU in its 1999 Communications Review. On April 26, 2000 the European Commission announced that it will propose a new framework directive covering all communications infrastructure and associated services, but not broadcast or Internet content services. It will permit Member States to introduce secondary trading of radio spectrum. Access and interconnection issues will continue to be regulated by reference to significant market power, but a determination of significant market power will involve consideration of a dominant position rather than a

market threshold of 25%. Number portability for mobile users will be mandated, but not carrier pre-selection. Proposals for this new legislation were published on July 12, 2000 together with a proposal for a decision on a regulatory framework for radio spectrum policy and a proposal for a regulation for access to the unbundled local loops of fixed operators.

The European Commission launched an inquiry into international roaming charges in January 2000. The preliminary results of the inquiry are expected in September 2000.

By its decision of April 12, 2000, clearing the acquisition of Mannesmann by Vodafone AirTouch, the European Commission accepted undertakings provided by Vodafone AirTouch. The undertakings require Vodafone AirTouch to dispose of Orange plc and to implement certain measures "to enable third parties to provide advanced mobile services to their customers".

The EU has mandated licensing of networks for IMT-2000 using a standard of third generation of universal mobile telecommunications services, known as UMTS, within Europe by January 1, 2002. Licenses have already been issued in Finland, Spain and the United Kingdom. Germany and the Netherlands have procedures in place for auctioning spectrum. Italy is proposing a "beauty contest" followed by an auction and France and Sweden have decided to hold "beauty contests", although in France a large licensing fee is likely to be payable. Competition for such licenses is likely to be intense in certain jurisdictions and market forces will determine the prices expected to be paid in those countries for this spectrum.

Vodafone AirTouch's other cellular and paging operations outside of the European Union provide services pursuant to the terms of licenses granted by the telecommunications agency or similar supervisory authority in the various countries. Such agencies typically also promulgate and enforce regulations regarding the construction and operation of network equipment. In certain countries including some within the European Union (e.g. Italy), Vodafone AirTouch faces regulatory obstacles such as legal restrictions on the percentage ownership of telecommunications licensees by foreign entities and transfer restrictions or governmental approval requirements regarding changes in the ownership of such licensees.

Germany

The German telecommunications regulator, the Regulator of Telecommunications and Posts ("Reg TP"), was created on January 1, 1998 and is now responsible for licensing the radio frequency spectrum. Mannesmann Mobilfunk GmbH obtained a GSM 900 license in December 1990 and obtained GSM 1800 spectrum in October 1999 in an auction conducted by Reg TP. An auction for blocks of UMTS spectrum will commence on July 31, 2000, with currently seven contenders to bid for between 4 and 6 licences. Vodafone AirTouch and Mannesmann AG have agreed to sell Orange to France Telecom (for a partial consideration of under 10 per cent of France Telecom's shares), and therefore to enable both Mannesmann Mobilfunk and MobilCom (with whom France Telecom intends to bid) to participate in the auction Vodafone AirTouch, Mannesmann Mobilfunk, France Telecom and MobilCom were required to enter into undertakings with the Reg TP. The undertakings provide that neither Vodafone AirTouch nor Mannesmann Mobilfunk will seek confidential MobilCom information and will not use the shareholding in France Telecom to influence France Telecom or the MobilCom bid. The France Telecom share certificates are to be held by a trustee.

Network operators with a market dominant position have an obligation to allow interconnection of their public telecommunications networks with the public telecommunications networks of other carriers. Reg TP has declared that the four German wireless operators are not market dominant in the telecommunication market. The test of dominance is different than the test required under European law, which is significant market power, and Germany has come under pressure to change this by the European Commission. An inquiry launched by the Reg TP into market dominance in the wireless retail market is continuing and it is expected to consider 25% as the threshold test (this threshold is used in determining significant market power). It is currently unclear how this will impact Mannesmann Mobilfunk. Reg TP plans to introduce mobile number portability in the German telecommunications market from February 1, 2000. Mannesmann Mobilfunk has challenged this decision by filing a lawsuit against the Reg TP.

Greece

Wireless telecommunications operators in Greece are regulated by the Telecommunications Law, together with related presidential decrees and ministerial decisions. Following certain delays, the Greek government implemented in 1999 a number of directives covering EU telecommunications legislation. However, under certain conditions, Greece was granted an extension from the full liberalization of the telecommunications sector, for fixed line voice telecommunications and fixed networks, in accordance with the provisions of Directive 96/10 of the European Commission, known as the Full Liberalization Directive, until December 31, 2000.

Panafon S.A. was awarded a 20-year license to operate a GSM network on August 4, 1992. In January 1996, the Greek government awarded a DCS 1800 license to OTE Hellenic Organization, S.A., the dominant fixed line operator in Greece, which OTE transferred in the first quarter of 1997 to its wireless subsidiary, COSMOTE, now a joint venture company with Telenor. This license was awarded despite a provision in Panafon's license which gave it and STET Hellas, the other GSM 900 operator, the exclusive right to operate mobile networks until September 30, 2000 and in contravention of the Full Liberalization Directive, which requires such a license to be awarded only after a competitive tender process. As a result, Panafon is to be allocated 2x10 MHz of GSM 1800 spectrum based on a concession contract. The concession contract and license accompanying this spectrum allocation are under negotiation.

The government has announced its intention to award a fourth mobile licence in Greece. This decision has been the subject of a public consultation due to end on July 31, 2000.

The Greek telecommunications regulator, EETT, called Panafon, COSTMOTE and STET Hellas to a hearing on alleged illegal handset subsidies at the end of June and is also investigating mobile interconnection rates. EETT is considering the methods to award UMTS spectrum and it is currently favouring the "beauty contest" method.

Italy

The Italian telecommunications regulator, the *Autorita per la Garanzie nelle Comunicazioni*, referred to as the Communications Agency, establishes and monitors the detailed regulations governing the telecommunications sector and issues licenses, while the Ministry of Communications provides services to the Communications Agency. To implement a number of EU liberalization and harmonization directives in the telecommunications sector, the Italian government has implemented a system of declarations, general authorizations and individual licenses. Individual licenses are required in order to provide fixed public telecommunications services, wireless and personal communications services and the creation and operation of public telecommunications networks.

TIM, Omnitel and WIND are the three existing GSM 900 — 1800 MHz operators in Italy. BLU was granted a DCS 1800 license and its operations commenced on May 15, 2000. It is seeking a license amendment to postpone its network roll-out until UMTS infrastructure is rolled out. These companies are subject to parallel rules and regulations listed in their licenses and public concessions. However, only TIM and Omnitel are required to provide national roaming services to WIND and BLU. An agreement with WIND has been entered into but there are continuing disputes relating to certain pricing terms.

On September 28, 1999, the Communications Agency determined that TIM and Omnitel were operators with significant market power in both the mobile and interconnection markets. A duty to provide mobile carrier pre-selection may arise in the future from this decision. Omnitel is appealing the decision. On December 6, 1999, the Communications Agency, following its determination regarding the significant market power designation of TIM and Omnitel, established 360 lira per minute as the maximum value for the wireless termination rates for TIM and Omnitel. TIM has appealed this decision.

In December 1999, the Communications Agency published general rules for the UMTS licensing procedure. Invitations to tender for licenses on a hybrid beauty contest/auction basis were issued in mid-May with licenses to be awarded in September. The Communications Agency has decided that mobile number portability is to be implemented by June 30, 2001.

On May 31, 2000 an appeal by Omnitel was rejected in respect to a decision of the Italian Antitrust Authority that three agreements with TIM were unlawful and a fine of € 24.2 million is payable. Omnitel is appealing against the decision and the amount of the fine.

Netherlands

In December 1998, a new Telecommunications Act came into force which, inter alia, regulates wireless telecommunications operators in the Netherlands. This act implemented various EU directives relating to the harmonization and liberalization of telecommunications, including abolishing the requirement to obtain a license for telecommunications related activities. However, a license is still required for the use of spectrum.

At the time of the implementation of the Telecommunications Act, Libertel had already received licenses for GSM 900 spectrum and two licenses for GSM 1800 spectrum and has the rights to use the GSM 1800 spectrum until February 25, 2013. As part of the new licensing arrangement, Libertel is subject to a condition requiring national roaming.

In October 1999, the Dutch telecommunications regulator, OPTA, designated Libertel as having significant market power in the wireless market in The Netherlands. The designation will lead to obligations of non-discriminatory interconnection and provision of special access. This decision was suspended by a District Court in December 1999, pending a thorough market investigation.

On July 6, 2000 the Dutch government commenced its auction of five UMTS licenses between 6 contenders, including Libertel.

The EC is currently investigating the interconnection/mobile termination rates of Libertel.

Spain

A number of Royal Decrees and laws regulate telecommunications in Spain, including Law 12 of April 24, 1997 on the Liberalisation of Telecommunications which created the Spanish telecommunications regulator, the Telecommunications Market Commission ("TMC") and the General Telecommunications Law, Law 11 of April 24, 1998.

Royal Decree 1486 of July 1, 1994 approved a regulation for awarding a license for GSM 900 mobile telephony. Following a bid process, Airtel was awarded a license to compete with the fixed and mobile incumbent, Telefonica. Telefonica was not required to pay a license fee and this was found to be inconsistent with European law on December 18, 1996. Royal Decree 1252 of July 24, 1997 amended Airtel's license in line with EU norms. Airtel was compensated for paying the initial fee through several means including the provision of additional spectrum and extending its license to a 25 year period, renewable for another 5 years. The Royal Decree also enabled the licensing for DCS 1800. Telefonica and Airtel were provided licenses, although Airtel was not required to pay a fee, together with a third operator. The new entrant, Retevision Moviles, was awarded its license on June 24, 1998.

On March 13, 2000, the three existing operators and a new entrant, Xfera, were awarded UMTS licenses through a beauty contest procedure. These licenses are for 20 years and can be extended for a further 10 years.

This year, Airtel was designated as an operator with significant market power in the mobile market. Mobile number portability is required to be implemented in Spain by October 2000.

United Kingdom

The principal domestic legislation governing the provision of telecommunications services in the United Kingdom is the Telecommunications Act 1984 and the Wireless Telegraphy Acts 1949 to 1998. In order to operate a wireless telecommunication system in the United Kingdom, licenses must generally be obtained under both of these Acts. The Director General of Telecommunications, the UK telecommunications industry regulator, is responsible for enforcing license conditions and may make orders, enforceable in the courts, to secure compliance.

Vodafone was issued a license under the Telecommunications Act in 1985. This license, although never revoked, was largely superseded by a license granted to Vodafone on December 9, 1993. On September 27, 1999, the 1985

and 1993 licenses were amended so as to replace the terms and conditions with the new standard form of license terms. These new license terms were to give effect to the European Union Licensing Directive which was introduced into UK law on December 31, 1997 by the Telecommunications (Licensing) Regulations 1997.

Under its Wireless Telegraphy Act license, Vodafone operates its network in specific radio frequency bands. The license continues indefinitely, subject to revocation or modification in certain limited circumstances.

Each UK public telecommunications operator, which is referred to as a PTO, including Vodafone, is obliged under its license to permit the connection of any other PTO to its network. Vodafone has interconnection agreements with nine UK network operators.

Following an inquiry by the Director General on December 15, 1998, the Competition Commission (then the Monopolies and Mergers Commission) found that the fees charged by the wireless operators, as well as their charges for unanswered and diverted calls, operated against the public interest. The Commission recommended that changes be made to the licenses of these wireless operators to remedy the situation. As a result of the inquiry, the Director General amended the licenses of the relevant wireless operators on March 31, 1999. The relevant changes to Vodafone's license reduced termination charges to fixed operators and notional revenue from calls to wireless phones and do not allow Vodafone to charge for diverted calls and calls terminating on a recorded message.

The Director General announced on March 29, 2000 that he had determined that Vodafone and BT Cellnet have "market influence" in the UK wireless telecommunications market. "Market influence" relates to an operator's market power, but differs from the EU test of "significant market power". Such determination requires the companies, under the terms of their licenses, to provide separate accounts for various activities and to continue to provide wireless air time to service providers. Vodafone currently complies with such obligations. The Director General has also determined that the two companies have an obligation to provide indirect access to their mobile networks to eligible operators because they have significant market power in the mobile market. On May 18, 2000, the Director General made a determination that the interim charges payable by a particular provider of indirect access services using Vodafone's network is to be retail minus 15 per cent.

Vodafone AirTouch's acquisition of Mannesmann and the resulting acquisition of Orange led to a change in control of Orange. As required under Orange's existing telecommunications' licenses, UK national regulatory authorities were notified of this change of control. Under UK telecommunications law, Vodafone AirTouch may control both the Vodafone and Orange licenses, and there is no power to revoke either license. However, the EU and UK competition authorities will not permit both licenses to be held by one company. As a result, Vodafone AirTouch intends to divest Orange so that Vodafone AirTouch does not hold, either directly or indirectly, both wireless licenses. See "— Business Activities — Orange".

The auction to award five 3G licenses to provide third generation wireless telecommunications services in the United Kingdom, which concluded on April 27, 2000, was conducted pursuant to the UK Mobile Telegraphy (Third Generation Licences) Regulations 1999. In order to ensure that both Vodafone AirTouch and Orange (or their affiliates) were able to pre-qualify for the auction and satisfy the requirements preventing cross-ownership and/or the sharing of confidential information between bidders in the auction, Vodafone AirTouch has appointed a custodian so that Mannesmann's shares in Orange are held at arm's length.

A bill currently before Parliament, the Regulation of Investigatory Powers Bill, gives the government powers to require interception of data and other communications. Its enactment will require a degree of expenditure by telecommunications providers to comply with its terms.

United States

US cellular, paging and PCS licenses are issued and regulated by the FCC. In addition, US wireless operations are subject to regulation in the states in which service is provided and to local regulations. States are preempted from regulating cellular, PCS and paging rates and market entry but may regulate certain other terms and conditions of service. The location and construction of wireless service facilities are also subject to state or local zoning, land use and other local regulation and fees.

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The Telecommunications Act of 1996 fundamentally changed the rules and regulations under which all US providers of telecommunications services operate. Obligations were imposed on all telecommunications providers, including wireless providers, in a variety of areas. For the first time, wireless operators, including Vodafone AirTouch subsidiaries, were obligated to pay into universal telephone service funds created by the US government, the proceeds of which are designated to reduce the cost of basic telephone service to high cost areas and low income subscribers, and to subsidize telecommunications for schools and libraries. The Act also created a new framework for negotiated interconnect arrangements between wireless carriers and local wireline telephone companies. This new framework, among other things, was intended to eliminate subsidies to high-cost areas and low-income subscribers embedded in the interconnect rates paid to local telephone companies. Pursuant to provisions of the 1996 Act, Vodafone AirTouch subsidiaries executed new cellular interconnection agreements with the major local carriers in its managed markets.

In addition, although not specifically required for wireless carriers by the 1996 Act, the FCC has adopted rules requiring carriers such as Verizon Wireless to provide customers in the United States with local number portability by November 24, 2002. Local number portability is the ability for customers to retain their telephone numbers should they choose to switch landline or wireless carriers. Although Verizon Wireless will incur significant costs to meet this requirement, Vodafone AirTouch does not expect these costs to have a material impact on its results of operations or liquidity.

Vodafone AirTouch, through Verizon Wireless, will be required to upgrade its cellular and PCS networks in the United States to provide certain functionality to authorized government agencies. The FCC has adopted rules requiring wireless carriers to electronically provide "Emergency 911" authorities with the physical location of wireless callers requesting emergency assistance. In addition, the Communications Assistance Law Enforcement Act, or CALEA, will require Vodafone AirTouch, through Verizon Wireless, to provide law enforcement agencies with certain network functionality and other assistance in criminal investigations, including digital wiretapping capabilities. The FCC rules concerning "Emergency 911" services and CALEA both require the responsible government agencies to reimburse carriers for their costs incurred to upgrade their networks and to provide ongoing assistance to law enforcement agencies. However, Vodafone AirTouch can provide no assurance that all, or any, such costs incurred by Verizon Wireless, will be recoverable.

The FCC is required to auction 40 MHz of spectrum in the 2110-2150 MHz band by September 30, 2002. It will auction 36 MHz of spectrum in the 746-764 MHz and 776-794 MHz bands in a process commencing on September 6, 2000. Vodafone AirTouch, through Verizon Wireless, is lobbying for the former allocation to be licensed for third generation services. The latter allocation can be used for a number of services, including commercial mobile radio services (CMRS), but is presently being used by broadcast television stations and will not be available for new services until 2006. The FCC plans to auction 30 MHz of this allocation in September 2000 as two paired bands; a 90 MHz band designated Block C (747-752 and 777-782 MHz); and a 20 MHz band, designated Block D (752-762 and 782-792 MHz), each geographically defined on an Economic Area Grouping (EAG) basis.

Australia

The Australian telecommunications market is regulated principally by the Telecommunications Act 1997, the Telecommunications (Consumer Protection and Service Standards) Act 1999 and Parts XIB and XIC of the Trade Practices Act 1974 and is monitored by two regulatory agencies, the Australian Communications Authority and the Australian Competition and Consumer Commission, known as the ACCC. Since 1997, the market has been open to full competition.

Vodafone Pacific Pty Limited holds a carrier license under the Telecommunications Act and also holds licenses under the Radiocommunications Act. It also has licenses to use the 900/1800 MHz spectrum allocated to it for renewable five year terms and 15 years, respectively. The Australian government has auctioned further 1800 MHz

spectrum and UMTS spectrum destined for third generation services. Vodafone acquired further 1800 MHz spectrum and will also participate in a second auction for such spectrum expected later this year or early in 2001.

Number portability is not currently available in Australia for wireless services. However, a final report has been issued by the ACCC declaring number portability. The Australian Communications Authority has issued a preliminary report requiring implemented action by September 25, 2001.

The ACCC has held industry discussions on pricing principles for access charges. The industry did not support either long-term incremental costing or short-term managerial costs. A decision from the ACCC is expected in this quarter.

Additional Factors That May Affect Vodafone AirTouch's Business

Risks associated with Vodafone AirTouch's acquisition of Mannesmann

Expected benefits from the Vodafone AirTouch/Mannesmann combination may not be realized. Vodafone AirTouch has acquired Mannesmann with the expectation that the combination of the two companies will result in future cost savings and revenue enhancements. However, the integration of two large telecommunications companies with geographically dispersed operations that have previously operated independently in most respects presents significant management challenges. There can be no assurance as to the extent to which the anticipated benefits expected to result from this integration will be achieved, if at all.

Vodafone AirTouch may incur significant costs in respect of the disposal of Mannesmann's industrial businesses and Orange. Under European Community merger control law, Vodafone AirTouch is prohibited from owning both Vodafone and Orange and therefore must dispose of its interest in Orange as soon as practicable. Pending disposal of Orange, Vodafone AirTouch has established an arm's length arrangement to hold its indirect interest in Orange and has no control over the management of Orange. In addition, Vodafone AirTouch is currently in the process of disposing of Mannesmann Atecs, Mannesmann's engineering and automotive businesses. On April 17, 2000, Vodafone AirTouch announced that Mannesmann had reached an agreement with Siemens AG and Robert Bosch GmbH on the disposal of a 50% plus two shares stake in Mannesmann's engineering and automotive businesses and an option arrangement with respect to the remaining stake in these businesses. These divestitures involve significant legal and regulatory issues that could result in the incurrence of unexpected additional costs by Vodafone AirTouch, which could reduce the expected benefit of the Vodafone AirTouch/Mannesmann combination. In the event that regulatory approval and or shareholder approval is not received in connection with these divestitures, Vodafone AirTouch may be unable to make arrangements to divest these operations on terms as favorable as those currently negotiated.

Furthermore, Vodafone AirTouch presently intends to undertake in due course an initial public offering of minority interests in Arcor and Infostrada held by Mannesmann. The legal and regulatory issues relating to the structuring and implementation of these initial public offerings could result in Vodafone AirTouch incurring unexpected additional costs, thereby reducing the expected benefit of the Vodafone AirTouch/Mannesmann combination. There is no assurance that a favorable market will exist at the time of the contemplated initial public offerings or that Vodafone AirTouch will be able to secure a favorable price for its interests.

Labor disruptions may have an adverse effect on the business of the Group. There can be no assurance that the Group will not be subject to strikes and other labor actions, which could have an adverse effect on its business, following the acquisition of Mannesmann AG.

Risks associated with Vodafone AirTouch's US wireless business partnership with Verizon Communications, Verizon Wireless

Vodafone AirTouch may not fully realize the expected benefits from Verizon Wireless. There can be no assurance that the expected benefits from the partnership will be realized in full or at all. Verizon Communications owns 55% of the partnership, manages the partnership and designates four of the seven members to its board of representatives, while Vodafone AirTouch owns 45% of the partnership and designates the other three members. As such, Vodafone AirTouch does not have control of the partnership or its ability to achieve its anticipated benefits.

Risks associated with the wireless telecommunications business

Increased competition may reduce revenues. Vodafone AirTouch and its ventures face intensifying competition in each of their markets. Increased competition has led to declines in the prices the Group charges for its wireless services and is expected to lead to further price declines in the future. The Group may in some countries be able to match or exceed declines in average revenue per customer with reductions in operating cash costs per customer. However, there can be no assurance that the Group will be able to do so. If it cannot, the Group may experience decreased profitability.

Competition could also lead to a decrease in the rate at which the Group adds new customers and to a decrease in the size of the Group's customer base as customers choose to receive wireless service from other providers. Customer deactivations are measured by the Group's churn rate. There can be no assurance that the Group will not experience increases in churn rates, particularly as competition intensifies. An increase in churn rates could adversely affect profitability because the Group would experience lower revenues and increased selling costs to replace customers, although such costs would have a future revenue stream to mitigate the impact.

Expected benefits from investment in networks, licenses and new technology may not be realized. Vodafone AirTouch expects that it will be required to make substantial future investments in its wireless networks due to customer growth, increased usage, the expected acquisition of 3G licenses and the need to offer new services and greater functionality. Accordingly, the rate of the Group's capital expenditures in future years could materially exceed that experienced by the Group in recent years. On April 27, 2000, Vodafone was provisionally awarded one of the five 3G licenses in an auction conducted by the UK government for a license fee of £5.964 billion (\$9.5 billion). There can be no assurance that the development of 3G telecommunications will proceed according to anticipated schedules or that the returns expected on this investment will be achieved.

The Group's operations depend in part upon the successful deployment of continuously evolving wireless telecommunications technologies. The Group uses technologies from a number of vendors and makes significant capital expenditures in connection with the deployment of such technologies. There can be no assurance that technologies will be developed according to anticipated schedules, that they will perform according to expectations or that they will achieve commercial acceptance. The failure of vendor performance or technology performance to meet Vodafone AirTouch's expectations or the failure of a technology to achieve commercial acceptance could result in additional capital expenditures by the Group or a reduction in profitability due to the recognition of the impairment of assets.

Wireless licenses may not be renewed. Vodafone AirTouch's wireless licenses are granted for a specific period of time. Vodafone AirTouch's UK license was granted in 1993 for a minimum of 25 years subject to certain conditions. The most significant US cellular and paging licenses are granted for a period of ten years. Based upon its prior experience with expired licenses and upon FCC rules establishing a presumption in favor of licensees that have substantially complied with their regulatory obligations during the license period, Vodafone AirTouch believes that each of its US licenses will be renewed as they expire. The terms of the licenses granted to Vodafone AirTouch's non-UK and non-US ventures and conditions for license renewal vary from country to country. In some countries, there is no specified mechanism for license renewal and accordingly it is not certain what criteria will be used by the governments of those countries to determine whether the licenses should be renewed. There can be no assurance that any license will be renewed.

In future 3G license auctions, Vodafone AirTouch may fail to win new licenses, fail to win licenses for the spectrum that it wants or pay a substantial amount for licenses that it wins. The operations of Vodafone AirTouch and its ventures worldwide depend in part upon the successful acquisition of wireless licenses relating to developing communications technologies using standards such as IMTS-2000 or UMTS. These are commonly described as 3G technologies. Auctions for such 3G licenses are planned in various countries, including Australia, Austria, Germany, Italy, the Netherlands, New Zealand and the United States. Vodafone AirTouch has no control over the number of licenses allocated for bidding or spectrum that such licenses provide for in any country at any given time. In addition, the bidding process in such auctions is highly competitive as the number of new licenses available in any auction is usually small. Therefore, Vodafone AirTouch can make no assurances that it will successfully obtain a new license in any country it wishes. Furthermore, even if Vodafone AirTouch is able to win licenses, it can make no assurances that it will be able to win licenses for the spectrum that would be most

beneficial to its operations. Finally, as a result of making large bids to win licenses, Vodafone AirTouch may be obligated to pay significant amounts of money for such licenses. If Vodafone AirTouch fails to acquire certain additional licenses within the time periods contemplated by its business plan, or fails to obtain the most beneficial licenses, there can be no assurance that the anticipated increases in revenues from the utilization of 3G services by customers will be realized. Furthermore, there can be no assurance that the returns expected on the investment in 3G licences will be achieved. Accordingly, its business and results of operations may suffer.

Vodafone AirTouch does not have a controlling interest in certain of its ventures. Certain of Vodafone AirTouch's interests in its wireless licenses are held through entities in which Vodafone AirTouch is a significant but not controlling owner. Under the governing documents for certain of these partnerships and corporations, certain key matters such as the approval of business plans and decisions as to the timing and amount of cash distributions may require the consent of Vodafone AirTouch's partners. In other, these matters may be approved without the consent of Vodafone AirTouch. Although Vodafone AirTouch has not been materially constrained by the nature of its wireless ownership interests from pursuing its corporate objectives, no assurance can be given that it will not experience difficulty in this regard in the future. Vodafone AirTouch may enter into similar arrangements as it participates in ventures formed to pursue additional opportunities.

International business conditions could adversely affect Vodafone AirTouch's ventures. Vodafone AirTouch has investments in operations in numerous countries outside the UK and operating cash flow and dividends from these investments represent a substantial portion of the total operating cash flow available to the Group.

Investments in operations in countries around the world are subject to risks and uncertainties which may include taxation, nationalization, inflation, currency fluctuations and increased regulation. Certain Asian countries have recently experienced severe economic turmoil, resulting in depressed business conditions, volatility in local currencies and ongoing financial market dislocations. In addition to the negative impact that such economic turmoil could have on usage of wireless services, it could also have a negative effect on the ability of Vodafone AirTouch's partners to provide their share of the ventures' funding requirements. There can be no assurance that the foregoing risks and uncertainties, or that present or future economic turmoil or dislocations, will not have a material adverse effect on Vodafone AirTouch's business, operating results and financial condition.

Vodafone AirTouch's attempts to mitigate effects of exchange rate fluctuations may not be successful. Foreign currency exchange rates, particularly the exchange rate of the pound to the euro, may be material to the Group's results of operations. Vodafone AirTouch attempts to mitigate in part the effect of certain foreign currency fluctuations through the use of foreign currency contracts and foreign currency denominated credit arrangements. However, there can be no assurance that Vodafone AirTouch will be successful in its foreign currency hedging efforts.

Regulatory decisions and changes in the regulatory environment could adversely affect Vodafone AirTouch's business. Vodafone AirTouch must comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of its telecommunications network and services in the UK, the US and other countries in which it has ventures. In addition, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce competition laws which apply to the wireless telecommunications industry.

Vodafone AirTouch's business, financial condition and results of operations and those of its joint ventures and associated companies could be materially adversely affected by changes in law, regulation or government policies directed at the cellular market. In particular, decisions by regulators regarding the granting, amendment or renewal of licenses, to Vodafone AirTouch or to third parties, could adversely affect the Group's results of operations. Vodafone AirTouch cannot provide any assurances that no government will issue telecommunications licenses to new operators whose services will compete with it.

Rapid technological changes may increase competition and render Vodafone AirTouch's technologies obsolete. The telecommunications industry is subject to rapid and significant changes in technology. The Group faces competition from other communications technologies, including cordless technologies, satellite-based systems and private and shared radio networks. In addition, the Group may face increasing competition from technologies currently being developed or which may be developed in the future. Vodafone AirTouch cannot accurately predict

how emerging and future technological changes will affect its operations or the competitiveness of its services. Similarly, Vodafone AirTouch cannot provide any assurances that the technologies that it employs will not become obsolete or subject to intense competition from new technologies in the future.

Incurring significant indebtedness for prolonged periods to fund 3G licenses could impact on Vodafone AirTouch's credit ratings. Vodafone AirTouch may incur significant expenditure if it is successful in winning future 3G license bids around the world. Were Vodafone AirTouch to fund such expenditure through significant amounts of indebtedness for prolonged periods, there could be no assurance that rating agencies would maintain the credit ratings currently assigned to Vodafone AirTouch. A downgrade in Vodafone AirTouch's credit rating could adversely affect the trading prices of its loan notes and, possibly, the liquidity of the market for the notes.

The potential effects on Vodafone AirTouch of any actual or perceived health risks associated with the transmission of radiowaves from cellular telephones, transmitters and associated equipment are unknown. Vodafone AirTouch is not aware that any link between radiowave transmission and long-term health issues has been substantiated. However, there can be no assurance that Vodafone AirTouch may not be adversely affected by the actual or perceived risks associated with radiowave transmission.

ITEM 2. DESCRIPTION OF PROPERTY

Vodafone AirTouch's principal tangible fixed assets comprise properties and equipment in respect of the Group's mobile telecommunications network infrastructure. Network equipment includes base stations and switch equipment which is connected by fixed microwave transmission links or fixed cable links. Further details regarding the description and location of these assets is included in "Item 1. Description of Business". The properties of the Group comprise MTXs, operator centers and ancillary commercial centers suitable for the operation of its cellular networks and related businesses together with related accommodation including retail premises. As at March 31, 2000, these properties were principally in Egypt, Greece, Hungary, the Netherlands, Portugal, Sweden, United Kingdom, United States, Australia and New Zealand, and are either freehold or held under long-term or short-term leases. Approximately 33% by value of the Group's properties were owned and approximately 1% were held under leases running for 50 years or longer. The Group's corporate head office is in Newbury, United Kingdom.

At March 31, 2000 tangible fixed assets associated with the network infrastructure of the Group were included in the consolidated balance sheet at a net book value of £5,397 million (including properties with a net book value of £441 million). The Group expects to continue to expand its network infrastructure in fiscal 2000/2001. The net book value at March 31, 2000 of other properties was £260 million, primarily comprising freehold properties with a net book value of £195 million.

On April 3, 2000, the Group announced that its US cellular, PCS and paging assets, with a net book value of approximately £2.8 billion, were to be contributed to the new US joint venture, Verizon Wireless. Further details are provided in "Item 1. Description of Business".

The tangible fixed assets acquired by Vodafone AirTouch with the acquisition of Mannesmann, which was completed on April 12, 2000, primarily consist of properties and technical equipment and machinery. Mannesmann's wireless businesses, D2, Omnitel and tele.ring hold properties and equipment associated with their network infrastructure in Germany, Italy and Austria respectively. Further details are provided in "Item 1. Description of Business".

The assets of Mannesmann's fixed-line businesses, Arcor and Infostrada, primarily consist of properties and wireline networks in Germany and Italy, respectively. Further details are provided in "Item 1. Description of Business".

The non-telecommunications businesses of Mannesmann own fixed assets primarily comprising properties and technical equipment and machinery. Vodafone AirTouch has reached agreements for the disposal of substantially all of these businesses and assets which is described in further detail in "Item 1. Description of Business".

ITEM 3. LEGAL PROCEEDINGS

Except as disclosed in the paragraphs below and, in the case of Orange or its subsidiaries, on the basis of information published by Orange, neither Vodafone AirTouch nor any of its subsidiaries (including Orange) is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which Vodafone AirTouch is aware) which may have had in the 12 months proceeding the date of this document a significant effect on the financial position of Vodafone AirTouch and its subsidiaries.

On July 29, 1998, Suzanne Ball on behalf of herself and other individuals filed a claim alleging violations of Business and Professional Code Section 17200 in connection with various billing practices of PCS and cellular carriers. The case was dismissed. The Court of Appeal reversed the dismissal. The outcome of the litigation cannot be determined at this time. Consequently, it is not possible to assess the impact, if any, of this action on Vodafone AirTouch. Vodafone AirTouch intends to vigorously defend this action.

An appeal is pending on a settlement approval in a Los Angeles consumer class action filed in the California State Court alleging, among other things, price fixing. Various other class actions are outstanding in other California State Courts, including a further case relating to the Los Angeles market which is stayed pending the conclusion of the former appeal, two appeals from two allegations in the San Francisco Bay Area and the San Diego market, and initial motions which have been made relating to the Sacramento market in an action filed in December 1998.

On December 1, 1999, US Cellular Investment Company of Los Angeles, Inc. filed a case against AirTouch Communications, Inc., in the US District Court for the Central District of California, seeking an order to enforce an alleged partnership contract right to require unanimous consent of all partners before the transfer of AirTouch Communications, Inc.'s general partnership interest into Vodafone AirTouch's partnership with Bell Atlantic. The complaint also alleges breach of AirTouch's fiduciary duty as a general partner. AirTouch was granted summary judgement. The plaintiff may appeal.

On February 14, 2000, Jacqueline Orloff on behalf of herself and other individuals filed a consumer class action case against AirTouch Communications, Inc., in the United States District Court of Northern Ohio, alleging that AirTouch Entities engaged in preferential rates to current customers for secret discounts. The complaint was served on AirTouch Communications, Inc., on February 14, 2000. The case has been referred to the FCC. Vodafone AirTouch is not currently able to assess the impact, if any, of this action on Vodafone AirTouch, AirTouch Communications, Inc., or the partnership. Vodafone AirTouch intends to vigorously defend this action.

On February 22, 2000 Sommers, Schwartz, Silver & Schwartz on behalf of themselves and other individuals filed a class action against AirTouch Communications, Inc., in the State of Michigan in the Circuit Court of the County of Oakland, alleging the defendant misrepresented the quality of its service. Vodafone AirTouch is not currently able to assess the impact, if any, of this action on Vodafone AirTouch, AirTouch Communications, Inc., or the partnership. Vodafone AirTouch intends to vigorously defend this action.

Under a Sale and Purchase Agreement between Mannesmann Demag Krauss-Maffei AG, referred to as MDKM, and French Technip Group, referred to as FTG, entered into in December 1998, referred to as the Agreement, which related to the sale of assets and transfer of shares of the subsidiaries of the Energy and Environmental Division, referred to as EED, and the Petrochemical and Refinery Division, referred to as PRD, MDKM gave an undertaking to FTG to release FTG from claims amounting to \$387 million which had arisen from legal proceedings against a consortium whose members included a PRD company which was sold to FTG under the Agreement, referred to as the FTG Release. The claims were made by European Petroleum Corp. Limited which alleges that the consortium did not enter into an agreement with them regarding the reconstruction and expansion of a plant. On the basis of an evaluation by its lawyers, Mannesmann AG believes that it was not obliged to enter into such an agreement and furthermore, that the amount of the asserted claim is exaggerated. No proceedings have been pursued since April 30, 1997. The FTG Release also relates to a gas generation plant erected in Australia. A customer is claiming the right to an indemnity amounting to 61 million Australian dollars due to performance not being in accordance with a contract concluded with a PRD company which was sold to FTG under the Agreement.

Under a Frame Agreement, dated August 28, 1999, which concerned the transfer of Mannesmann AG's metallurgy division to SMS Schloemann Siemag AG, referred to as SMS Siemag, MDKM and Mannesmann AG undertook to SMS Siemag, and its parent company SMS AG, to release them from risks arising from legal disputes if the reserves stated in the balance sheet were insufficient, referred to as the SMS Release. The SMS Release covers, among other things, the legal action for indemnity and reduction of the purchase price amounting to German Mark (DM) 90 million bought by Kalyani Seamless Tubes Ltd., India at the Arbitral Tribunal in 1997. As at the date of this document Mannesmann is unable to predict the scope or the amount of any such liability.

On May 19, 1999, legal proceedings were brought against MDKM and Mannesmann Demag Corp., referred to as MDC, by IPSCO Steel Inc., referred to as IPSCO, for an indemnity of an unspecified amount for the delayed completion of a plant, failure to meet performance figures and defects of the plant. It is believed that IPSCO seeks damages in excess of \$180 million. A counterclaim for \$39 million has been advanced by MDKM and MDC for reimbursement of additional expenses, payment of outstanding remuneration claims and the refund of a letter of credit which was drawn down without justification. As at the date of this document Mannesmann is unable to predict the scope or amount of any such liability.

On February 24, 2000, legal proceedings were brought against VDO Kienzle Vertrieb und Service GmbH, referred to as VKVS, by the administrator of the insolvency proceedings for the assets of Detektor Aufspürsystem (Deutschland) GmbH for compensation in the amount of DM 32 million (being part of a purported claim in the amount of DM 117 million) arising from a co-operation agreement for the distribution of an automobile tracking system. The shareholders of Detektor Tracking Systems Ltd., the holding company of Detektor Aufspürsystem (Deutschland) GmbH, have also claimed against VKVS an amount of DM 72 million due to alleged incorrect

information given by VKVS during the contract negotiation phase on the conclusion of the contract. Mannesmann believes that there is no basis for either claim.

On September 10, 1999 Omnitel was designated, together with Telecom Italia Mobile, as having significant market power in the mobile and interconnection markets by the Italian Communications Regulatory Authority (CONSORB). As a result of this designation Omnitel has obligations in relation to interconnection to other operators and CONSORB may seek to regulate the cost of interconnection between fixed and mobile networks. Due to the fact that the regulatory measures regarding tariffs may have an adverse effect on Omnitel's earnings, Omnitel initiated legal proceedings against this designation at the local administrative court Tar Lazio. These proceedings were rejected by notification on October 26, 1999. The chances of success of the proceedings before the appellate court Consiglio della Stato are currently under review. As at the date of this document Mannesmann is unable to predict the scope or amount of any such liability.

On March 8, 2000, British Telecommunications Plc ("BT") and Cegetel Holdings B.V., one of its subsidiaries, filed a request for arbitration with the International Court of Arbitration against Cegetel S.A., Mannesmann AG and Vivendi S.A. ("Vivendi") alleging breaches of the Cegetel Shareholders' Agreement. Both Mannesmann AG and Vivendi are shareholders of Cegetel and parties to the Shareholders' Agreement together with Cegetel Holdings B.V. BT is seeking a determination that, among other things, the joint venture between Vivendi and the Company for the creation of the Vizzavi multi-access Internet portal ("MAP"), and the proposed sale of an interest in shares in Cegetel held by Mannesmann AG to Vivendi, constitute a breach of the Cegetel Shareholders' Agreement. Pending the outcome of the arbitration, the marketing and commercialisation of MAP will be carried out by Vivendi in France and by the Company and Vivendi, through the joint venture, in the rest of Europe. The sale of the interest in the Cegetel shares from Mannesmann AG to Vivendi will not take place prior to the final decision of the arbitration tribunal. The Company expects the final decision of the arbitration tribunal to be rendered before the end of the calendar year. As of the date of this document, the Company is not able to assess the impact, if any, of this arbitration on the Company or Vizzavi. The Company, through Mannesmann AG, intends to vigorously defend against this arbitration.

ITEM 4. CONTROL OF REGISTRANT

The following table sets forth certain information as of June 30, 2000, with respect to (i) any person who is known to the Company to be the owner of more than 10% of the Company's ordinary shares and (ii) the total amount of ordinary shares owned by the directors and executive officer of the Company as a group (14 holders). The Company is not directly or indirectly owned or controlled by any foreign government.

<u>Title of Class</u>	<u>Identify of Person or Group</u>	<u>Shares Owned</u>	<u>Percent of Class</u>
Ordinary shares	Directors and executive officer as a group	11,540,719	0.02

The Bank of New York held approximately 17% of the Company's ordinary shares of \$0.10 each at June 30, 2000 as nominee for the custodian of the Company's ADR program.

There is no other person known to the Company who owns more than 10% of the ordinary shares of the Company.

ITEM 5. NATURE OF TRADING MARKET

The principal trading market for the ordinary shares is the London Stock Exchange.

ADSs, each representing ten ordinary shares, are listed on the NYSE. The ADSs are evidenced by ADRs issued by The Bank of New York, as Depositary under a Deposit Agreement, dated as of October 12, 1988 as amended and restated as of December 26, 1989, as further amended and restated as of September 16, 1991 and as further amended and restated as of June 30, 1999, among Vodafone AirTouch, AirTouch, the Depositary, and the holders from time to time of ADRs issued thereunder. The total number of ADRs outstanding at June 30, 2000 was 117,068,236. At this date, 346 holders of record of ordinary shares had registered addresses in the United States. In addition, there were 82 nominee shareholdings which held ordinary shares, in whole or in part, beneficially for United States persons.

The following table sets forth, for the periods indicated, (i) the reported high and low middle market quotations and the quarterly trading volume for the ordinary shares based on the Turnover Report of the London Stock Exchange and (ii) the reported high and low sales prices and the quarterly trading volume of the ADSs on the NYSE as reported on the composite tape.

Fiscal Year	London Stock Exchange			NYSE		
	Pounds Per Ordinary Share High	Pounds Per Ordinary Share Low	Trading Volume (Millions)	US Dollars Per ADS High	US Dollars Per ADS Low	Trading Volume (Millions)
1998/1999						
First Quarter	1.58	1.19	2,685.5	26.00	20.15	47.5
Second Quarter	1.92	1.36	3,457.5	30.80	22.55	57.0
Third Quarter	2.00	1.10	2,886.0	33.40	18.80	42.5
Fourth Quarter	2.53	1.95	5,256.0	39.55	33.15	222.0
1999/2000						
First Quarter	2.70	2.04	5,979.9	42.90	34.11	296.3
Second Quarter	2.88	2.28	5,875.9	47.55	37.19	420.5
Third Quarter	3.27	2.57	6,432.8	53.00	42.75	269.8
Fourth Quarter	3.99	2.72	25,701.5	63.06	45.06	367.1
2000/2001						
First Quarter	3.56	2.42	12,810.6	56.63	36.31	324.2

Vodafone AirTouch's ordinary shares have also been traded on the Frankfurt Stock Exchange since April 3, 2000.

On June 30, 1999 all the issued and unissued ordinary shares of 5p each of the Company were cancelled. Immediately upon such cancellation, the authorized share capital was increased by the creation of 50,000 7% cumulative fixed rate shares of £1 each and the creation of 8,160,000,000 new ordinary shares of \$0.10 each.

Following approval of an ordinary resolution proposed at the Company's Annual General Meeting on July 21, 1999, the Company's authorized share capital was increased by the creation of 32,640,000,000 new ordinary shares in order to issue four fully paid ordinary shares of \$0.10 for each share held at 9:30p.m. GMT on September 30, 1999. Following application to the London Stock Exchange, the new ordinary shares were admitted to the Official List and dealings in the new shares commenced on October 1, 1999. The new shares rank for any dividend declared after September 30, 1999 and in all other respects rank *pari passu* with the existing issued ordinary shares. Following the capitalization (bonus) issue, approximately 23% of the Company's authorized share capital remained unissued.

In connection with the acquisition of Mannesmann AG the authorized share capital was further increased following shareholders' approval given on January 24, 2000 at an Extraordinary General Meeting, and effective from February 10, 2000, by creating 37,200,000,000 ordinary shares of \$0.10 each which rank *pari passu* with the existing issued ordinary shares.

Accordingly, the current authorized share capital comprises 78,000,000,000 ordinary shares of \$0.10 each and 50,000 7% cumulative fixed rate shares of £1 each.

All comparative figures in the table above have been updated for the capitalization (bonus) issue of four new shares for every one held on September 30, 1999.

ITEM 6. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no UK government laws, decrees or regulations that restrict or that affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on the ordinary shares or on the conduct of the Group's operations, except as otherwise set forth under "Item 7. Taxation".

Under English law (and the Company's Memorandum and Articles of Association), persons who are neither residents nor nationals of the United Kingdom may freely hold, vote and transfer ordinary shares in the same manner as United Kingdom residents or nationals.

ITEM 7. TAXATION

The following is a summary of the principal US federal and UK tax consequences to beneficial owners of Vodafone AirTouch ADSs (Vodafone AirTouch ADS in this context also means Vodafone AirTouch ordinary shares) who are residents of the United States (“US Holders”) of the ownership of Vodafone AirTouch ADSs but is not a complete analysis or listing of all of the possible tax consequences of such ownership. Investors are advised to consult their tax advisers with respect to the tax consequences of the ownership of Vodafone AirTouch ADSs including specifically the consequences under state and local tax laws. The statements regarding US and UK tax laws set out below are based on those laws in force on the date of this Annual Report.

US Holders will be treated as the owners of the underlying ordinary shares for the purposes of the United States-United Kingdom double taxation conventions relating to income and gains and to estate and gift taxes (the “Estate and Gift Tax Convention”) and for the purposes of the US Internal Revenue Code of 1986, as amended.

United States Federal Income Tax Consequences of the Ownership of Vodafone AirTouch ADSs by a US Resident

This section describes the material US federal income tax consequences of ownership of Vodafone AirTouch ADSs which are held as capital assets for US tax purposes.

Taxation of dividends

Dividends paid to a US Holder by Vodafone AirTouch with respect to the Vodafone AirTouch ADSs will be taxable as ordinary income to the US Holder for US federal income tax purposes to the extent the dividend is paid out of Vodafone AirTouch’s current or accumulated earnings and profits, as determined for US federal income tax purposes, based on the US dollar value of the dividend on the date the dividend is actually or constructively received, calculated by reference to the exchange rate on the relevant date.

As a result of recent amendments made to the UK rules governing tax credits on dividends, effective from 6 April 1999, new IRS procedures have been put in place. These new IRS procedures operate under the existing United States-United Kingdom double tax treaty and state that a beneficial owner of a Vodafone AirTouch ADS and of any cash dividend paid with respect thereto who is a US person for US federal income tax purposes, and who is eligible for benefits under the United States-United Kingdom tax treaty with respect to income derived in connection with such ADS (each such holder referred to as an eligible US Holder), who receives a dividend from Vodafone AirTouch may be entitled to a US tax credit for UK tax withheld. If an eligible US Holder were so entitled, the foreign tax credit would be equal to one-ninth of any dividend received and would give rise to additional dividend income in the same amount. Eligible US Holders that do not elect, or are not permitted, to claim a foreign tax credit may be entitled to claim a deduction for foreign tax withheld. By reason of the recent amendments to the relevant provisions of UK tax law, the United States and United Kingdom have entered into negotiations of a new tax treaty.

Each US Holder is urged to consult his or her tax adviser concerning whether the US Holder is eligible for benefits under the United States-United Kingdom tax treaty and whether, and to what extent, a foreign tax credit or deduction will be available with respect to dividends received from Vodafone AirTouch.

Each eligible US Holder that relies on the United States-United Kingdom tax treaty should consider disclosing this reliance on the eligible US Holder’s US federal income tax return. A US Holder that fails to disclose reliance on a treaty where disclosure is required would be subject to penalties under US federal income tax law.

Distributions by Vodafone AirTouch in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the eligible US Holder’s basis in its Vodafone AirTouch ADSs and thereafter as capital gain. Dividends paid by Vodafone AirTouch will not be eligible for the dividends-received deduction allowed to US corporations in respect of dividends received from other US corporations. US Holders should consult their own tax advisers regarding the treatment of any foreign currency gain or loss on any pounds sterling received on Vodafone AirTouch ADSs which are not converted into US dollars on the date the pounds sterling are actually or constructively received by the depository or by the US Holder. For foreign tax credit limitation purposes, dividends paid by Vodafone AirTouch will be income from sources outside of the United States.

Taxation of capital gains

Upon a sale or other disposition of Vodafone AirTouch ADSs a US Holder will recognize a gain or loss for US federal income tax purposes in an amount equal to the difference between the US dollar value of the amount realized and the US Holder's tax basis, determined in US dollars, in the Vodafone AirTouch ADSs. A gain or loss recognized will be a long-term capital gain or loss with respect to Vodafone AirTouch ADSs held for more than 12 months at the time of the sale or other disposition and any gain recognized generally will be income from sources within the United States for foreign tax credit limitation purposes. A US Holder that is liable for both US federal income tax and UK tax on the sale or other disposition of Vodafone AirTouch ADSs should consult with his or her tax adviser to determine the US Holder's entitlement to credit the UK tax against the US federal income tax liability.

The foregoing discussion does not address all aspects of US federal income taxation that may be relevant to stockholders who are subject to special provisions of US federal income tax. For example:

- Stockholders liable for alternative minimum tax
- Stockholders that actually or constructively will own 10% or more of the outstanding stock of Vodafone AirTouch
- Stockholders that hold their stock as part of an integrated investment composed of Vodafone AirTouch shares or ADSs and one or more other investments
- Stockholders whose "functional currency" is not the US dollar
- Financial institutions
- Insurance companies
- Tax-exempt organizations
- Traders in securities that elect mark-to-market accounting treatment
- Broker-dealers

United Kingdom Tax Consequences of the Ownership of Vodafone AirTouch ADSs by a US Resident

This section describes the material UK tax consequences of ownership of Vodafone AirTouch ADSs.

Taxation of dividends

A US Holder (who holds less than 10% of the voting stock of Vodafone AirTouch) who is not resident for tax purposes in the UK who receives a dividend from Vodafone AirTouch will not have any further UK tax to pay in respect of the dividend but will not be able to claim any payment in respect of the dividend under the United States-United Kingdom tax treaty. See "United States Federal Income Tax Consequences of the Ownership of Vodafone AirTouch ADSs by a US Resident-Taxation of Dividends."

Taxation of capital gains

A US Holder who is neither resident nor ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realized on the disposal of Vodafone AirTouch ADSs. However, this will not apply if at the time of the disposal, the US Holder carries on a trade, which for this purposes includes a profession or vocation, in the UK through a branch or agency and the disposed Vodafone AirTouch ADSs are or have been used in or for the purposes of that trade or are or have been used or held by or for the purposes of the branch or agency. An individual US Holder who is only temporarily not resident in the UK may, under anti-avoidance legislation, still be liable for UK tax on capital gains realized, subject to any available exemption or relief.

Inheritance tax

An individual who is domiciled in the United States (for the purposes of the Estate and Gift Tax Convention) and is not a national of the United Kingdom will not be subject to UK Inheritance Tax in respect of the Vodafone AirTouch

ADSs on the individual's death or on a transfer of the Vodafone AirTouch ADS during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the Vodafone AirTouch ADS is part of the business property of a UK permanent establishment of an enterprise or pertains to a UK fixed based of an individual used for the performance of independent personal services. Where the Vodafone AirTouch ADS has been placed in trust by a settlor, the Vodafone AirTouch ADS may be subject to UK Inheritance Tax unless the settlor was, when the trust was created, domiciled in the United States and not a UK national. The Estate and Gift Tax Convention generally provides a credit for the amount of any tax paid in the United Kingdom against the US federal tax liability in a case where the Vodafone AirTouch ADS is subject both to UK Inheritance Tax and to US federal gift or estate tax.

UK Stamp Duty and Stamp Duty Reserve Tax

Stamp Duty will, subject to certain exceptions, be payable at the rate of 1½% on any instrument transferring ordinary shares to the Custodian of the Depository on the value of such ordinary shares. In accordance with the terms of the Deposit Agreement, any tax or duty payable by the Depository or the Custodian of the Depository on deposits of ordinary shares will be charged by the Depository to the party to whom ADRs are delivered against such deposits.

No Stamp Duty will be payable on any transfer of an ADR, provided that the ADR (and any separate instrument of transfer) is executed and retained at all times outside the United Kingdom. A transfer of an ADR in the United States will in such circumstances not give rise to Stamp Duty. A transfer of an ADR in the United Kingdom could attract Stamp Duty at a rate of ½%. Any transfer (which will include a transfer from the Custodian of the Depository or the Depository to an ADR holder) of the underlying ordinary shares could result in a Stamp Duty liability at the rate of ½%. The amount of Stamp Duty payable is generally calculated at the applicable rate on the purchase price of the ordinary shares. There is no charge to ad valorem Stamp Duty on gifts. On a transfer from nominee to beneficial owner (the nominee having at all times held the ordinary shares on behalf of the transferee) under which no beneficial interest passes and which is neither a sale nor arises under a contract of sale nor is in contemplation of sale, a fixed £5.00 Stamp Duty will be payable.

Stamp Duty Reserve Tax will be payable on any agreement to transfer ordinary shares or any interest therein unless an instrument transferring the ordinary shares or that interest is executed and stamped within two months of the date on which the agreement is made, or, where the agreement is conditional, within two months of the day on which the condition is satisfied. Stamp Duty Reserve Tax will generally be payable at the rate of ½% but will be payable at a maximum rate of 1½% in the case of a transfer into a depository receipt facility (such as established under the Deposit Agreement) or to a nominee for a clearance service. Except as set forth above, Stamp Duty Reserve Tax or Stamp Duty will not be payable in connection with any transfer of or on any agreement to transfer ADRs or ordinary shares or any interest therein. There are legislative provisions in place to abolish Stamp Duty and Stamp Duty Reserve Tax in the above circumstances at a date in the future which is to be determined.

ITEM 8. SELECTED FINANCIAL DATA

The selected financial data set out on the following pages should be read in conjunction with the Consolidated Financial Statements of Vodafone AirTouch for the three years ended March 31, 2000, which appear elsewhere in this Annual Report. The UK statutory financial statements of Vodafone AirTouch for the year ended March 31, 2000 will be delivered to the United Kingdom's Registrar of Companies.

Selected Consolidated Financial Data

The selected consolidated financial data for the five years ended March 31, 2000 are derived from the Consolidated Financial Statements of Vodafone AirTouch.

	Year ended and at March 31,					
	2000(2)		1999	1998	1997	1996
	\$	£	£	£	£	£
(in millions, except per ordinary share and ADS amounts)						
Consolidated Profit and Loss Account Data						
UK GAAP(1)						
Group turnover	12,536	7,873	3,360	2,471	1,749	1,402
Profit for the financial year	775	487	637	419	364	310
Basic earnings per Vodafone AirTouch ordinary share(3)	0.03	0.02	0.04	0.03	0.02	0.02
Diluted earnings per Vodafone AirTouch ordinary share(3)	0.03	0.02	0.04	0.03	0.02	0.02
Adjusted basic earnings per Vodafone AirTouch ordinary share(3)	0.07	0.05	0.04	0.03	0.02	0.02
Basic earnings per Vodafone AirTouch ADS(3) ..	0.29	0.18	0.41	0.27	0.24	0.20
Cash dividends per Vodafone AirTouch ordinary share(4)	0.02	0.01	0.01	0.01	0.01	0.01
Cash dividends per Vodafone AirTouch ADS(4)	0.21	0.13	0.13	0.11	0.10	0.08
US GAAP(1)						
Group turnover	12,536	7,873	3,360	2,471	1,749	1,402
Profit for the financial year	880	553	510	374	342	294
Basic earnings per Vodafone AirTouch ordinary share(3)	0.03	0.02	0.03	0.02	0.02	0.02
Diluted earnings per Vodafone AirTouch ordinary share(3)	0.03	0.02	0.03	0.02	0.02	0.02
Basic earnings per Vodafone AirTouch ADS(3) ..	0.33	0.20	0.33	0.24	0.22	0.19
Consolidated Balance Sheet Data						
UK GAAP(1)						
Total assets	244,193	153,368	3,643	2,502	2,422	1,763
Long-term obligations	10,149	6,374	1,179	685	573	148
Non-equity minority interests	1,599	1,004	4	23	24	—
US GAAP(1)						
Total assets	276,003	173,347	4,719	4,026	3,019	2,001
Long-term obligations	10,161	6,382	1,187	694	573	148
Non-equity minority interests	1,599	1,004	4	23	24	—
Other Data						
Weighted average number of shares(3)						
Basic	—	27,100	15,445	15,365	15,302	15,261
Diluted	—	27,360	15,510	15,410	15,335	15,303
US dollar equivalent dividends per Vodafone AirTouch ordinary share(4)						
	—	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.01

Notes:

- (1) The consolidated financial statements of Vodafone AirTouch are prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. For further details, see Note 32 of Notes to Consolidated Financial Statements.
- (2) The consolidated profit and loss account prepared for the year ended March 31, 2000 and the consolidated balance sheet as at March 31, 2000 include the results of AirTouch from June 30, 1999, the date of the closure of the Merger.

On April 3, 2000, Vodafone AirTouch completed the combination of its US cellular operations with those of Bell Atlantic. On April 12, 2000, the European Commission conditionally approved Vodafone AirTouch's acquisition of approximately 98.62% of the issued share capital of Mannesmann following Vodafone AirTouch's earlier offer for the entire issued share capital of Mannesmann. Accordingly, neither the consolidated profit and loss account nor the consolidated balance sheet prepared to March 31, 2000 include any adjustments arising from these transactions, other than the inclusion within fixed asset investments of the fair value of the purchase consideration for Mannesmann (see Note 12 of Notes to Consolidated Financial Statements). Vodafone AirTouch has presented unaudited pro forma consolidated financial information for the year ended March 31, 2000 to reflect the impact of the Verizon Wireless joint venture and the acquisition of Mannesmann on its results of operations in its Report on Form 6-K, dated July 21, 2000, and suggests that you review the disclosure contained therein for additional information.

- (3) See Note 9 of Notes to Consolidated Financial Statements. Earnings per ADS is calculated by multiplying earnings per ordinary share by 10, the number of ordinary shares per ADS. On September 30, 1999 Vodafone AirTouch declared a capitalization (bonus) issue of four new ordinary shares for every one share held for holders of Vodafone AirTouch ordinary shares and ADSs at that date. Prior period earnings per ordinary share and ADS have been restated to reflect this issue.
- (4) The final dividend for the year ended March 31, 2000 was declared by the Directors on May 29, 2000. On September 30, 1999 Vodafone AirTouch declared a capitalization (bonus) issue of four new ordinary shares for every one then held for holders of Vodafone AirTouch ordinary shares and ADSs at that date. Prior period cash dividends per ordinary share and ADS have been restated to reflect this issue.

Dividends

The table below sets forth the amounts of interim, final and total cash dividends paid and proposed in respect of each fiscal year indicated both in pounds sterling per ordinary share and translated, solely for convenience, into US dollars per ordinary share at the Noon Buying Rate on each of the respective payment dates for such interim and final dividends, in both cases, where relevant, net of the associated Advance Corporation Tax.

Year ended March 31	Pounds Per Ordinary Share			Translated into US dollars Per Ordinary Share		
	Interim	Final	Total	Interim	Final	Total
1996	0.004	0.004	0.008	0.006	0.006	0.013
1997	0.005	0.005	0.010	0.008	0.008	0.016
1998	0.005	0.006	0.011	0.009	0.009	0.018
1999	0.013*	—	0.013	0.020*	—	0.020
2000	0.006	0.007**	0.013	0.010	***	***

- * In 1999 there were two interim dividends, the first of £0.006 per share and the second of £0.007 per share. There was no final dividend.
- ** The final dividend was declared on May 29, 2000 as a final dividend for the year and will be payable on August 11, 2000 to holders of record as of June 9, 2000.
- *** The final dividend will be payable in US dollars to ADS holders under the terms of the deposit agreement.

Comparative figures for dividends per ordinary share have been restated to give effect to the capitalization (bonus) issue on September 30, 1999. Dividends have historically been paid semi-annually, with the regular interim dividend with respect to the first six months of Vodafone AirTouch's fiscal year payable in February and the regular

final dividend with respect to the second six months of Vodafone AirTouch's fiscal year payable in August. The amount of future dividends of Vodafone AirTouch will be dependent on its earnings and financial condition and other factors affecting its business.

Taxation of Dividends

Beneficial owners of ADSs who are resident in the United States should refer to "Item 7. Taxation", for a discussion of the relevant law applicable to them. Definitive advice should be sought from your tax advisor to determine the actual impact of US law with respect to your individual profile.

Exchange Rates

Cash dividends, if any, will be paid by Vodafone AirTouch in respect of the ordinary shares in pounds sterling, and exchange rate fluctuations will affect the US dollar amounts received by holders of ADSs on conversion by the Depository of all such cash dividends paid. Moreover, fluctuations in the exchange rate between the pound sterling and the US dollar will affect the US dollar equivalent of the pound sterling price of the ordinary shares on The London Stock Exchange and, as a result, will affect the market price of the ADSs in the United States.

The following table sets forth, for the periods and dates indicated, the period end, average, high and low Noon Buying Rates for pounds sterling expressed in US dollars per £1.00.

<u>Years ended March 31</u>	<u>Period end</u>	<u>Average*</u>	<u>High</u>	<u>Low</u>
1996	1.53	1.56	1.62	1.50
1997	1.64	1.60	1.71	1.49
1998	1.68	1.65	1.70	1.58
1999	1.60	1.65	1.72	1.60
2000	1.59	1.61	1.68	1.55

* The average of the Noon Buying Rates on the last day of each full month during the period.

ITEM 9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on the Consolidated Financial Statements included elsewhere in this Annual Report. Such Consolidated Financial Statements are prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. Reconciliations of the material differences in such Consolidated Financial Statements to US GAAP are set forth in Note 32 of the Notes to Consolidated Financial Statements.

The Consolidated Financial Statements for the year ended March 31, 2000 do not include any adjustments arising from the creation, on April 3, 2000 of Verizon Wireless under a joint venture arrangement with Bell Atlantic. Additionally, the consolidated profit and loss account and cash flow do not include the results of the acquired businesses of Mannesmann, since European Commission approval for the acquisition was only received on April 12, 2000. The fair value of the purchase consideration for the Mannesmann AG shares acquired, and other associated costs, are shown as fixed asset investments at March 31, 2000.

The effect of the creation of Verizon Wireless will be a transfer of the Group's US cellular, PCS and paging assets, which were acquired upon the Merger with AirTouch, into an associated undertaking that will be consolidated under the equity accounting basis. This entity's turnover will therefore not be included as part of the Group's consolidated turnover; instead the Group will recognize its share of the operating profits, interest and taxation of the associated undertaking. Vodafone AirTouch will have a 45% interest in the new venture. Further details are provided in "Item 1. Description of Business". The Group's turnover from controlled businesses in the US in the year ended March 31, 2000 was £2,585 million.

The Mannesmann businesses acquired include wireless telecommunications, fixed line telecommunications and non-telecommunications businesses. The turnover of these businesses in the year ended December 31, 1999 was €7,234 million, €1,787 million and €14,244 million, respectively. The turnover of Mannesmann's wireless

business excludes the turnover of Orange. Vodafone AirTouch has reached agreements to dispose of substantially all of the non-telecommunications businesses.

Results of Operations

The statutory consolidated profit and loss account presented on page F-2, and the accompanying notes, have been prepared on the basis required by United Kingdom accounting standards and include the results of AirTouch from June 30, 1999, the date of closure of the Merger.

	Continuing operations	Acquisitions	Year ended March 31,		
			2000	1999	1998
	£m	£m	£m	£m	£m
Income and expenses items					
Sales	4,498	3,375	7,873	3,360	2,471
Cost of sales, selling, distribution and administrative expenses, and amortization of goodwill	<u>(3,518)</u>	<u>(3,374)</u>	<u>(6,892)</u>	<u>(2,513)</u>	<u>(1,844)</u>
Operating profit	980	1	981	847	627
Share of joint ventures and associated undertakings	<u>104</u>	<u>(289)</u>	<u>(185)</u>	<u>116</u>	<u>60</u>
	<u>1,084</u>	<u>(288)</u>	<u>796</u>	<u>963</u>	<u>687</u>
Total Group operating profit before goodwill amortization and exceptional items					
	1,103	1,435	2,538	972	707
Amortization of goodwill	(19)	(1,693)	(1,712)	(9)	—
Exceptional reorganization costs	—	(30)	(30)	—	(20)
Profit on disposal of fixed asset investments			954	66	24
Net interest expense			(401)	(94)	(61)
Taxation			<u>(685)</u>	<u>(252)</u>	<u>(203)</u>
Profit on ordinary activities after taxation			<u>664</u>	<u>683</u>	<u>447</u>
Profit for the financial year			<u>487</u>	<u>637</u>	<u>419</u>

Fiscal 2000 Compared to Fiscal 1999

Turnover

The Group's turnover increased by £4,513 million from £3,360 million for the year ended March 31, 1999 to £7,873 million for the year ended March 31, 2000. Turnover from acquisitions completed in the year accounted for £3,375 million of this increase, with turnover from continuing operations increasing by £1,138 million (34%).

Turnover for the Europe, Middle East & Africa region, including turnover from acquisitions of £715 million, increased by 93% from £945 million for the year ended March 31, 1999 to £1,822 million for the year ended March 31, 2000. Included within acquisitions is turnover from new subsidiaries following the Merger with AirTouch, being Europolitan (Sweden) and Misrfone (Egypt), these two businesses having previously been accounted for as associated undertakings, reflecting the Group's ownership interests before the Merger, and Telecel (Portugal). Including acquisitions, the region's venture customer base in controlled businesses increased by 180% from 2,643,000 customers at March 31, 1999 to 7,400,000 at March 31, 2000. This increase includes organic venture customer growth of 61% during the fiscal year in businesses in which the Group had a controlling interest at March 31, 2000. Growth in prepaid services has been an important feature of this result, with over 54% of the region's proportionate customers being connected to prepaid products at March 31, 2000, compared with 30% at March 31, 1999. As a result of this trend towards prepaid services, and the general trend of lower tariffs across the region, average revenue per customer (at constant exchange rates) declined from £354 last year to £318 in the year ended March 31, 2000. Average network churn in the region remained low during 2000 at 20.5%, calculated on a rolling twelve month period for controlled businesses at March 31, 2000.

In the United Kingdom, turnover increased by 39% from £2,088 million to £2,901 million, reflecting turnover from acquisitions of £75 million, strong growth in the prepaid customer base, the success of data services and increased minutes' usage, offset by the impact of tariff reductions. Vodafone continued to be the market leader with 8,791,000 customers and a market share of 32%, approximately 1.4 million customers ahead of its nearest competitor. Net new customer connections in the year ended March 31, 2000 totaled 3,216,000, including net connections for prepaid customers of 3,233,000 (1999 — 1,648,000). Prepaid customers in the UK region totaled 5,079,000 at March 31, 2000 and represented almost 58% of the UK customer base. Overall average revenue per customer decreased from £378 for the year ended March 31, 1999 to £305 in this fiscal year, reflecting the increase in the prepaid customer base. Average revenue per prepaid customer increased by 10% in the year ended March 31, 2000 to £175 (£199 before trade discounts) compared with £159 (£178 before trade discounts) for the year ended March 31, 1999. For the contract customer base, average revenue per customer was stable at £421 (£554 before trade discounts) for the year ended March 31, 2000 compared with £423 (£553 before trade discounts) last year. This reflects tariff reductions being balanced by increased usage. Overall churn in the year ended March 31, 2000 increased to 29.8% compared with 26.0% in the previous year. Churn in the second half of the year declined following management actions to reduce network churn. Roaming revenues, both from Vodafone customers using their phones overseas and visitors using the UK network, represented 24% of contract digital outgoing airtime and access revenues in 2000, compared with 23% in the previous year.

Turnover for the United States & Asia Pacific region increased to £3,150 million (£3,512 million including the Group's share of the turnover of joint ventures) in the year ended March 31, 2000 compared with £327 million for the comparable period. Turnover for continuing operations, which reflects the turnover of the Group's subsidiary operations in Australia and New Zealand, increased by 73% to £565 million for the year ended March 31, 2000 as the number of venture customers in these operations increased by 66%, from 1,152,000 at March 31, 1999 to 1,913,000 at March 31, 2000. Vodafone Australia increased its customer base by 48% during fiscal 2000 to 1,440,000 customers, while strong growth continued in New Zealand, where the customer base increased by more than 290,000 during the year to 473,000 customers at March 31, 2000.

The United States & Asia Pacific region's turnover of £2,947 million from acquisitions, including the Group's share of turnover from joint ventures totaling £362 million, is in respect of the region's US operations. The total venture customer base of the Group's US cellular operations at March 31, 2000 was 12,544,000, including 2,462,000 customers of the CMT and PrimeCo joint ventures. Strong growth in the US customer base reflects the continued roll-out of the US digital network, with 4,196,000 proportionate customers connected to the digital network at March 31, 2000, representing 40% of the customer base at the end of the fiscal year. On average, customers connected to the digital network generate higher revenues and a lower level of churn than those connected to the analog network, and the migration of customers from analog to digital has been stimulated by incentives, an extensive advertising campaign and a new range of tariffs. Average revenue per customer for the twelve month period to March 31, 2000 for subsidiary US networks was £293 (at average exchange rates), 7% lower than the same period last year. The benefits of customer migration to the digital network, together with higher usage, has begun to offset the effect of tariff reductions resulting in a reversal in the decline in ARPU in some markets. Churn on wholly owned networks during the year ended March 31, 2000 was 29% compared with 27% in the comparable period.

Operating profit and costs

Total Group operating profit decreased from £963 million for the year ended March 31, 1999 to £796 million for the year ended March 31, 2000 after goodwill amortization charges of £1,712 million (1999 — £9 million) and exceptional reorganization costs of £30 million incurred in the US following the Merger with AirTouch.

In the Europe, Middle East & Africa region, total Group operating profit before goodwill amortization increased from £314 million to £1,103 million, including operating profit from acquisitions of £748 million. This growth reflects an increase in the total proportionate customers from 3,801,000 at March 31, 1999 to 15,662,000 at March 31, 2000, and strong trading throughout the region, in particular by subsidiaries in Egypt, the Netherlands and Sweden, and by associated undertakings in Germany, Italy, South Africa and Spain. This was offset by a reduction in operating profit in the Group's associated undertaking in France due to high connection costs incurred on customer growth. After charging goodwill amortization costs of £910 million, total Group operating profit for the Europe, Middle East

& Africa region declined from £311 million in 1999 to £193 million in 2000, including a reduction in the share of operating profits from joint ventures and associated undertakings from an operating profit of £111 million to an operating loss of £135 million.

In the UK, total operating profit before goodwill amortization increased by 10% from £644 million to £706 million. This growth in operating profit was less than the increase in turnover as increased usage was offset by connection costs on record customer growth, 36% higher than last year, and tariff reductions. Goodwill amortization costs for the UK region were £11 million in 2000 (1999 — £1m).

In the United States & Asia Pacific region, total Group operating profit, before goodwill amortization and exceptional reorganization costs, was £729 million for the year ended March 31, 2000 and comprised £40 million from continuing operations (1999 — £14 million) and £689 million from acquisitions completed in the year. The increase in operating profit from continuing operations reflects strong organic growth in Australia, New Zealand and Fiji and the first full year of results from New Zealand. Acquisitions include the results of network operations in the US, where the level of profitability was affected by the costs of migrating US customers from analog to digital, and the results of the Group's acquired associated undertakings in Japan, which reported 1,907,000 proportionate customers at March 31, 2000.

Consolidated cost of sales has increased from £1,809 million in the year ended March 31, 1999 to £4,359 million in the year ended March 31, 2000, including £1,768 million in respect of acquisitions completed in the year. Cost of sales for continuing operations represented 57.6% of turnover in fiscal 2000, an increase from 53.8% last year. The Group's cost of sales consist primarily of financial incentives to service providers and dealers, payments to landline and mobile operators for delivering calls outside the Group's networks and for providing landline or microwave links, depreciation of network infrastructure, the cost of customer equipment sold and network operating costs. The Group's cost of sales as a proportion of turnover increased in fiscal 2000 due primarily to increases in the level of equipment costs, depreciation of the network infrastructure and payments of financial incentives in relation to the increase in customer connections, which were at record levels in fiscal 2000.

The Group's equipment costs and cost of providing financial incentives to service providers and dealers for obtaining new customers amounted to £1,853 million (23.5% of turnover) compared with £760 million (22.6% of turnover) in 1999. In the United Kingdom, average cost to connect in 2000 was £50 for prepaid customers, compared with £43 in the twelve months ended March 31, 1999, and average cost to connect for contract customers increased from £88 to £94 over the same period. Average cost to connect in the United States was £141 for the year ended March 31, 2000. In addition the network intersystem costs in the businesses acquired, particularly the United States, were higher than those in the existing businesses. Such costs in the United States represented 18.9% of turnover compared with an average of 13.6% across the rest of the Group.

The Group's research and development costs for fiscal 2000 were £46 million compared with £37 million in 1999. These figures include costs relating to the Group's engineers who work closely with equipment suppliers to assist those suppliers in developing systems and equipment to meet the Group's needs.

Selling and distribution costs were £243 million and £869 million in the years ended March 31, 1999 and 2000 representing 7.2% and 11.0% of turnover for each year, respectively. For continuing operations, selling and distribution costs as a proportion of turnover in 2000 were 6.8%, whereas selling and distribution costs for acquisitions of £564 million represented 16.7% of turnover. The higher percentage for acquisitions reflects the higher connection costs incurred by US operations.

Administrative expenses increased from £461 million to £1,664 million in the year ended March 31, 2000. Administrative expenses in 2000 include a charge for goodwill amortization of £674 million in respect of the consolidation of subsidiary undertakings (1999 — £8 million). Excluding goodwill amortization charges, administration costs in 2000 represented 12.6% of Group turnover, a reduction from 13.5% in 1999. This is as a result of lower indirect costs in the acquired entities particularly in the US.

Profit on ordinary activities before interest

During the year ended March 31, 2000, the Group's profit on ordinary activities before interest increased by 70% from £1,029 million to £1,750 million. The items having the most significant impact on the result were the increase

in total Group operating profit, before goodwill amortization and exceptional items, from £972 million to £2,538 million, including £1,435 million from acquisitions, goodwill amortization charges of £1,712 million, compared with £9 million in the prior year, and an increase in the profit on the disposal of fixed asset investments from £66 million in 1999 to £954 million in 2000.

The increase in goodwill amortization charges reflects the increase in the net book value of capitalized goodwill from £182 million at March 31, 1999 to £40,453 million at March 31, 2000. This includes goodwill, before amortization charges, of £40,968 million arising on the Merger with AirTouch.

The profit on disposal of fixed asset investments of £954 million primarily comprises a profit of £939 million on the disposal of the Group's 17.24% shareholding in E-Plus Mobilfunk GmbH. This disposal was a condition to the European Commission's approval of the Merger with AirTouch. The remaining profit on disposal includes the sale of the Group's 20% interest in a UK service provider business, Martin Dawes Telecommunications Limited, and the disposal of the Group's 50% shareholding in Comfone AG in Switzerland.

Net interest payable

During the year ended March 31, 2000, net interest payable in respect of the Group's borrowings increased by £257 million to £333 million, before charging £17 million of exceptional finance costs incurred in restructuring the Group's borrowing facilities as a result of the Mannesmann acquisition. This increase reflects a £5,135 million increase in net borrowings during the year, mainly due to the additional debt arising from the Merger with AirTouch.

Taxation

In the year ended March 31, 2000, the Group provided for corporation tax at an effective rate of approximately 32.5% (excluding the effects of the amortization of goodwill and disposal of fixed asset investments), compared with the UK statutory rate of 30%. This effective tax rate increased by 3.8% from 28.7% in 1999, primarily as a result of the higher tax rates attributable to the former AirTouch operations, whose results have been included for the nine month period following Merger completion.

Fiscal 1999 Compared to Fiscal 1998

The results for fiscal 1999 and fiscal 1998 do not include the turnover and operating profits of the cellular operations acquired following the Merger with AirTouch, which have been consolidated from June 30, 1999.

Turnover

The Group's turnover increased by £889 million (36%) from £2,471 million for the year ended March 31, 1998 to £3,360 million for the year ended March 31, 1999. Turnover growth in the Group's international businesses was 82% whilst growth in the United Kingdom was 18%. Turnover from international operations increased by £573 million to £1,272 million and represented 38% of the Group's total turnover, compared to 28% in 1998.

In the Europe, Middle East & Africa region, the increase in turnover from £503 million to £945 million was due to the acquisition of a controlling interest, in January 1998, in the Dutch network operator, Libertel, and its primary service provider and strong turnover growth in the Netherlands and Greece, primarily reflecting the growth in their customer bases. The region's venture customer base in businesses in which the Group had a controlling interest, being Libertel (Netherlands), Panafon (Greece) and Vodafone (Malta), at March 31, 1999 was 2,643,000, an increase of 1,374,000 (108%) from March 31, 1998.

In the United Kingdom, turnover for the year ended March 31, 1999 grew by 18% to £2,088 million from £1,772 million. In the twelve months to March 31, 1999, an additional 2,145,000 customers connected to the Vodafone network, including 1,648,000 prepaid customers, an increase of 281% over the total growth of 563,000 achieved in the previous financial year. Net customer growth is gross additions less customers who leave or are disconnected from the network. Customers continued to be encouraged to migrate from the analog network to the digital network, although the level of migrations decreased to 155,000 from the peak of 317,000 in 1997. Approximately 2,142,000 net customers joined the digital network, including 155,000 customers who migrated from the analog network. The number of customers on the analog network increased by 3,000 customers, net of

migrations and disconnections in the year. Turnover from Vodafone's digital networks grew from approximately £1,030 million in the year ended March 31, 1998 to £1,459 million in the year ended March 31, 1999. Average revenue per contract customer for the financial year ended March 31, 1999, remained relatively stable at £423. This was achieved by an 8% increase in minutes' usage over the year offset by planned price reductions for both incoming and outgoing calls. Average revenue per prepaid customer is calculated to be £159 per annum, a 10.4% increase on the same figure at September 30, 1998, the first date for which comparable data has been available. Overall average revenue per customer (both contract and prepaid) declined from £419 to £378 due to the effect of the increase in the prepaid base. The reorganization of the Group's six UK service providers into three distribution businesses in July 1997, operating under the new Vodafone identity, contributed to an increase in turnover from £894 million in 1998 to £1,030 million in 1999, primarily as a result of the growth in customer numbers at over five times the level achieved in the previous year. The data group of companies, comprising the businesses of Vodafone Value Added and Data Services and Vodafone Paging, increased turnover from £108 million in 1998 to £112 million in 1999.

The United States & Asia Pacific region comprised the Group's interests in businesses in Australia and New Zealand at March 31, 1999. The growth in turnover for this region from £196 million to £327 million arose primarily from an increase of 78% in the customer base in Australia, and £36 million from the acquisition of Vodafone New Zealand Limited during the year.

Operating profit and costs

Total Group operating profit increased by 40% to £963 million in the year ended March 31, 1999.

Total Group operating profit in the Europe, Middle East & Africa region increased by £129 million to £311 million due to growth in the profitability of all the Group's European operations, including the benefit of a full year's trading from Libertel as a subsidiary, and an increase in the profits of the Group's associated undertakings in South Africa.

In the United Kingdom, total Group operating profit increased by 14% to £643 million, and by £60 million (10%) after adjusting for exceptional costs in 1998 of £20 million for the reorganization of the UK service provider businesses. The growth in total Group operating profit was less than the growth in turnover as increased usage was offset by tariff reductions and connection costs associated with exceptional customer growth. The overall level of churn, which is the overall rate of customers leaving the Vodafone service as a percentage of total customers, was 26.0%, a decrease of 3.0% on the previous year. The decreased level of churn in 1999 reflects a 1.2% reduction in contract churn to 27.8% and the impact of prepaid churn, which is presently around 20%. There is an insufficient period to assess a realistic ongoing level of prepaid churn, but it is expected to rise as Vodafone's policy is that prepaid customers are disconnected six months after the utilization of their prepay credit.

The improved trading performance of the United States & Asia Pacific region, which made a total Group operating profit of £9 million, compared with losses of £59 million in the previous year, was due to the Australian businesses moving through break-even and achieving an overall profit in the financial year.

Cost of sales has increased from £1,265 million in 1998 to £1,809 million in 1999, representing 53.8% of turnover in 1999, up from 51.2%. The Group's cost of sales consists primarily of financial incentives to service providers and dealers, payments to landline operators for delivering calls outside the Group's networks and for providing landline or microwave links, depreciation of network infrastructure, costs of customer equipment sold by service providers, and network operating costs. The Group's cost of sales as a proportion of turnover increased in 1999 due primarily to increases in the level of payments of financial incentives in relation to the increase in customer growth. The Group's cost of providing financial incentives to service providers and dealers for obtaining new customers amounted to £417 million in 1999 compared with £246 million in 1998.

The Group's research and development costs for 1999 were £37 million compared with £34 million in 1998. These figures include costs relating to the Group's engineers who work closely with equipment suppliers to assist those suppliers in developing systems and equipment to meet the Group's needs.

Selling and distribution costs were £210 million and £243 million in the years ended March 31, 1998 and 1999 representing 8.5% and 7.2% of turnover for those years, respectively. After adjusting for the exceptional costs of reorganizing the UK service providers in 1998, which amounted to £20 million, selling and distribution costs

represented 7.7% of 1998 turnover and the underlying increase in these costs during 1999 was 27.8%. This increase is attributable to the consolidation of Libertel and Libertel Verkoop en Services for a full twelve months, the costs associated with continued development of the Vodafone brand in the UK and overseas markets and the increased costs of administration arising from the continuing growth in the business.

Profit on ordinary activities before interest

During 1999, the Group's profit on ordinary activities before interest increased by 45% from £711 million to £1,029 million, rising at a faster rate than turnover due to the impact of the increased profits from the Group's international subsidiary and associated undertakings, an increase in profits from the disposal of fixed asset investments and a reduction in exceptional costs (£20 million) associated with the reorganization of the service provider business in 1998, off-set by the adverse impact of exchange rates on profit of £23 million and the cost of financial incentives paid to service providers and dealers in connection with customer growth. The profit on disposal of fixed asset investments of £66 million in 1999, compared with £24 million in 1998, arose from the reduction in the Group's interest in Globalstar from 5.2% to 3.0%, on a diluted basis, the profit on disposal of the Group's French service provider business operated by Vodafone SA and an adjustment to profits in relation to 1998 business disposals following finalization of the relevant completion accounts.

Net interest payable

In 1999, net interest payable, including the Group's share of associate interest, increased by £33 million to £94 million, from £61 million in 1998, as net borrowings increased by £391 million to £1,508 million, principally to finance international acquisitions.

Taxation

In 1999, the Group provided for corporation tax at an effective rate of approximately 27.0%, compared with the UK statutory rate of 31.0%. This effective tax rate fell by 4.3% from 31.3%, primarily as a result of the utilization of brought forward losses in international operations. Excluding the effect of the disposal of fixed asset investments, the effective rate decreased from 32.5% to 28.7%.

Inflation

Inflation has not had a significant effect on the Group's results of operations and financial condition during the three years ended March 31, 2000.

Liquidity and Capital Resources

The major sources of Group liquidity over the three years ended March 31, 2000 have been cash generated from operations, borrowings arranged centrally through a mixture of long term and short term capital market issues, and borrowings drawn from committed bank facilities.

Cash generated by operating activities was £2,510 million in 2000, £1,045 million in 1999 and £886 million in 1998. The increase of £1,465 million from 1999 to 2000 was due primarily to the inclusion of the operating cash flows of the acquired AirTouch businesses, which contributed £945 million to net operating cash flows following the Merger, and increased operating profit in the Group's continuing operations. The increase from 1998 to 1999 was primarily due to an increase in operating profit, including consolidation of the Dutch businesses in which a majority interest was acquired in January 1998, partly offset by movements in working capital.

Other significant cash inflows in 2000 included £236 million in respect of dividends from joint ventures and associated undertakings, £1,028 million from the disposal of fixed asset investments and loan repayments, primarily relating to the disposal of E-Plus Mobilfunk GmbH, proceeds of £362 million from the exercise of share options by employees, and £279 million of cash receipts in relation to the sub-letting of certain US communications towers.

These cash inflows, and the net cash flow generated by operating activities, were used mainly to fund capital expenditure, pay tax, finance interest and dividends to minority shareholders and pay equity dividends.

New investments in the year ended March 31, 2000 of £4,801 million (1999 — £344 million), which primarily comprise equity investments, were financed principally by cash flows of £3,319 million from an increase in net debt and the cash inflows above. Significant cash outflows in respect of equity investments in the year were in relation to AirTouch (£3,534 million), CommNet Cellular Inc. (£459 million), investments in Japan (£342 million) and Omnitel in Italy (£112 million).

Intangible fixed assets, primarily comprising capitalized goodwill, and fixed asset investments increased to £144,544 million at March 31, 2000 from £701 million at March 31, 1999. £101,246 million of the increase is in respect of the acquisition of Mannesmann AG and represents the ordinary shares issued to the shareholders and convertible bond holders of Mannesmann AG at March 31, 2000. This follows the receipt of valid acceptances representing approximately 98.62% of the issued share capital of the company, and 99.72% of its convertible bond, at March 27, 2000, the date that the Company's offer closed. The Mannesmann acquisition completed on April 12, 2000, the date that clearance was received from the European Commission. A further £41,379 million of the increase is in relation to goodwill, net of amortization charges, arising on acquisitions and investments in new businesses completed during the year, which has been capitalized and amortized in accordance with the Group's accounting policies. Included within this amount is goodwill arising on the Merger with AirTouch, provisionally calculated as £40,968 million. Other movements primarily comprise fixed asset investments additions and loan advances of £1,814 million, adverse exchange movements of £1,241 million and £577 million of additions to license and spectrum fees, of which £326 million relates to the acquisition of Misrfone (Egypt) as part of the Merger with AirTouch.

In 1999, goodwill arising on acquisitions, net of amortization charges, was £172 million, equity additions and loan advances, excluding goodwill, were £105 million, and £18 million was spent on additional frequency spectrum in Australia.

At March 31, 2000, the Group's network infrastructure fixed assets totaled £5,397 million, and represented approximately 86% of the Group's tangible fixed assets, an increase from £1,752 million at March 31, 1999. The increase is mainly in relation to the acquisition of subsidiary undertakings with a net book value for fixed assets of £2,932 million, of which £2,624 million related to network infrastructure. Additions to network infrastructure in the year, excluding acquisitions, totaled £1,610 million compared with £530 million in the year ended March 31, 1999. Capital expenditure in the Europe, Middle East and Africa region and US & Asia Pacific region in the financial year to March 31, 2000 amounted to £551 million and £809 million, respectively, and was primarily attributable to expenditure on the acquired networks in Sweden, Portugal and the United States as well as the digital networks in Greece, the Netherlands, Australia and New Zealand.

At March 31, 1999, the Group's network infrastructure fixed assets totaled £1,752 million, and represented approximately 82% of the Group's tangible fixed assets, an increase from £1,308 million at March 31, 1998. In 1999, fixed assets with a net book value of £100 million were acquired by the purchase of subsidiary undertakings. Additions to network infrastructure in the year totaled £530 million compared with £368 million in the year ended March 31, 1998. Overseas capital expenditure in the 1999 financial year amounted to £328 million (1998 — £207 million) and was mostly attributable to expenditure on digital networks in Australia, Greece, the Netherlands and New Zealand.

The companies consolidated in Vodafone AirTouch at March 31, 2000 expect to spend approximately £4 billion on capital expenditure in 2000/2001, excluding the cost of 3G spectrum and infrastructure. Approximately 54% of this expenditure will be on digital networks in the Europe, Middle East and Africa region, mainly in relation to Italy, Germany, Greece and the Netherlands to enhance capacity and maintain a high quality of service. Approximately £900 million is expected to be expended in the UK, where capacity will continue to be added to the digital network to accommodate growth in customer numbers and to meet the anticipated increase in demand from new services provided with the 3G license. Capital expenditure on 3G spectrum and infrastructure had only a limited impact on cash flows in the year ended March 31, 2000 but it is expected to be significant in the future. In April 2000, Vodafone acquired the largest UK license available to existing operators for £5.964 billion.

Net current liabilities, excluding debtors due in more than one year, increased by £1,589 million to £2,343 million at March 31, 2000. Trade creditors, other creditors and accruals and deferred income increased from March 31, 1999 to March 31, 2000 by £490 million, £390 million and £986 million, respectively, due primarily to acquisitions during

the year and increased turnover. Current taxation liabilities increased by £283 million with the increased tax charge on profits, and the final dividend payable increased by £317 million due to the additional shares issued as a result of the Merger with AirTouch and acquisition of Mannesmann AG. Net borrowings within working capital, comprising short term bank loans, other loans and overdrafts, commercial paper, cash at bank and liquid investments increased by £234 million due primarily to investment purchases and net capital expenditure. Debtors due within one year and stocks increased by £994 million and £145 million, respectively, due to acquisitions in the year and increased turnover.

From 1998 to 1999, net current liabilities, excluding debtors due in more than one year, decreased by £93 million, with trade creditors, other creditors and accruals and deferred income increasing by £17 million, £16 million and £122 million, respectively, due to both acquisitions in the period and increased turnover. Current taxation liabilities increased by £46 million with the increased tax charge on profits. The final dividend increased by £13 million over the prior year. Net borrowings within working capital decreased by £103 million, as short term debt was replaced with long term bank loans of £489 million. Debtors due within one year increased by £190 million, due to the effect of acquisitions in the year and increased turnover.

At March 31, 2000 and 1999 the Group had net borrowings of £6,643 million and £1,508 million, respectively. Long term debt at March 31, 2000 and March 31, 1999 was £6,038 million and £1,137 million, respectively. Long term debt at March 31, 2000 comprised bank loans totaling £184 million repayable between two and five years (1999 — £606 million repayable between two and five years), and other loans totaling £5,854 million (1999 — £531 million). Other loans primarily comprised bond issues by the Company, or by AirTouch and guaranteed by the Company, totaling £5,763 million (1999 — £496 million) which are repayable between one and thirty years from the balance sheet date (1999 — between two and five years).

In May 2000, the Company issued \$3.75 billion of Floating Rate Notes, of which \$0.75 billion is due in June 2001 and \$3 billion in December 2001.

At March 31, 2000 the Group had undrawn committed facilities totaling €17 billion. The committed facility comprises a syndicated senior credit facility of €30 billion, which was subsequently reduced to €17 billion on March 11, 2000. Of the total facility at March 31, 2000, €9.5 billion expires within one year and €7.5 billion expires between two and five years. The portion of the facility maturing within one year may be extended, at the option of the Company, for a further period of between six and twelve months.

In addition to the Group facility, Misrfone, a subsidiary company in Egypt, has an EGP2.4 billion committed facility, which may only be used to fund its operations.

On May 26, 2000, the Company signed an additional \$5 billion 364 day bank facility, which may be extended at the option of the Company by a further nine months. On June 21, 2000 the facility was increased to \$7.5 billion.

Exchange Rates

Due to the wide diversity of foreign currency investments, movements in exchange rates have had no material impact on the Group's profit and loss account in any of the two years ended March 31, 2000 and 1999. The adverse impact of movements in exchange rates on total Group operating profit before goodwill amortization and exceptional items was £16 million in 2000 compared with £23 million in 1999.

Year 2000 Readiness Disclosure

The Company, through its comprehensive Millennium Programme, continues to give high priority to the potential impact of all year 2000 date related issues. At the date of this report, the principal transition dates, including December 31, 1999, January 1, 2000 and February 29, 2000, have passed without revealing any serious problems in the Group's systems and the directors are not aware of any significant factors relating to any year 2000 date related issue which have arisen, or that may arise, and which will significantly affect the activities of the business. Nevertheless, the situation is still being monitored.

The Group incurred costs in relation to Year 2000 compliance of approximately £22 million in the financial year, and £18 million in previous financial years, although many costs are not separately identifiable as millennium modifications are often embodied in software purchased and developed in the normal course of business.

Introduction of the Single European Currency

The Company has interests in eight of the eleven countries where the euro was introduced on January 1, 1999 for business-to-business use. Following a three year transition period, the euro will be adopted in those countries for all purposes. Working groups have been established by local management in these “first wave” markets to assess the impact on business operations of trading in the euro and to manage the implementation of appropriate change programmes.

The Executive Committee of Vodafone AirTouch has set up a steering group to assess the impact of the single currency on the Group and to monitor progress in the adoption of euro-compliant business systems. Current status, together with strategic and operational issues arising, are tracked regularly on a country-by-country basis and reports made to the Executive Committee.

Progress in all markets to date is on target, with no significant issues outstanding. In EU markets not yet committed to the introduction of the euro, preliminary assessments have been carried out. The financial cost of preparation for the adoption of the euro is not material to the Group.

Accounting Principles

The Consolidated Financial Statements in respect of the year ended March 31, 2000 comply with two new Financial Reporting Standards (“FRS”) issued by the Accounting Standards Board in the United Kingdom, as follows:

FRS 15 — “Tangible Fixed Assets”, which applies to accounting periods ended on or after March 23, 2000. Adoption of FRS 15 has not had a material impact on the Consolidated Financial Statements for 2000 and has not necessitated the restatement of comparative balances.

FRS 16 — “Current Tax”, which also applies to accounting periods ended on or after March 23, 2000. Adoption of FRS 16 has not had an impact on the Consolidated Financial Statements for 2000 and has not necessitated the restatement of comparative balances.

US GAAP Reconciliation

The principal differences between US GAAP and UK GAAP, as they relate to Vodafone AirTouch’s Consolidated Financial Statements, are the methods of accounting for goodwill for acquisitions completed before March 31, 1998, the determination of the fair value of the share consideration as a component of the purchase price of acquisitions, the treatment of deferred taxation, the recognition of tax benefits on the exercise of share options and the treatment of dividends declared or proposed after the year end by the Board of directors.

Net income under US GAAP was higher than that reported under UK GAAP by £66 million in 2000, and was lower than under UK GAAP in 1999 and 1998 by £127 million and £45 million, respectively. In 2000 the charge for goodwill amortization was £425 million higher under US GAAP than that reported under UK GAAP. This was offset by the charge for income taxes which was £439 million lower under US GAAP than that reported under UK GAAP. In addition reorganization costs and minority interests were £25 million and £35 million lower, respectively, under US GAAP than that reported under UK GAAP.

In 1999 and 1998, the primary cause of net income being lower under US GAAP, was a higher charge for goodwill amortization under US GAAP than that reported under UK GAAP by £99 million and £62 million respectively.

For a further explanation of the differences between UK GAAP and US GAAP, see Note 32 of Notes to Consolidated Financial Statements.

ITEM 9A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group's treasury function provides a centralized service to the Group for funding, foreign exchange, interest rate management and counterparty risk management. Treasury operations are conducted within a framework of policies and guidelines authorized and reviewed annually by the Board of the Company. The Group accounting function provides regular update reports of treasury activity to the Board. The Group uses a number of derivative instruments which are transacted, for risk management purposes only, by specialist treasury personnel. The internal control environment is reviewed regularly by the Group's internal auditors. There has been no change during the fiscal year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

The Group's main interest rate exposures are to Sterling, Euro and US Dollar interest rates. Under the Group's interest rate management policy, interest rates are fixed when net interest is forecast to have a significant impact on profits. Therefore, the term structure of interest rates is managed within limits approved by the Board, using derivative financial instruments such as swaps, futures and forward rate agreements. At the end of the year, 65% (1999 — 51%) of the Group's gross borrowings were fixed for a period of at least one year. Based on all interest rate sensitive instruments, a one hundred basis point rise in market interest rates for all currencies in which the Group had borrowings at March 31, 2000 would affect profit before taxation by approximately £22 million. The interest rate management policy has remained unaffected by the acquisition of Mannesmann AG, although there has been an increase in the weighting of the exposure to Euro interest rates.

Vodafone AirTouch's policy is to borrow centrally, using a mixture of long term and short term capital market issues and borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are lent or contributed as equity to subsidiaries. The Board has approved ratios consistent with those used by companies with high credit ratings for net interest cover, market capitalization to net debt and net cash flow to net debt, which establish internal limits for the maximum level of debt that the Group may have outstanding. These ratios are shared with the credit rating agencies. For the fiscal year ended March 31, 2000, Group interest, excluding the Group's share of interest payable by joint ventures and associated undertakings, is covered 7.3 times by Group EBITDA. Group EBITDA is the operating profit of the Group's subsidiary undertakings before exceptional reorganization costs, plus depreciation and amortization, and excluding dividends received from joint ventures and associated undertakings.

Foreign currency exposures on known future transactions are hedged, including those resulting from the repatriation of international dividends and loans. Forward foreign exchange contracts are the derivative instrument most used for this purpose.

Translating the current year local currency operating results at average exchange rates for 1999 would result in total Group operating profits, before goodwill and exceptional items, £16 million greater than those actually achieved using 2000 average exchange rates. This primarily arose as a result of the strength of sterling against the Euro denominated currencies, which depreciated against sterling by approximately 6%. A 10% strengthening of sterling against all currencies in which the Group's international net earnings are denominated would reduce 2000 total Group operating profit by £9 million (1999 — £29 million). The proportion of international earnings to those of the Group in total will continue to increase in future years, the most significant impact being the consolidation of the results of Mannesmann from April 12, 2000.

The Group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, since net tangible assets represent a small proportion of the market value of the Group and international operations provide risk diversity. However, 66% of gross borrowings were denominated in currencies other than sterling in anticipation of dividend streams and cash flows from profitable international operations and this provides a partial hedge against profit and loss account translation exposure. The relative strength of sterling against certain currencies of countries where the Group operates has resulted in a currency translation adjustment of £1,130 million (charge) to Group reserves in the year ended March 31, 2000 (1999 — £6 million credit). The charge in 2000 relates primarily to currency translation adjustments in relation to certain of the goodwill capitalized in the year and held as a foreign currency denominated asset. The currency translation adjustment to Group reserves in 2000 arose primarily as a result of the movement of sterling against the US dollar, Japanese yen, euro

denominated currencies and Swedish krona. In 1999, the adjustment related to the movement of sterling against the Australian dollar, Greek drachma, Euro denominated currencies and South African rand.

Cash deposits and other financial instrument transactions give rise to credit risks on the amounts due from counterparties. The Group regularly monitors these risks and the credit ratings of its counterparties and, by policy, limits the aggregate credit and settlement risk it may have with one counterparty. While the Group may be exposed to credit losses in the event of non-performance by these counterparties, it considers the possibility of material loss to be minimal because of these control procedures.

Additional information is set out in Note 17 of Notes to Consolidated Financial Statements of this Annual Report.

ITEM 10. DIRECTORS AND OFFICERS OF REGISTRANT

The business of the Company is managed by its Board of directors. The Company's Articles of Association (the "Articles") provide that, until otherwise determined by ordinary resolution, the number of directors will not be less than three. The Company's Board of directors presently consists of seventeen directors, twelve of whom are non-executive directors. The Merger with AirTouch in June 1999, the acquisition of Mannesmann AG in April 2000 and the creation of the Company's joint venture with Bell Atlantic, which was completed in April 2000, have resulted in a year of change for the Board. On completion of the AirTouch transaction on June 30, 1999, Ian MacLaurin stepped down as Chairman and became Deputy Chairman and senior non-executive director with Sam Ginn, the then Chairman and Chief Executive of AirTouch Communications, Inc., becoming Chairman of the Company. Professor Sir Alec Broers and John Gildersleeve, non-executive directors, resigned from the Board and Michael Boskin, Don Fisher, Paul Hazen and Charles Schwab, all of whom had served on the AirTouch Communications, Inc. board, joined as non-executive directors. Arun Sarin, then Chief Operating Officer of AirTouch Communications, Inc. and Mohan Gyani, the then AirTouch Communications, Inc. Chief Financial Officer, were appointed to executive positions at the same time.

Mohan Gyani decided to leave the Board on September 30, 1999 and the Company then invited Sir Alec Broers to re-join the Board as a non-executive director. Sir Alec was re-elected as a director by the shareholders at the Company's Extraordinary General Meeting on January 24, 2000.

On completion of the joint venture with Bell Atlantic, Arun Sarin resigned as an executive director but accepted an invitation to remain on the Board in a non-executive capacity.

The Mannesmann acquisition resulted in further changes to the Board after the end of the financial year. Josef Ackermann, Jürgen Schrempp and Henning Schulte-Noelle, all then members of the Supervisory Board of Mannesmann AG, were appointed as non-executive directors on May 1, 2000. Sam Ginn and Charles Schwab resigned on May 23, 2000 and Ian MacLaurin was re-appointed Chairman. Paul Hazen was elected as a Deputy Chairman and the senior non-executive director in succession to Ian MacLaurin. Klaus Esser joined the Board as a Deputy Chairman on June 5, 2000, the date upon which he stepped down from his position with Mannesmann AG. The Company considers all its present non-executive directors, except Arun Sarin, to be fully independent.

The five executive directors are Christopher Gent (the Chief Executive), Peter Bamford, Thomas Geitner, Julian Horn-Smith and Kenneth Hydon. Thomas Geitner joined the Board on May 15, 2000. The present directors and the executive officer of Vodafone AirTouch, and their positions on the Board, are as follows:

Directors

Lord MacLaurin of Knebworth, DL, Chairman, aged 63, has been a member of the Board of directors of Vodafone AirTouch since January 1997. He was re-appointed Chairman in May 2000 and is Chairman of the Nominations Committee. He was Chairman of the board and Chief Executive Officer of Tesco Plc from September 1970 to June 1997, a director of National Westminster Bank Plc from August 1990 to February 1997, a director of Gleneagles Hotels Plc from October 1992 to November 1997 and a director of Bocket Hall Limited from July 1995 to October 1999. Lord MacLaurin is also a non-executive director of Whitbread Plc and Chairman of the England and Wales Cricket Board. He recently joined the Supervisory Board of Mannesmann AG.

Christopher C. Gent, Chief Executive, aged 52, has been a member of the Board of directors of Vodafone AirTouch since August 1985 and the Chief Executive Officer of the Company since January 1997. He was the managing director of Vodafone Limited, the UK network operator from January 1985 to December 1996 and a director of Vodafone Fiji Limited from October 1993 to January 1996 and Vodafone Group (Pty) Limited from July 1993 to December 1996. He is Chairman of the Supervisory Board of Mannesmann AG and is a member of the Board of Representatives of the Verizon Wireless partnership.

Peter R. Bamford, Chief Executive Officer for the UK region, aged 46, has been a member of Vodafone AirTouch's board of directors since April 1998. He is managing director of Vodafone UK Limited and has responsibility for Vodafone AirTouch's UK operations and, from June 2000, the Middle East and Africa operations. Before joining Vodafone AirTouch in 1997, Mr Bamford was a director of WH Smith Group Plc.

Thomas Geitner, Executive director, aged 45, was appointed on May 15, 2000. He is responsible for the development of pan-European products and services and the achievement of revenue and cost synergies between the operating companies in the Group's European Region. Prior to joining Vodafone AirTouch, he was a member of the management board of RWE AG and Chief Executive Officer of Mannesmann o.tel.o GmbH. He is Deputy Chairman of the Management Board of Mannesmann AG.

Julian M. Horn-Smith, Chief Executive Officer for the Europe region, aged 51, has been a member of Vodafone AirTouch's Board of directors since June 1996. He is managing director of Vodafone AirTouch International Limited, and a director of many of Vodafone AirTouch's overseas operating companies, including Europolitan Holdings AB, Vodafone Pacific Limited and Vodafone Fiji Limited. Mr Horn-Smith is also a director of Misfone Telecommunications Company SAE and was a director of Societe Francaise du Radiotelephone S.A. from December 1997 until April 1998 and Celtel Limited from March 1996 to October 1998. He is the Chairman of the Management Board of Mannesmann AG. He is also a non-executive director of Smiths Industries Plc.

Kenneth J. Hydon, Financial Director, aged 55, is Vodafone AirTouch's financial director and has been a member of Vodafone AirTouch's Board of directors since 1985. He is director of several subsidiaries of Vodafone AirTouch, including Vodafone AirTouch International Holdings BV, and promotes US investor relations. Mr Hydon is a member of the Supervisory Board of Mannesmann AG and is a member of the Board of Representatives of the Verizon Wireless partnership.

Dr. Josef Ackerman, non-executive director, aged 52, was appointed on May 1, 2000. He was Deputy Chairman of the Supervisory Board of Mannesmann AG until June 2000. He has been a member of the group board of Deutsche Bank AG since 1996 and, in addition, he serves on the supervisory boards of Linde AG, Stora Enso Oyj, EUREX Frankfurt AG and EUREX Zurich AG. He was also a member of the Sair Group from May 1995 to April 1999 and Winterthur Group from May 1996 to November 1996.

Michael J. Boskin, non-executive director, aged 54, was appointed on June 30, 1999. He was a director of AirTouch Communications, Inc. from August 1996 to June 1999. He has been a Professor of Economics at Stanford University since 1971 and a principal of Boskin & Co., a consulting firm, since 1980. He was Chairman of the President's Council of Economic Advisers from February 1989 until January 1993. He is also a director of Exxon Corporation, First Health Group Corp. and Oracle Corporation.

Professor Sir Alec Broers, non-executive director, aged 61, is the Vice-Chancellor of Cambridge University and rejoined the Vodafone AirTouch Board on November 9, 1999. He was previously a member of the Vodafone AirTouch Board from January 1998 until completion of the Merger with AirTouch, after which he held the position of Director Emeritus of Vodafone AirTouch, an advisory position without Director status. He spent many years with IBM and is a fellow of the Royal Society, the Royal Academy of Engineering, the Institution of Electrical Engineers and the Institute of Physics and is a Foreign Associate of the US National Academy of Engineering. He is also a director of Cambridge Network Limited.

Dr. Klaus Esser, a non-executive Deputy Chairman, aged 52, was appointed on June 5, 2000 when he stepped down as Chairman of the Management Board of Mannesmann AG. He joined the board of Mannesmann AG in 1994 and was appointed Chief Executive in May 1999. He was Financial Director of Mannesmann Demag AG. He is a member of the supervisory boards of several companies of the Mannesmann Group and of Philipp Holzmann AG, Victoria Versicherung AG and Victoria Lebensversicherung AG and is a non-executive director of Alstom.

Donald G. Fisher, non-executive director, aged 71, was appointed on June 30, 1999. He was a director of AirTouch Communications, Inc., from January 1994 to June 1999. He is the founder and Chairman of the board of The Gap, Inc. and was its Chief Executive officer until November 1995. He is a director of The Charles Schwab Corporation and Cornerstone Properties.

Paul Hazen, a non-executive Deputy Chairman, aged 58, was appointed on June 30, 1999 and became a Deputy Chairman and the Board's nominated senior non-executive director in May 2000. He became a director of AirTouch Communications, Inc., in April 1993. He became Chairman and Chief Executive officer of Wells Fargo & Company and its principal subsidiary, Wells Fargo Bank, N.A., in January 1995. He was President and Chief Operating Officer of Wells Fargo & Company and Wells Fargo bank N.A. between 1984 and January 1995. Mr Hazen is also a director of Safeway Inc. and Phelps Dodge Corporation.

Penelope L. Hughes, non-executive director, aged 40, has been a member of Vodafone AirTouch's Board of directors since September 1998. She was president, Great Britain and Ireland, of The Coca-Cola Company from July 1992 to October 1995 and a director of Next Plc from September 1996 to September 1998, Coca-Cola Distributors Ireland Limited from July 1992 to October 1995, Coca-Cola Holdings (UK) Limited from July 1992 to October 1995, Coca-Cola International Sales Limited from July 1992 to October 1995, Coca-Cola Trading Limited from July 1992 to October 1995 and Refreshment Spectrum Limited from July 1992 to October 1995. Mrs Hughes is also a non-executive director of Berisford Plc, Body Shop Plc, and Trinity Mirror plc. She is also chairman of Web-Angel plc and director of Scandinaviska Enskilda Banken A.B.

Arun Sarin, non-executive director, aged 45, was appointed to the Board on June 30, 1999 and was Chief Executive Officer for the United States and Asia Pacific region until he resigned on April 15, 2000, when he became a non-executive director. He was a director of AirTouch Communications, Inc., from July 1995 and was President and Chief Operating Officer from February 1997 to June 1999. He is now Chief Executive Officer of InfoSpace, Inc. and he is also a director of The Charles Schwab Corporation and Cisco Systems, Inc.

Sir David Scholey, CBE, non-executive director, aged 64, has been a member of Vodafone AirTouch's Board since March 1998. He is also senior advisor to UBS Warburg, a director of Anglo American Plc, a non-executive director of, the Chubb Corporation, U.S.A. and Chairman of Close Brothers Group Plc. Sir David was previously a director of The Bank of England from March 1981 to May 1998, British Telecommunications Plc from October 1985 to October 1994, London First from December 1993 to September 1995, The London School of Economics from December 1993 to April 1996, S G Warburg Group Plc from January 1985 to November 1995, The General Electric Company Plc from December 1992 to February 1995, J Sainsbury Plc from July 1996 to February 2000, and a governor of the British Broadcasting Company from March 1994 to January 2000.

Jürgen Schrempp, non-executive director, aged 55, joined the Board in May 2000. In 1989 he became a full member of the board of management of Daimler-Benz AG and President and Chief Executive Officer of Daimler-Benz Aerospace (Dasa) AG. In 1995 he was appointed Chairman of the board of management of Daimler-Benz AG. Following the merger with Chrysler Corp. he was appointed Chairman of the board of management of DaimlerChrysler AG in November 1998. He is also a member of the board of directors of South African Coal, Oil and Gas Corporation Ltd., a member of the New York Stock Exchange, and a member of the supervisory boards of Allianz AG and Bayerische Hypo- and Vereinsbank AG.

Dr. Henning Schulte-Noelle, non-executive director, aged 57, joined the Board in May 2000. He was appointed Chairman of the board of management of Allianz AG in 1991. He was a member of the Supervisory Board of Mannesmann AG from 1994 to 2000, and is a member of the supervisory boards of BASF AG, Dresdner Bank AG, Linde AG, MAN AG, Münchener Rückversicherungs AG, Siemens AG, Thyssen Krupp AG and VEBA AG.

Executive Officer

Stephen R. Scott, Company Secretary, aged 46, was appointed to this position in the Vodafone Group in 1991, prior to which he was employed in the Racal Group legal department having moved into industry in 1980 from private law practice in London. He is head of the Group Legal department and a director of the Group's pension trustee companies.

The Company's Articles of Association, approved by shareholders at the Extraordinary General Meeting held on May 24, 1999, provide that every director who was elected or last re-elected at or before the Annual General Meeting held in the third calendar year before the current year shall automatically retire. Accordingly, Ian MacLaurin, Chris Gent and Ken Hydon will be retiring and, being eligible, will offer themselves for re-election at the Company's Annual General Meeting to be held on July 27, 2000. Furthermore, five new directors, Thomas Geitner, Josef Ackermann, Klaus Esser, Jürgen Schrempp and Henning Schulte-Noelle, will be proposed for election. Also, although the Company's Articles of Association do not require it, Don Fisher will offer himself for re-election as he is over the age of 70.

The shareholders of Vodafone AirTouch in general meeting may from time to time by ordinary resolution appoint any person to be a director. The directors may from time to time appoint one or more directors, but any director so appointed shall retire at the next Annual General Meeting of the Company, but shall then be eligible for re-election. The Board may from time to time appoint one or more directors to be holder of any executive office for such period and on such terms as it decides. A director so appointed shall cease to hold such office, when he ceases to be a director of the Company.

ITEM 11. COMPENSATION OF DIRECTORS AND OFFICERS

The information in this section relates to the board of Vodafone AirTouch as it was constituted during the year ended March 31, 2000. Since the end of the financial year, Sam Ginn and Charles Schwab resigned as directors and Ian MacLaurin was appointed Chairman, Paul Hazen being appointed a non-executive Deputy Chairman. Josef Ackermann, Jürgen Schrempp and Dr. Henning Schulte-Noelle were appointed as directors on May 1, 2000, Thomas Geitner joined the Board on May 15, 2000 and Dr. Klaus Esser was appointed as a non-executive Deputy Chairman on June 5, 2000.

Composition of the Remuneration Committee

The Remuneration Committee of the Board consists only of non-executive directors of the Company and after the completion of the Merger with AirTouch Communications, Inc. comprised Michael Boskin, Don Fisher, Sam Ginn, and Sir David Scholey, with Ian MacLaurin as Chairman. Upon the retirement of Sam Ginn in May 2000 and Ian MacLaurin's election as Chairman of the Company, Sir David Scholey became Chairman of the Committee. When appropriate, the Committee invites the views of the Chief Executive and the Group Director of Human Resources and commissions reports from expert remuneration consultants. The results of market surveys and other analyses from external sources are also made available to the Committee, which has resolved to review its policy with the Board on a regular basis to ensure it continues to meet the Company's requirements and to comply with best practice.

Remuneration Policy

The Company requires to employ people of a caliber consistent with those at the leading edge of the telecommunications industry. The executive talent needed to maximize returns for shareholders in the international business of telecommunications is very scarce and the future performance of the Company will depend upon its ability to incentivise its employees and to offer remuneration packages which are competitive in value terms when measured against the best in the industry.

In determining the Company's broad policy for executive remuneration, and in particular the remuneration package for each of the executive directors, the Committee aims to provide remuneration which is competitive and appropriate and which ensures the right rewards are given to motivate, incentivise and retain the senior executives of the Group.

As a result of the Merger with AirTouch and the acquisition of Mannesmann, the Company has the highest capitalization on the London Stock Exchange and is one of the ten largest companies by capitalization in the world. It has operations in 25 countries on five continents and, in recognition of the scale and scope of the business and the responsibilities falling on its senior executives, the Remuneration Committee has undertaken a review of executive remuneration and has decided to construct packages reflective of the global market in which the

Company operates in order to ensure that it can attract and retain the world class executive talent necessary to continue to deliver the levels of shareholder value which have been achieved in recent years.

Key principles of the Committee's decision are that for executives with global responsibilities, remuneration levels and practices will be referenced to a global peer group, that a high and increasing proportion of total remuneration will be contingent upon the achievement of high and demanding levels of corporate performance and that executives comply with minimum share ownership criteria. The Committee intends that, in future, base salary and short term incentive plans (at the 100% of base salary target level) will represent approximately 25% of total target remuneration. The remaining 75% of target pay will be delivered by share option based incentive plans which will incorporate very stretching performance targets. All options under this policy will be granted at market value and award levels for options will be determined using the Black Scholes formula, an internationally accepted methodology for valuing share options. Amendments to the Company's incentive plans to permit the adoption of the Committee's policy are being proposed at the Company's Annual General Meeting.

Salaries and Benefits

The remuneration package of the UK based executive directors is made up of a number of elements. Each is paid an annual salary, on which pension benefits are calculated, and is provided with a car and other benefits. The executive directors participate in the Company's executive share option schemes and are entitled to participate in its all-employee share schemes, the Sharesave Scheme and the Profit Sharing Scheme.

In 1998, following approval by shareholders at the Annual General Meeting, two new incentive schemes, a Short Term Incentive Plan ("STIP") and a Long Term Incentive Plan ("LTIP"), were introduced. Under the terms of the STIP participants may, subject to the achievement of performance criteria for the year as set by the Remuneration Committee (for the year to March 31, 2000 the target was the achievement of Group budgeted adjusted earnings per share, before goodwill amortization and exceptional items), receive a provisional award of ordinary shares in Vodafone AirTouch. The provisional award of shares is in two parts: an original award of "Initial Shares" worth up to 25% of salary and an additional award of "Enhancement Shares", worth 50% of the value of the original award. The Initial Shares will normally be released, subject to the participant remaining with the Group, two years after the provisional allocation is made. The Enhancement Shares may also be released at this time, although this is conditional upon the achievement of additional performance criteria. In relation to awards for the year ended March 31, 2000, the condition is that the growth in adjusted basic earnings per share must exceed the growth in the UK retail price index by an average of 3 per cent per year for the two financial years ending March 31, 2002. If an executive chooses not to accept the provisional award of shares, the Company may pay, at its discretion, a cash bonus of up to 25% of salary.

For the LTIP, the independent trustee of the Vodafone Group Employee Trust, a discretionary trust, purchases ordinary shares in Vodafone AirTouch in the market. Shares are then awarded conditionally to eligible executive directors and senior executives at the beginning of a three year period, the ultimate vesting of the award being conditional upon the achievement of performance criteria set by the Remuneration Committee for that three year period. If the performance criteria are met, the shares will be transferred from the Trust to the executive directors and senior executives at nil consideration.

All UK based executive directors are contributing members of the Vodafone Group Pension Scheme, which is a scheme approved by the Inland Revenue. Peter Bamford, whose benefits under the scheme are restricted by Inland Revenue earnings limits, also participates in defined contribution funded unapproved retirement benefits scheme in order to bring his benefits into line with those of the other executive directors.

Annual salaries are reviewed each year with effect from July 1 and the Remuneration Committee takes into account not only the individual performances and contributions of each of the executive directors but also the overall performance of the Group, the earnings per share of the Group, the level of increases awarded to staff throughout the Group and information provided to it on the salaries for similar roles in comparable companies. If the responsibilities of executive directors change during the year, the Remuneration Committee meets to discuss and review remuneration packages, including salaries, at that time.

Thomas Geitner, appointed to the Board as an executive director on May 15, 2000, is an employee of Mannesmann AG and has a remuneration package comprising salary, annual cash bonus, pension, a car and other benefits normally provided to executives of his status in Germany. He will also participate in the Company's executive share option scheme.

Bonuses

The Remuneration Committee has not historically approved the payment of special bonuses and it is not its policy to do so. However, the last eighteen months have included several quite exceptional transactions which have been significant to the successful development of the Group's strategy. These transactions have resulted in the Company quadrupling in size and the Remuneration Committee has, therefore, on two occasions authorised special bonus payments to a small number of the most critical senior executives whose outstanding commitment and effort led to the successful completion of these transactions and the opportunity to substantially increase shareholder value.

The first bonuses were awarded in July 1999 following the Merger with AirTouch. The payments were up to six months' basic salary. Later in the year, in the course of the remuneration policy review mentioned earlier, the Committee recognised that the remuneration of senior executives was not set at internationally competitive levels and, therefore, the opportunity for due reward from the success of acquisitions such as that of Mannesmann AG would not be provided until the new global remuneration policy was implemented for the future. The Remuneration Committee decided to make special bonus awards, which were paid in April 2000 after completion of the acquisition, to key executives. For the three executive directors who received the largest amounts, 50 per cent of the award will be paid in shares which will only be transferred to the executives in two years' time on the achievement of significant EBITDA growth performance targets. The cash bonus payments to the three executive directors were £5 million, £2 million and £2 million, respectively. The other two executive directors each received a cash bonus of £1 million. It is intended that the new global remuneration policy will be the vehicle to deliver all forms of reward in future and that no other further special bonus payments will be made.

Service Contracts

The Remuneration Committee has determined that in the cases of UK based executive directors their appointments to the Board will be on the terms of a contract which can be terminated by the Company at the end of an initial term of two years or at any time thereafter on one year's notice. Contracts on such a basis were granted to Julian Horn-Smith on June 4, 1996, to Chris Gent and Ken Hydon on January 1, 1997 and to Peter Bamford on April 1, 1998, each of which is now, therefore, terminable by the Company on one year's notice. The service contracts of these executive directors contain a provision increasing the period of notice required from the Company to two years in the event that the contract is terminated by the Company within one year of a change of control of the Company. The directors are required to give the Company one year's notice if they wish to terminate their contracts. Thomas Geitner is employed by Mannesmann AG and he has a fixed term five year contract from May 15, 2000. This is the normal contract arrangement for Mannesmann AG board members.

Non-executive Directors

The remuneration of the non-executive directors, including the Chairman, is established by the Board of directors as a whole and details of each individual non-executive director's remuneration are included in the table below. The UK based non-executive directors do not presently participate in any of the Company's share schemes or other employee benefit schemes, nor does the Company make any contribution to their pension arrangements.

The appointment of the Chairman is subject to the terms of an agreement between the Company and Ian MacLaurin with a three year term commencing on May 23, 2000. The Chairman is provided with a car. The appointment of Sam Ginn, during his tenure as Chairman, was subject to the terms of an agreement under which, in addition to his fee, Sam Ginn was provided with a car and certain other benefits. The other non-executive directors are engaged on letters of appointment which set out their duties and responsibilities and confirm their remuneration. Each of these appointments may be terminated at any time by the Company without the payment of compensation.

Remuneration for the Year to March 31, 2000

The aggregate compensation paid by Vodafone AirTouch to its directors and executive officer as a group for services in all capacities is set out below. The aggregate number of directors and executive officer in the year ended March 31, 2000 was 16 (1999 — 12).

	<u>2000</u>	<u>1999</u>
	£000	£000
Salaries and fees	3,607	2,580
Bonuses	785	—
Incentive schemes	2,510	548
Benefits	<u>192</u>	<u>157</u>
	<u>7,094</u>	<u>3,285</u>

The remuneration of the directors for the year to March 31, 2000 was as follows:

	Salary/fees		Bonus		Incentive schemes(6)		Benefits		Total	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chairman										
Sam Ginn(1)	176	—	—	—	—	—	25	—	201	—
Deputy Chairman										
Ian MacLaurin	204	166	—	—	—	—	12	9	216	175
Chief Executive										
Chris Gent	837	636	325	—	162	162	34	26	1,358	824
Executive directors										
Peter Bamford	451	329	—	—	83	83	29	25	563	437
Julian Horn-Smith	458	356	150	—	90	90	24	18	722	464
Ken Hydon	454	339	195	—	86	86	27	26	762	451
Arun Sarin(2)	391	—	—	—	463	—	17	—	871	—
Mohan Gyani(2)(3)	143	—	25	—	1,584	—	6	—	1,758	—
Non-executive directors										
Michael Boskin(2)	39	—	—	—	—	—	—	—	39	—
Professor Sir Alec Broers(4)	35	50	—	—	—	—	—	—	35	50
Don Fisher(2)	39	—	—	—	—	—	—	—	39	—
John Gildersleeve(5)	13	25	—	—	—	—	—	—	13	25
Paul Hazen(2)	39	—	—	—	—	—	—	—	39	—
Penny Hughes	52	29	—	—	—	—	—	—	52	29
Sir David Scholey	52	50	—	—	—	—	—	—	52	50
Charles Schwab(2)	39	—	—	—	—	—	—	—	39	—
Former directors(7)	<u>—</u>	<u>464</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>93</u>	<u>—</u>	<u>33</u>	<u>—</u>	<u>590</u>
	<u>3,422</u>	<u>2,444</u>	<u>695</u>	<u>—</u>	<u>2,468</u>	<u>514</u>	<u>174</u>	<u>137</u>	<u>6,759</u>	<u>3,095</u>

Notes:

- (1) Sam Ginn joined the Board and was appointed Chairman on June 30, 1999.
- (2) Joined the Board on June 30, 1999. Salary and benefits for Arun Sarin and Mohan Gyani have been translated at the average exchange rate for the year of \$1.61 per £1.
- (3) Salary and benefits for Mohan Gyani are for the period to September 30, 1999 when he resigned from the Board.
- (4) Information for Professor Sir Alec Broers excludes the period from July 1, 1999 to November 8, 1999 during which he was not a director of the Company.

- (5) Information for John Gildersleeve is stated for the period to June 30, 1999, when he retired from the Board.
- (6) These figures relate to the market value of the original award of shares expected to be made under the Vodafone AirTouch Short Term Incentive Plan for the year ended March 31, 2000, except in the case of Arun Sarin and Mohan Gyani. The amount for Arun Sarin relates to the AirTouch Communications, Inc. Short Term Incentive Plan and the amount for Mohan Gyani was a special payment in respect of his pre-Merger contract.
- (7) Under the terms of the Life President arrangements of Sir Ernest Harrison, a former director, the estimated value of benefits received by him in the year ended March 31, 2000 was £20,000.

Pension benefits earned by the directors in the year to March 31, 2000 were:

<u>Name of Director</u>	<u>Increase in accrued pension during the year</u>	<u>Transfer value of increase in accrued pension and change in retirement age</u>	<u>Accumulated total accrued pension at year end</u>
	£000	£000	£000
Chris Gent	77	1,087	314
Peter Bamford	3	30	8
Julian Horn-Smith	37	502	175
Ken Hydon	48	742	221
Arun Sarin	14	35	84
Mohan Gyani	5	23	73

Contributions paid to a funded unapproved retirement benefit scheme for the benefit of Peter Bamford amounted to £61,000 in the year.

Notes

- (1) The pension benefits earned by the directors are those which would be paid annually on retirement, on service to the end of the year, at the normal retirement age. Salaries have been averaged over 3 years in accordance with Inland Revenue regulations. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with the Faculty and Institute of Actuaries' Guidance Note GN11. No director elected to pay Additional Voluntary Contributions.
- (2) In respect of Arun Sarin and Mohan Gyani the amounts have been translated at the average exchange rate for the year of \$1.61 per £1.

Directors' Interests in the Shares of Vodafone AirTouch

The directors at March 31, 2000 had a total beneficial interest in options over 39,227,475 ordinary shares of the Company (March 31, 1999 or date of appointment — 71,187,965) and had a beneficial interest in 10,351,954 ordinary shares (March 31, 1999 or date of appointment — 7,874,940).

The Remuneration Committee believes that share ownership by executive directors increases the link between the interests of the directors and the interests of the Company's shareholders. The Company's UK executive share option schemes, in which over four hundred of the Group's directors, executives and senior managers participate, are operated on the basis that options over the Company's shares may be granted once each year at, for directors, a multiple of one times taxable earnings subject to an overall maximum holding equivalent to four times taxable earnings at the date of grant. The Sharesave Scheme permits employees to save a fixed sum each month, up to a maximum of £250 per month, for three or five years and to use the proceeds of the savings to exercise options granted at a price 20% below the market price of the shares at the beginning of the savings period. The Profit Sharing Scheme similarly permits eligible employees to contribute up to 5% of their salary each month, up to a maximum of £665 per month, to enable trustees of the scheme to purchase shares on their behalf, with an equivalent number of shares being purchased for the employee by the Company. All the UK-based executive directors participate in each of the share schemes.

The Vodafone AirTouch Plc 1999 Long Term Stock Incentive Plan and the Vodafone AirTouch Plc 1999 Employee Share Purchase Plan were introduced in 1999 to provide share incentives for employees of AirTouch Communications, Inc. In July 1999, all employees of AirTouch were granted share options under the Long Term

Stock Incentive Plan which vest over a 4 year period. The Share Purchase Plan permits employees to purchase shares at a discount and has been operated since July 1999.

Share options

The following information summarizes the directors' options under the Vodafone Group Savings Related Share Option Scheme ("savings related scheme"), the Vodafone Group 1998 Sharesave Scheme ("Sharesave Scheme"), the Vodafone Group Executive Share Option Scheme ("executive scheme"), all Inland Revenue approved schemes, the Vodafone Group Share Option Scheme ("unapproved scheme"), which is not Inland Revenue approved, the AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan ("1993 Plan") and the Vodafone AirTouch Plc 1999 Long Term Stock Incentive Plan ("1999 Plan"). No other directors have options under any of these schemes. Only under the savings related scheme may shares be offered at a discount in future grants of options.

	Options held at April 1, 1999 or date of appointment Number	Options granted during the year Number	Options exercised during the year Number	Options held at March 31, 2000 Number	Weighted average exercise price at March 31, 2000 Pence	Date from which exercisable	Latest expiry date
Sam Ginn	41,375,000	—	22,500,000	18,875,000	87.3	1/99	1/07
Chris Gent	2,213,430	387,000	24,285	2,576,145	111.1	7/99	7/09
Peter Bamford	1,352,170	145,500	—	1,497,670	105.3	7/00	7/09
Julian Horn-Smith	1,975,595	111,130	24,285	2,062,440	76.5	7/98	7/09
Ken Hydon	1,866,520	123,500	556,000	1,434,020	90.4	7/00	7/09
Arun Sarin	13,125,000	6,250,000	8,125,000	11,250,000	186.3	12/99	4/02
Mohan Gyani	7,625,000	—	7,625,000	—	—	—	—
Don Fisher	350,000	—	—	350,000	41.4	11/94	5/05
Paul Hazen	596,100	—	123,050	473,050	36.2	4/94	5/08
Charles Schwab	709,150	—	—	709,150	53.0	11/94	4/06
	<u>71,187,965</u>	<u>7,017,130</u>	<u>38,977,620</u>	<u>39,227,475</u>			

These options by exercise price were:

	Option price Pence	Options held at April 1, 1999 or date of appointment Number	Options granted during the year Number	Options exercised during the year Number	Options held at March 31, 2000 Number
Executive scheme and unapproved scheme					
	38.6	35,000	—	—	35,000
	46.7	234,000	—	123,500	110,500
	48.3	1,280,500	—	432,500	848,000
	58.7	4,193,000	—	—	4,193,000
	155.9	1,520,500	—	—	1,520,500
	255.0	—	764,000	—	764,000
Savings related scheme and sharesave scheme					
	28.4	48,570	—	48,570	—
	37.2	18,540	—	—	18,540
	38.6	26,810	—	—	26,810
	48.0	43,125	—	—	43,125
	127.1	7,670	—	—	7,670
	215.6	—	3,130	—	3,130

	Option price Pence	Options held at April 1, 1999 or date of appointment Number	Options granted during the year Number	Options exercised during the year Number	Options held at March 31, 2000 Number
1993 Plan					
	21.4	123,050	—	—	123,050
	24.2	123,050	—	123,050	—
	33.9	31,350	—	—	31,350
	34.8	750,000	—	—	750,000
	37.6	30,875,000	—	27,000,000	3,875,000
	38.5	29,850	—	—	29,850
	41.9	75,000	—	—	75,000
	42.2	75,000	—	—	75,000
	46.6	27,700	—	—	27,700
	48.1	29,150	—	—	29,150
	47.7	29,400	—	—	29,400
	48.4	53,000	—	—	53,000
	52.2	75,000	—	—	75,000
	53.4	29,900	—	—	29,900
	55.6	25,750	—	—	25,750
	68.3	1,250,000	—	1,250,000	—
	69.9	21,150	—	—	21,150
	82.0	18,350	—	—	18,350
	96.0	75,000	—	—	75,000
	97.4	16,800	—	—	16,800
	100.2	30,000,000	—	10,000,000	20,000,000
	107.8	15,800	—	—	15,800
	125.3	10,700	—	—	10,700
	147.2	12,250	—	—	12,250
	214.0	8,000	—	—	8,000
1999 Plan					
	255.3	—	6,250,000	—	6,250,000
		<u>71,187,965</u>	<u>7,017,130</u>	<u>38,977,620</u>	<u>39,227,475</u>

Notes:

- (1) All figures restated to take account of the capitalization (bonus) issue which occurred on September 30, 1999.
- (2) The share options in respect of the 1993 and 1999 Plans take the form of American Depository Shares, each representing ten ordinary shares in the Company, which are traded on the New York Stock Exchange. The number and option price have been converted into the equivalent amounts for Vodafone AirTouch ordinary shares, with the option price being translated at the average rate of £1.61 per £1.

Options granted at market value under the executive scheme or the unapproved scheme may not be exercised unless, between the date of grant and the date of first vesting (three years after the date of grant), there has been real growth in the consolidated earnings per share of the Company and options granted at a discount to market value may not be exercised unless the growth in the consolidated earnings per share of the Company, in the same period, exceeds the growth in the Index of Retail Prices by 2%. Under the 1998 schemes, the performance criteria are different and options will only be exercisable if, over any period of three consecutive financial years following grant, the Company achieves growth in consolidated adjusted earnings per share which exceeds growth in the Index for that period by an average of 3% per annum.

Under the 1993 Plan, Sam Ginn has 2,261,870 Phantom Stock Units, all of which expire on January 28, 2007, and Don Fisher has 32,460 Phantom Stock Units, which expire on April 1, 2009.

On July 5, 1999, Arun Sarin was granted a Restricted Stock Award (the "Award") over 3,040,150 Vodafone AirTouch ordinary shares. The Award is split into three tranches. The first tranche of 1,040,150 vested immediately on grant, with the second and third tranches vesting on July 5, 2000 and July 5, 2001, for 666,000 and 1,334,000 Vodafone AirTouch ordinary shares, respectively.

Details of the options exercised by directors of the Company in the year to March 31, 2000, are as follows:

	Options exercised during the year Number	Option price Pence	Market price at date of exercise Pence	Gross pre-tax gain £000
Sam Ginn	137,000	37.6	348.0	426
	250,000	37.6	349.5	780
	130,000	37.6	342.5	396
	250,000	37.6	344.5	767
	230,000	37.6	338.5	692
	270,000	37.6	339.0	814
	200,000	37.6	341.5	608
	500,000	37.6	342.0	1,522
	670,000	37.6	343.0	2,047
	100,000	37.6	312.0	274
	500,000	37.6	345.5	1,540
	360,000	37.6	347.0	1,114
	250,000	37.6	319.0	704
	156,000	37.6	336.0	465
	50,000	37.6	319.5	141
	100,000	37.6	317.0	279
	250,000	37.6	324.5	717
	1,344,000	37.6	335.5	4,003
	250,000	37.6	318.5	702
	133,000	37.6	348.0	413
	620,000	37.6	346.5	1,914
	3,425,000	37.6	281.0	8,333
	250,000	37.6	355.5	795
	250,000	37.6	369.5	830
	2,500,000	37.6	272.0	5,862
	1,000,000	37.6	363.0	3,254
	2,500,000	37.6	273.5	5,893
	4,075,000	37.6	286.0	10,124
	250,000	37.6	357.0	799
	225,000	37.6	352.5	708
	250,000	37.6	366.5	822
	500,000	37.6	364.0	1,633
	25,000	37.6	353.5	79
	250,000	37.6	373.0	838
	250,000	37.6	354.0	791
	<u>22,500,000</u>			<u>61,079</u>
Chris Gent	<u>24,285</u>	28.4	276.0	<u>60</u>
Julian Horn-Smith	<u>24,285</u>	28.4	258.0	<u>56</u>
Ken Hydon	123,500	46.7	275.0	282
	432,500	48.3	275.0	982
	<u>556,000</u>			<u>1,264</u>

	Options exercised during the year Number	Option price Pence	Market price at date of exercise Pence	Gross pre-tax gain £000
Arun Sarin	875,000	37.6	285.5	2,171
	750,000	37.6	273.5	1,768
	1,500,000	37.6	284.0	3,694
	<u>5,000,000</u>	100.2	282.5	<u>9,120</u>
	<u>8,125,000</u>			<u>16,753</u>
Mohan Gyani	1,375,000	37.6	273.0	3,238
	1,250,000	68.3	273.0	2,559
	<u>5,000,000</u>	100.2	273.0	<u>8,644</u>
	<u>7,625,000</u>			<u>14,441</u>
Paul Hazen	<u>123,050</u>	24.2	233.0	<u>257</u>

Notes:

- (1) All figures restated to take account of the capitalization (bonus) issue which occurred on September 30, 1999.
- (2) The share options exercised by Sam Ginn, Arun Sarin, Mohan Gyani and Paul Hazen were in respect of American Depository Shares, each representing ten ordinary shares of the Company, which are traded on the New York Stock Exchange. The number, option price and market price have been converted into the equivalent amounts for Vodafone AirTouch ordinary shares, with the option and market prices being translated at the average exchange rate for the year of \$1.61 per £1.

The aggregate gross, pre-tax gains made on the exercise of share options in the year by the Company's directors was £93,910,000 (1999 — £6,963,000).

The closing middle market price of Vodafone AirTouch's shares at the year end was 348.5p, its highest closing price in the year having been 399.0p and its lowest closing price having been 204.0p (after adjustment for the capitalization issue on September 30, 1999).

Long Term Incentive Plan

Conditional awards of ordinary shares made to executive directors under the LTIP for the year to March 31, 2000, its second year of operation, and dividends payable on those shares taken under the terms of the Company's scrip dividend scheme, are shown below. No LTIP shares vested during the year for any director.

	Total interest in LTIP at April 1, 1999	Number of shares conditionally awarded	Shares added through scrip dividend scheme	Total interest in LTIP at March 31, 2000
Chris Gent	97,000	187,935	895	285,830
Peter Bamford	49,980	96,840	462	147,282
Julian Horn-Smith	54,160	104,930	496	159,586
Ken Hydon	51,565	99,915	478	151,958

Short Term Incentive Plan

Conditional awards of ordinary shares made to executive directors under the STIP, and dividends on those shares paid under the terms of the Company's scrip dividend scheme, are shown below. No STIP shares vested during the year for any director.

	<u>Total interest in STIP at April 1, 1999</u>	<u>Original award of Initial and Enhancement shares in respect of the 1998/99 Scheme</u>	<u>Shares added through scrip dividend scheme during the year</u>	<u>Total interest in STIP at March 31, 2000</u>
Chris Gent	—	93,970	216	94,186
Julian Horn-Smith	—	52,465	120	52,585
Ken Hydon	—	49,955	115	50,070

Note:

The value of the awards of Initial STIP shares was included in "Incentive Schemes" remuneration in the Annual Report and Accounts for the year ended March 31, 1999.

Beneficial interests

The directors at March 31, 2000 had the following interests, all of which are beneficial, in the ordinary shares of Vodafone AirTouch:

	<u>March 31, 2000</u>	<u>April 1, 1999 or date of appointment</u>		<u>March 31, 2000</u>	<u>April 1, 1999 or date of appointment</u>
Sam Ginn	1,678,750	1,678,750	Michael Boskin	212,500	212,500
Ian MacLaurin	65,100	32,500	Professor Sir Alec Broers	Nil	Nil
Chris Gent	641,369	610,865	Don Fisher	2,300,000	1,100,000
Peter Bamford	11,612	5,450	Paul Hazen	161,550	38,500
Julian Horn-Smith	622,928	589,540	Penny Hughes	Nil	Nil
Ken Hydon	1,093,295	1,082,135	Sir David Scholey	50,000	50,000
Arun Sarin	3,407,350	2,367,200	Charles Schwab	107,500	107,500

ITEM 12. OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

Interests in Share Options of Vodafone AirTouch at June 30, 2000

The directors and other executive officer of the Company held options, exercisable at the prices set forth below, for the following numbers of ordinary shares at June 30, 2000:

	<u>Options held at June 30, 2000 Number</u>	<u>Range of exercise prices Pence</u>	<u>Weighted average exercise price at June 30, 2000 Pence</u>	<u>Date from which exercisable</u>	<u>Latest expiry date</u>
Chris Gent	2,044,145	37.2-255.0	127.3	July 9, 2000	July 4, 2009
Peter Bamford	1,497,670	58.7-255.0	105.2	July 9, 2000	July 4, 2009
Julian Horn-Smith	1,916,940	38.6-255.0	78.9	July 5, 1999	July 4, 2009
Ken Hydon	1,434,020	37.2-255.0	90.4	July 9, 2000	July 4, 2009
Arun Sarin	11,250,000	106.6-271.7	198.3	June 30, 1999	July 6, 2009
Don Fisher	350,000	37.0-102.1	44.1	June 30, 1999	May 29, 2008
Paul Hazen	473,050	22.8-102.1	38.6	June 30, 1999	May 29, 2008
Stephen Scott	508,775	37.2-255.0	94.9	July 9, 2000	July 4, 2009

Lord MacLaurin, Thomas Geitner, Dr Josef Ackermann, Michael Boskin, Professor Sir Alec Broers, Penny Hughes, Sir David Scholey, Jürgen Schrempp, Dr Henning Schulte-Noelle and Dr Klaus Esser held no options at June 30, 2000.

Sam Ginn resigned in May 2000 at which date he held options over 18,875,000 shares with a weighted average exercise price of 92.9 pence.

Charles Schwab resigned in May 2000 at which date he held options over 709,150 shares with a weighted average exercise price of 56.4 pence.

The number and option price of the outstanding share options at June 30, 2000 have been converted into the equivalent amounts of Vodafone AirTouch ordinary shares with the option price being translated at \$1.5130 per £1, the noon buying rate in the City of New York for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2000.

The Company had outstanding at June 30, 2000 the following options to subscribe for ordinary shares:

	<u>Total shares/ADS's under option at June 30, 2000</u> (millions)	<u>Weighted average exercise price per share/ADS</u>	<u>Expiry dates of options</u>
Range of exercise prices:			
Ordinary shares:			
Vodafone Group Savings Related and Sharesave Schemes			
£0.01-£1.00	14.5	£0.43	28/02/01-28/02/03
£1.01-£2.00	7.3	£1.27	28/02/02-29/02/04
£2.01-£3.00	6.2	£2.16	28/02/03-28/02/05
Vodafone Group Executive Schemes			
£0.01-£1.00	38.2	£0.54	02/01/02-08/07/07
£1.01-£2.00	68.7	£1.57	09/07/05-30/11/08
£2.01-£3.00	14.8	£2.60	04/07/09-30/11/09
American Depositary Shares:			
AirTouch Communications, Inc.			
1993 Long Term Stock Incentive Plan			
\$ 0.01-\$10.00	6.2	\$ 7.02	31/03/01-19/05/07
\$10.01-\$20.00	21.0	\$16.32	01/10/04-29/05/08
\$20.01-\$30.00	1.1	\$20.04	01/07/05-04/01/06
\$30.01-\$40.00	2.3	\$34.05	01/04/06-30/06/06
Vodafone AirTouch Plc			
1999 Long Term Stock Incentive Plan			
\$40.01-\$50.00	28.3	\$41.53	17/01/01-05/07/09
\$50.01-\$60.00	0.9	\$55.70	28/01/07-28/01/07

See Note 19 of Notes to Consolidated Financial Statements for a brief description of the Company's share option plans.

ITEM 13. INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

Since April 1, 1997, the Company has not been, and is not now, a party to any material transactions, or proposed transactions, in which any director, any other executive officer, any spouse or relative of any of the foregoing, or any relative of such spouse had or was to have a direct or indirect material interest.

During the year ended March 31, 2000, and as of July 14, 2000, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to Vodafone AirTouch.

PART II

ITEM 14. DESCRIPTION OF SECURITIES TO BE REGISTERED

Not applicable.

PART III

ITEM 15. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 16. CHANGES IN SECURITIES, CHANGES IN SECURITY FOR REGISTERED SECURITIES AND USE OF PROCEEDS

None.

PART IV

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this Annual Report.

ITEM 19. FINANCIAL STATEMENTS AND EXHIBITS

a) Index to Financial Statements

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* All other schedules have been omitted because they are not required under the applicable instructions or because the substance of the required information is shown in the financial statements.

b) Index to Exhibits

- 1.1 Amended Memorandum and Articles of Association of Vodafone AirTouch Plc (incorporated by reference from Amendment No. 1 to Vodafone AirTouch's Registration Statement on Form F-4 (File Nos. 333-11432 and 333-11166)).
- 2.1 US Wireless Alliance Agreement, dated September 21, 1999, among Bell Atlantic Corporation and Vodafone AirTouch Plc (incorporated by reference to Bell Atlantic Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 1999).
- 2.2 Agreement for € 30,000,000,000 Revolving Credit Facilities, dated December 20, 1999, among Vodafone AirTouch Plc, ABN AMRO Bank, N.V., Bank of America International Limited, Banque Nationale de Paris, Barclays Capital, Citibank, N.A., Goldman Sachs International, Greenwich Natwest Limited, ING Bank N.V., National Australia Bank Limited, Toronto Dominion Bank Europe Limited and UBS AG, as Arrangers, with National Westminster Bank Plc, as Agent and US Swingline Agent (incorporated by reference from Amendment No. 1 to Vodafone AirTouch's Registration Statement on Form F-4 (File No. 333-11166)).
- 2.3 Agreement, dated February 3, 2000, between Vodafone AirTouch and Mannesmann Aktiengesellschaft regarding term sheet for proposed business combination (incorporated by reference to Vodafone AirTouch's Report on Form 6-K, dated February 4, 2000).
- 2.4 Cellco Partnership: Amended and Restated Partnership Agreement among members of the Bell Atlantic Group set forth on Schedule A-1 thereto and members of the Vodafone Group set forth on Schedule A-2 thereto, dated April 3, 2000.
- 2.5 Investment Agreement among Vodafone AirTouch Plc, The Bell Atlantic Corporation and Cellco Partnership, dated April 3, 2000.
- 2.6 Amendment to US Wireless Alliance Agreement between Vodafone AirTouch Plc and The Bell Atlantic Corporation, dated April 3, 2000.
- 2.7 Agreement for U.S. \$5,000,000,000 Revolving Credit Facility, dated May 26, 2000 among Vodafone AirTouch Plc and ABN AMRO Bank, N.V., Bank of America International Limited, Barclays Capital, BNP Paribas (acting through its London Branch), Deutsche Bank AG London, Goldman Sachs International, Greenwich Natwest Limited, HSBC Bank USA, ING Bank N.V., Lehman Brothers International (Europe), National Australia Bank Limited, Salomon Brothers International Limited, Toronto Dominion Bank Europe Limited, UBS AG and Westdeutsche Landesbank Girozentrale as arrangers, the financial institutions listed in Part I of Schedule 1 thereto, National Westminster Bank Plc as Agent and National Westminster Bank Plc as US Swingline Agent.
- 2.8 Consent of Deloitte & Touche.

Report of independent auditors

To the Directors of Vodafone AirTouch Plc

We have audited the accompanying consolidated balance sheets of Vodafone AirTouch Plc and its subsidiaries as at March 31, 2000 and 1999, and the related consolidated profit and loss accounts, consolidated cash flows and consolidated statements of total recognized gains and losses and movements in equity shareholders' funds for each of the three years in the period ended March 31, 2000 and the financial statement schedule listed in the index at Item 19, all expressed in pounds sterling. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the related financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vodafone AirTouch Plc and its subsidiaries as at March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with generally accepted accounting principles in the United Kingdom (which differ in certain material respects from generally accepted accounting principles in the United States of America — see Note 32). Also, in our opinion, the schedule referred to above, when read in conjunction with the related financial statements, presents fairly in all material respects the information shown therein.

Our audits also comprehended the translation of certain amounts into US dollars and, in our opinion, such translation has been made in conformity with the basis described in Note 1. Such US dollar amounts are presented solely for the convenience of readers in the United States.

DELOITTE & TOUCHE
Chartered Accountants & Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
England

May 29, 2000
(July 16, 2000 as to Note 33)

Consolidated profit and loss accounts
For the years ended March 31

	<u>Note</u>	<u>2000</u> \$m	<u>2000</u> £m	<u>1999</u> £m	<u>1998</u> £m
Turnover: Group and share of joint ventures					
Continuing operations		7,162	4,498	3,360	2,471
Acquisitions		<u>5,950</u>	<u>3,737</u>	<u>—</u>	<u>—</u>
		13,112	8,235	3,360	2,471
Less: Share of joint ventures acquired in the year		<u>(576)</u>	<u>(362)</u>	<u>—</u>	<u>—</u>
		<u>12,536</u>	<u>7,873</u>	<u>3,360</u>	<u>2,471</u>
Group turnover					
Continuing operations		7,162	4,498	3,360	2,471
Acquisitions		<u>5,374</u>	<u>3,375</u>	<u>—</u>	<u>—</u>
	3	<u>12,536</u>	<u>7,873</u>	<u>3,360</u>	<u>2,471</u>
Operating profit					
Continuing operations		1,560	980	847	627
Acquisitions		<u>2</u>	<u>1</u>	<u>—</u>	<u>—</u>
	4	1,562	981	847	627
Share of operating profit/(loss) in joint ventures and associated undertakings					
Continuing operations		165	104	116	60
Acquisitions		<u>(460)</u>	<u>(289)</u>	<u>—</u>	<u>—</u>
Total Group operating profit:					
Group and share of joint ventures and associated undertakings		1,267	796	963	687
Disposal of fixed asset investments	5	<u>1,519</u>	<u>954</u>	<u>66</u>	<u>24</u>
Profit on ordinary activities before interest		2,786	1,750	1,029	711
Net interest payable					
Group	6	(557)	(350)	(76)	(49)
Share of joint ventures and associated undertakings	6	<u>(81)</u>	<u>(51)</u>	<u>(18)</u>	<u>(12)</u>
Profit on ordinary activities before taxation		2,148	1,349	935	650
Tax on profit on ordinary activities	7	<u>(1,091)</u>	<u>(685)</u>	<u>(252)</u>	<u>(203)</u>
Profit on ordinary activities after taxation		1,057	664	683	447
Equity minority interests		(218)	(137)	(46)	(28)
Non-equity minority interests		<u>(64)</u>	<u>(40)</u>	<u>—</u>	<u>—</u>
Profit for the financial year		775	487	637	419
Equity dividends	8	<u>(987)</u>	<u>(620)</u>	<u>(197)</u>	<u>(170)</u>
Retained (loss)/profit for the Group and its share of joint ventures and associated undertakings		<u>(212)</u>	<u>(133)</u>	<u>440</u>	<u>249</u>
Basic earnings per share	9	2.87¢	1.80p	4.12p	2.73p
Diluted earnings per share	9	2.83¢	1.78p	4.11p	2.72p
Adjusted basic earnings per share	9	7.50¢	4.71p	3.77p	2.57p

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated balance sheets
At March 31

	<u>Note</u>	<u>2000</u> \$m	<u>2000</u> £m	<u>1999</u> £m
Fixed assets				
Intangible assets	10	35,356	22,206	329
Tangible assets	11	10,042	6,307	2,150
Investments	12	194,787	122,338	372
Investments in joint ventures:				
Share of gross assets		4,637	2,912	—
Share of gross liabilities		(384)	(241)	—
		<u>4,253</u>	<u>2,671</u>	<u>—</u>
Investments in associated undertakings		28,626	17,979	275
Other investments		161,908	101,688	97
		<u>240,185</u>	<u>150,851</u>	<u>2,851</u>
Current assets				
Stocks	13	302	190	45
Debtors	14	3,404	2,138	741
Liquid investments		48	30	—
Cash at bank and in hand		253	159	6
		<u>4,007</u>	<u>2,517</u>	<u>792</u>
Creditors: amounts falling due within one year	15	7,071	4,441	1,530
Net current liabilities		<u>(3,064)</u>	<u>(1,924)</u>	<u>(738)</u>
Total assets less current liabilities		237,121	148,927	2,113
Creditors: amounts falling due after more than one year	16	10,149	6,374	1,179
Provisions for liabilities and charges	18	307	193	10
		<u>226,665</u>	<u>142,360</u>	<u>924</u>
Capital and reserves				
Called up share capital	19	6,046	3,797	155
Share premium account	20	63,014	39,577	96
Merger reserve	20	154,306	96,914	—
Other reserve	20	1,783	1,120	—
Profit and loss account	20	(916)	(575)	564
Total equity shareholders' funds		224,233	140,833	815
Equity minority interests		833	523	105
Non-equity minority interests	21	1,599	1,004	4
		<u>226,665</u>	<u>142,360</u>	<u>924</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated cash flows
For the years ended March 31

	Note	2000 \$m	2000 £m	1999 £m	1998 £m
Net cash inflow from operating activities	26	3,996	2,510	1,045	886
Dividends received from joint ventures and associated undertakings		376	236	3	3
Net cash outflow for returns on investments and servicing of finance	26	(646)	(406)	(90)	(43)
Taxation		(517)	(325)	(195)	(163)
Net cash outflow for capital expenditure and financial investment	26	(1,204)	(756)	(688)	(510)
Net cash outflow for acquisitions and disposals	26	(7,573)	(4,756)	(317)	(364)
Equity dividends paid		(352)	(221)	(118)	(124)
Cash outflow before management of liquid resources and financing		(5,920)	(3,718)	(360)	(315)
Management of liquid resources					
Short term deposits		(53)	(33)	—	10
Net cash inflow from financing					
Issue of ordinary share capital		576	362	11	12
Issue of shares to minorities		59	37	—	3
Purchase of shares from minorities		—	—	(18)	(1)
Debt due within one year:					
Increase/(decrease) in short term debt		952	598	(130)	295
Repayment of debt acquired		(715)	(449)	—	—
Debt due after one year:					
(Decrease)/increase in bank loans		(876)	(550)	490	99
Repayment of debt acquired		(600)	(377)	—	(115)
Issue of new bonds		6,760	4,246	—	—
Net cash inflow from financing		6,156	3,867	353	293
Increase/(decrease) in cash in the year		183	116	(7)	(12)
Reconciliation of net cash flow to movement in net debt					
Increase/(decrease) in cash in the year		183	116	(7)	(12)
Cash inflow from increase in debt		(5,522)	(3,468)	(360)	(279)
Cash outflow/(inflow) from increase/(decrease) in liquid resources		53	33	—	(10)
Increase in net debt resulting from cash flows		(5,286)	(3,319)	(367)	(301)
Debt acquired on acquisition of subsidiary undertakings ...		(3,396)	(2,133)	—	(120)
Deferred consideration on acquisition of associated undertakings		—	—	—	(21)
Translation difference		504	316	(19)	9
Other movements		2	1	(5)	(3)
Increase in net debt in the year		(8,176)	(5,135)	(391)	(436)
Opening net debt		(2,401)	(1,508)	(1,117)	(681)
Closing net debt	27	(10,577)	(6,643)	(1,508)	(1,117)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated statements of total recognized gains and losses
For the years ended March 31

	<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	\$m	£m	£m	£m
Profit for the financial year	775	487	637	419
Currency translation	<u>(1,799)</u>	<u>(1,130)</u>	<u>6</u>	<u>(147)</u>
Total recognized gains and losses relating to the year	<u><u>(1,024)</u></u>	<u><u>(643)</u></u>	<u><u>643</u></u>	<u><u>272</u></u>

Movements in equity shareholders' funds
For the years ended March 31

	<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	\$m	£m	£m	£m
Profit for the financial year	775	487	637	419
Equity dividends	<u>(987)</u>	<u>(620)</u>	<u>(197)</u>	<u>(170)</u>
	(212)	(133)	440	249
Currency translation	<u>(1,799)</u>	<u>(1,130)</u>	<u>6</u>	<u>(147)</u>
New share capital subscribed, net of issue costs	222,967	140,037	19	24
Unvested option consideration	1,855	1,165	—	—
Goodwill written-off directly to reserves	—	—	—	(710)
Goodwill transferred to the profit and loss account in respect of business disposals	29	18	11	75
Scrip dividends	129	81	64	35
Other	<u>(32)</u>	<u>(20)</u>	<u>(8)</u>	<u>(13)</u>
Net movement in equity shareholders' funds	222,937	140,018	532	(487)
Opening equity shareholders' funds	<u>1,296</u>	<u>815</u>	<u>283</u>	<u>770</u>
Closing equity shareholders' funds	<u><u>224,233</u></u>	<u><u>140,833</u></u>	<u><u>815</u></u>	<u><u>283</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United Kingdom ("UK GAAP"), which differ in certain material respects from generally accepted accounting principles in the United States of America ("US GAAP") — see Note 32. The accompanying financial statements do not represent the UK statutory financial statements of the Company. The UK statutory financial statements for the year ended March 31, 2000, on which the auditors' report was unqualified, will be delivered to the Registrar of Companies in the UK.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Amounts in the Consolidated Financial Statements are stated in pounds sterling (£), the currency of the country in which the Company is incorporated. The translation into US dollars of the Consolidated Financial Statements as of, and for the fiscal year ended March 31, 2000, is for convenience only and has been made at the noon buying rate for cable transfers as announced by the Federal Reserve Bank of New York for customs purposes on March 31, 2000. This rate was \$1.5922 to £1. This translation should not be construed as a representation that the pound sterling amounts actually represented have been, or could be, converted into dollars at this or any other rate.

The Consolidated Financial Statements in respect of the year ended March 31, 2000 have been prepared in accordance with applicable accounting standards and comply with two new Financial Reporting Standards ("FRS") issued by the Accounting Standards Board in the United Kingdom as follows:-

FRS 15 — "Tangible Fixed Assets", which applies to accounting periods ended on or after March 23, 2000.

FRS 16 — "Current Tax", which also applies to accounting periods ended on or after March 23, 2000.

Adoption of these Financial Reporting Standards has not had a material impact on the Consolidated Financial Statements for fiscal 2000 and has not resulted in any restatement of prior year comparatives.

2. Accounting policies

Accounting convention

The Consolidated Financial Statements are prepared under the historical cost convention.

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiary undertakings (the "Group"), and the Group's share of the results of joint ventures and associated undertakings, for financial statements made up to March 31, 2000.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of those transactions, adjusted for the effects of any hedging arrangements. Foreign currency monetary assets and liabilities, including the Group's interest in the underlying net assets of joint ventures and associated undertakings, are translated into sterling at year end rates.

The results of the international subsidiary undertakings, joint ventures and associated undertakings are translated into sterling at average rates of exchange. The adjustment to year end rates is taken to reserves. Exchange differences which arise on the retranslation of international subsidiary undertakings', joint ventures' and associated undertakings' balance sheets at the beginning of the year, and equity additions and withdrawals during the financial year, are dealt with as a movement in reserves.

Other translation differences are dealt with in the profit and loss account.

2. Accounting policies (continued)

Derivative financial instruments

Transactions in derivative financial instruments are undertaken for risk management purposes only.

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. To the extent that such instruments are matched against an underlying asset or liability, they are accounted for using hedge accounting.

Gains or losses on interest rate instruments are matched against the corresponding interest charge or interest receivable in the profit and loss account over the life of the instrument. For foreign exchange instruments, gains or losses and premiums or discounts are matched to the underlying transactions being hedged.

Turnover

Turnover represents the invoiced value, excluding sales taxes, of services and goods supplied by the Group.

Pensions

Costs relating to defined benefit plans, which are periodically calculated by professionally qualified actuaries, are charged against profits so that the expected costs of providing pensions are recognized during the period in which benefit is derived from the employees' services.

The costs of the various pension schemes may vary from the funding, dependent upon actuarial advice, with any difference between pension costs and funding being treated as a provision or prepayment.

Defined contribution pension costs charged to the profit and loss account represent contributions payable in respect of the period.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Scrip dividends

Dividends satisfied by the issue of ordinary shares are credited to reserves. The nominal value of the shares issued is offset against the share premium account.

Goodwill

Goodwill is calculated as the surplus of cost over fair value attributed to the net assets (excluding goodwill) of subsidiary, joint venture or associated undertakings acquired.

For acquisitions made after the financial year ended March 31, 1998, goodwill is capitalized and held as a foreign currency denominated asset, where applicable. Goodwill is amortized on a straight line basis over its estimated useful economic life. For acquired network businesses, whose operations are governed by fixed term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. For other acquisitions, including customer bases, the amortization period for goodwill is typically between 5 and 10 years.

For acquisitions made before the adoption of FRS 10 on April 1, 1998, goodwill was written off directly to reserves. Goodwill written off directly to reserves is reinstated in the profit and loss account when the related business is sold.

Other intangible fixed assets

Purchased intangible fixed assets, including license fees, are capitalized at cost.

Network license costs are amortized over the periods of the licenses. Amortization is charged from commencement of service of the network. The annual charge is calculated in proportion to the expected usage of the network during the start up period and on a straight line basis thereafter.

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is not provided on freehold land. The cost of other tangible fixed assets is written off, from the time they are brought into use, by equal installments over their expected useful lives as follows:

Freehold buildings	25-50 years
Leasehold premises	the term of the lease
Plant and machinery	5-10 years
Motor vehicles	4 years
Computers and software	3-5 years
Furniture and fittings	5-10 years

Tangible fixed assets include overheads incurred in the acquisition, establishment and installation of base stations.

Investments

The Consolidated Financial Statements include investments in associated undertakings using the equity method of accounting. An associated undertaking is a company in which the Group owns a material share of the equity and, in the opinion of the directors, can exercise a significant influence in its management. The consolidated profit and loss account includes the Group's share of the operating profit or loss, exceptional items, interest income or expense and attributable taxation of those companies. The consolidated balance sheet shows the Group's share of the net assets or liabilities of those companies, together with loans advanced and attributed goodwill.

The Consolidated Financial Statements include investments in joint ventures using the gross equity method of accounting. A joint venture is a company in which the Group has a long term interest and exercises joint control. Under the gross equity method, a form of the equity method of accounting, the Group's share of the aggregate gross assets and liabilities underlying the investment in the joint venture is included in the balance sheet and the Group's share of the turnover of the joint venture is disclosed in the profit and loss account.

Other investments, held as fixed assets, comprise equity shareholdings, partnership interests and long term loans. They are stated at cost less provision for any impairment. Dividend income is recognized upon receipt and interest when receivable.

Stocks

Stocks are valued at the lower of cost and estimated net realizable value.

Deferred taxation

Provision is made for deferred taxation only where there is a reasonable probability that a liability or asset will crystallize in the foreseeable future.

No provision is made for any tax liability which may arise if undistributed profits of certain international subsidiary undertakings, joint ventures and associated undertakings are remitted to the United Kingdom, except in respect of planned remittances.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Assets acquired under finance leases, which transfer substantially all the rights and obligations of ownership, are accounted for as though purchased outright. The fair value of the asset at the inception of the lease is included in tangible fixed assets and the capital element of the leasing commitment included in creditors. Finance charges are calculated on an actuarial basis and are allocated over each lease to produce a constant rate of charge on the outstanding balance.

Lease obligations which are satisfied by cash and other assets deposited with third parties are set-off against those assets in the Group's balance sheet.

3. Segmental analysis

The Group operates substantially in one class of business, the supply of mobile telecommunications services and products.

Analyses of turnover, operating expenses, operating profit, disposal of fixed asset investments, profit on ordinary activities before interest and net assets by geographical region are as follows:

	Europe, Middle East & Africa	United Kingdom	United States & Asia Pacific	Total
	£m	£m	£m	£m
2000				
Turnover: Group and share of joint ventures	1,822	2,901	3,512	8,235
Continuing operations	1,107	2,826	565	4,498
Acquisitions	715	75	2,947	3,737
Less: Share of joint ventures – acquisitions	—	—	(362)	(362)
Group turnover	1,822	2,901	3,150	7,873
Operating expenses	1,494	2,209	3,189	6,892
Operating profit/(loss)	328	692	(39)	981
Continuing operations	248	705	27	980
Acquisitions	80	(13)	(66)	1
Share of operating profit/(loss) in joint ventures and associated undertakings	(135)	3	(53)	(185)
Continuing operations	100	3	1	104
Acquisitions	(235)	—	(54)	(289)
Total Group operating profit	193	695	(92)	796
Total Group operating profit before goodwill amortization and exceptional items:				
Continuing operations	355	708	40	1,103
Acquisitions	748	(2)	689	1,435
	1,103	706	729	2,538
Amortization of goodwill	(910)	(11)	(791)	(1,712)
Exceptional reorganization costs	—	—	(30)	(30)
Disposal of fixed asset investments	943	11	—	954
Profit/(loss) on ordinary activities before interest	1,136	706	(92)	1,750
Net assets and attributed goodwill (before net borrowings) of subsidiary undertakings	105,713	729	21,911	128,353
Share of net assets and attributed goodwill of joint ventures and associated undertakings	13,798	—	6,852	20,650
	119,511	729	28,763	149,003
Net borrowings for the Group				(6,643)
Net assets at March 31, 2000				142,360
Capital expenditure on intangible and tangible fixed assets (excluding goodwill)	663	807	843	2,313
Depreciation and amortization charges (excluding goodwill)	154	226	378	758

3. Segmental analysis (continued)

	Europe, Middle East & Africa	United Kingdom	United States & Asia Pacific	Total
	£m	£m	£m	£m
1999				
Turnover	945	2,088	327	3,360
Operating expenses	<u>745</u>	<u>1,449</u>	<u>319</u>	<u>2,513</u>
Operating profit	200	639	8	847
Share of operating profit in associated undertakings	<u>111</u>	<u>4</u>	<u>1</u>	<u>116</u>
Total Group operating profit	311	643	9	963
Total Group operating profit before goodwill amortization and exceptional items	314	644	14	972
Amortization of goodwill	(3)	(1)	(5)	(9)
Disposal of fixed asset investments	<u>64</u>	<u>—</u>	<u>2</u>	<u>66</u>
Profit on ordinary activities before interest	<u>375</u>	<u>643</u>	<u>11</u>	<u>1,029</u>
Net assets and attributed goodwill (before net borrowings) of subsidiary undertakings	638	785	740	2,163
Share of net assets/(liabilities) and attributed goodwill of associated undertakings	<u>262</u>	<u>(6)</u>	<u>13</u>	<u>269</u>
	<u>900</u>	<u>779</u>	<u>753</u>	<u>2,432</u>
Net borrowings for the Group				(1,508)
Net assets at March 31, 1999				<u>924</u>
Capital expenditure on intangible and tangible fixed assets (excluding goodwill)	<u>244</u>	<u>400</u>	<u>141</u>	<u>785</u>
Depreciation and amortization charges (excluding goodwill)	<u>65</u>	<u>172</u>	<u>52</u>	<u>289</u>
1998				
Turnover	503	1,772	196	2,471
Operating expenses	<u>376</u>	<u>1,210</u>	<u>258</u>	<u>1,844</u>
Operating profit/(loss)	127	562	(62)	627
Share of operating profit in associated undertakings	<u>55</u>	<u>2</u>	<u>3</u>	<u>60</u>
Total Group operating profit/(loss)	182	564	(59)	687
Total Group operating profit/(loss) before exceptional items	182	584	(59)	707
Exceptional reorganization costs	—	(20)	—	(20)
Disposal of fixed asset investments	<u>11</u>	<u>—</u>	<u>13</u>	<u>24</u>
Profit/(loss) on ordinary activities before interest	<u>193</u>	<u>564</u>	<u>(46)</u>	<u>711</u>
Net assets (before net borrowings) of subsidiary undertakings	418	566	381	1,365
Share of net assets/(liabilities) of associated undertakings	<u>126</u>	<u>(7)</u>	<u>12</u>	<u>131</u>
	<u>544</u>	<u>559</u>	<u>393</u>	<u>1,496</u>
Net borrowings for the Group				(1,117)
Net assets at March 31, 1998				<u>379</u>
Capital expenditure on intangible and tangible fixed assets	<u>124</u>	<u>318</u>	<u>78</u>	<u>520</u>
Depreciation and amortization charges	<u>35</u>	<u>157</u>	<u>46</u>	<u>238</u>

3. Segmental analysis (continued)

Amounts for acquisitions primarily comprise the results of AirTouch Communications, Inc. and its subsidiaries, joint ventures and associated undertakings from June 30, 1999, and CommNet Cellular, Inc., the acquisition of which was completed on January 6, 2000. Further details regarding acquisitions are included in note 22.

Turnover is by origin which is not materially different from turnover by destination.

Sales to any one customer during fiscal 2000 and fiscal 1999 did not exceed 10% of turnover. In 1998, sales to one customer, expressed as a percentage of turnover, were 10%.

Included within turnover for the UK business segment is gross turnover of £2,200m for the year (1999 — £1,651m, 1998 — £1,342m) for the network business and gross turnover of £1,525m for the year (1999 — £1,030m; 1998 — £894m) for the distribution businesses.

The Group's share of the (loss)/profit on ordinary activities before interest, and share of net assets, of joint ventures and associated undertakings included in the above geographical analyses are as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Joint ventures			
Share of (loss)/profit on ordinary activities before interest			
Europe, Middle East & Africa	—	—	—
United Kingdom	—	—	—
United States & Asia Pacific	<u>(40)</u>	<u>—</u>	<u>—</u>
	<u>(40)</u>	<u>—</u>	<u>—</u>
Share of net assets and attributed goodwill			
Europe, Middle East & Africa	—	—	—
United Kingdom	—	—	—
United States & Asia Pacific	<u>2,671</u>	<u>—</u>	<u>—</u>
	<u>2,671</u>	<u>—</u>	<u>—</u>
Associated undertakings			
Share of (loss)/profit on ordinary activities before interest			
Europe, Middle East & Africa	(135)	111	55
United Kingdom	3	4	2
United States & Asia Pacific	<u>(13)</u>	<u>3</u>	<u>16</u>
	<u>(145)</u>	<u>118</u>	<u>73</u>
Share of net assets and attributed goodwill			
Europe, Middle East & Africa	13,798	262	126
United Kingdom	—	(6)	(7)
United States & Asia Pacific	<u>4,181</u>	<u>13</u>	<u>12</u>
	<u>17,979</u>	<u>269</u>	<u>131</u>

Included in the Group's share of (loss)/profit on ordinary activities before interest above is a charge for the amortization of goodwill of £52m in respect of joint ventures (1999 — £Nil; 1998 — £Nil) and £986m in respect of associated undertakings (1999 — £1m; 1998 — £Nil).

4. Operating profit

	<u>Continuing operations</u>	<u>Acquisitions</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m	£m	£m
Turnover	4,498	3,375	7,873	3,360	2,471
Cost of sales	<u>2,591</u>	<u>1,768</u>	<u>4,359</u>	<u>1,809</u>	<u>1,265</u>
Gross profit	<u>1,907</u>	<u>1,607</u>	<u>3,514</u>	<u>1,551</u>	<u>1,206</u>
Selling and distribution costs	305	564	869	243	210
Administrative expenses	622	1,042	1,664	461	369
Amortization of goodwill	16	658	674	8	—
Other administration costs	606	384	990	453	369
Total operating expenses	<u>927</u>	<u>1,606</u>	<u>2,533</u>	<u>704</u>	<u>579</u>
Operating profit	<u>980</u>	<u>1</u>	<u>981</u>	<u>847</u>	<u>627</u>

Group turnover includes sales to joint ventures and associated undertakings of £303m (1999 — £255m, 1998 — £176m) and total operating costs include charges from joint ventures and associated undertakings of £82m (1999 — £75m, 1998 — £44m). Sales to associated undertakings primarily represent network airtime and access charges. Charges from associated undertakings primarily represent roaming and service provider incentive payments.

Operating profit has been arrived at after charging:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Depreciation of tangible fixed assets			
Owned assets	698	255	203
Leased assets	48	27	28
Amortization of goodwill	674	8	—
Amortization of other intangible fixed assets	12	7	7
Research and development	46	37	34
Bad debt expense	71	20	15
Payments under operating leases			
Plant and machinery	76	10	12
Other assets	278	167	126
Auditors' remuneration			
Audit work	1	1	1
Other fees			
United Kingdom	3	1	2
Overseas	4	—	—
Exceptional reorganization costs	30	—	20

Auditors' other fees shown above exclude £6m (1999 — £1m, 1998 — £Nil) of fees payable for professional services incurred in the period in connection with mergers and acquisitions. These fees have been accounted for as acquisition costs upon completion of the transaction, or are being carried forward within investments pending completion. Auditors' other fees incurred on specific capital projects during the year and totaling £3m (1999 — £2m, 1998 — £Nil) have also been excluded, of which £2m (1999 — £1m, 1998 — £Nil) was incurred by overseas operations.

The exceptional reorganization costs during 2000 relate to the reorganization of the Group's US operations and include amounts for severance costs and certain payments to employees that crystallized as a result of the Merger with AirTouch.

4. Operating profit (continued)

The exceptional reorganization costs during 1998 relate to the reorganization of the Company's six wholly-owned UK service provider companies into three distribution businesses, and include amounts for redundancies and costs associated with the rationalization of the retail shop chain.

5. Disposal of fixed asset investments

The profit on disposal of fixed asset investments arose primarily from the disposal of the Company's 17.24% shareholding in E-Plus Mobilfunk GmbH, the disposal of the Company's 20% shareholding in a UK service provider, Martin Dawes Telecommunications Limited, and the disposal of the Company's 50% shareholding in Comfone AG in Switzerland. The disposal of E-Plus was in accordance with an undertaking given to the European Commission as a pre-condition to its approval of the merger with AirTouch Communications, Inc.

The profit on disposal of fixed asset investments in 1999 arose from the reduction in the Company's interest in Globalstar from 5.2% to 3.0%, the profit on disposal of the Company's French service provider business and an adjustment to the profits realized in relation to business disposals in 1998 following finalization of the relevant completion accounts.

In 1998, the profit arose from the sale of the Company's 35% holding in Pacific Link, the reduction in the Company's interest in Globalstar from 6.1% to 5.2% and from the sale of the Group's 16% interest in Cellphones Direct (Holdings) Limited.

6. Net interest payable

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Parent and subsidiary undertakings			
Interest receivable and similar income	(55)	(14)	(16)
Interest payable and similar charges			
Bank loans and overdrafts	214	19	6
Other loans	174	71	59
Exceptional finance costs	<u>17</u>	<u>—</u>	<u>—</u>
	<u>350</u>	<u>76</u>	<u>49</u>
Share of joint ventures			
Interest payable and similar charges	<u>3</u>	<u>—</u>	<u>—</u>
Share of associated undertakings			
Interest receivable and similar income	(3)	—	—
Interest payable and similar charges	<u>51</u>	<u>18</u>	<u>12</u>
	<u>48</u>	<u>18</u>	<u>12</u>
Share of joint ventures and associated undertakings net interest payable	<u>51</u>	<u>18</u>	<u>12</u>

The exceptional finance costs were incurred in restructuring the Group's borrowing facilities in relation to the acquisition of Mannesmann AG.

7. Tax on profit on ordinary activities

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
United Kingdom			
Corporation tax charge at 30% (1999 — 31%, 1998 — 31%)	117	164	157
Transfer to/(from) deferred taxation	<u>11</u>	<u>5</u>	<u>(3)</u>
	<u>128</u>	<u>169</u>	<u>154</u>
International			
Current tax	691	83	49
Transfer from deferred taxation	<u>(134)</u>	<u>—</u>	<u>—</u>
	<u>557</u>	<u>83</u>	<u>49</u>
	<u>685</u>	<u>252</u>	<u>203</u>

Parent and subsidiary undertakings	494	241	196
Share of joint ventures	(57)	—	—
Share of associated undertakings	248	11	7

There are no tax charges attributable to the profit on disposal of fixed asset investments in the year (1999 — £2m, 1998 — £Nil).

The increase in the effective tax rate for the year ended March 31, 2000 is primarily the result of the higher tax rates attributable to the former AirTouch operations, whose results have been included for the nine month period following merger completion on June 30, 1999.

The difference between Vodafone AirTouch's statutory UK corporation tax rate of 30% in 2000, and 31% in 1999 and 1998, and Vodafone AirTouch's effective tax rates were as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Expected tax at UK corporation tax rate	405	290	202
Amortization of goodwill	514	3	—
Disposal of fixed asset investments	(286)	(20)	(7)
Disallowable expenditure	18	12	22
Deferred tax not equalized	8	(63)	(29)
Prior year adjustments	(4)	(2)	(2)
Current year losses for which no credit taken	19	18	11
Net over/(under) charge relating to international associated undertakings	3	(16)	(5)
Non-taxable profits/non-deductible losses	(32)	(22)	(6)
International corporate tax rate differentials	22	8	7
Other	<u>18</u>	<u>44</u>	<u>10</u>
Actual tax	<u>685</u>	<u>252</u>	<u>203</u>

The analysis of the deferred tax charge/(credit) is as follows:

Deferred tax asset on sub-letting of certain US communication towers	(136)	—	—
Tax allowances exceeded by/(in excess of) depreciation	4	—	(2)
Other short term timing differences	<u>9</u>	<u>5</u>	<u>(1)</u>
	<u>(123)</u>	<u>5</u>	<u>(3)</u>

At March 31, 2000, Vodafone AirTouch had the following trading and non-trading losses available for carry forward. These losses are only available for offset against future profits arising from the same trade within certain Group and associated undertakings:

7. Tax on profit on ordinary activities (continued)

	<u>£m</u>
UK subsidiaries' trading and non-trading losses	52
International subsidiaries' trading and non-trading losses	172
Share of international associated undertakings' trading and non-trading losses	105

8. Equity dividends

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Interim dividend paid of 0.655p (1999 — 0.624p; 1998 — 0.542p) per ordinary share	203	97	83
Second interim dividend declared of Nilp (1999 — 0.648p; 1998 — Nilp) per ordinary share	—	100	—
Proposed final dividend of 0.680p (1999 — Nilp; 1998 — 0.564p) per ordinary share	417	—	87
	<u>620</u>	<u>197</u>	<u>170</u>

Dividends per share for the comparative periods have been adjusted to give effect to the capitalization (bonus) issue on September 30, 1999.

9. Earnings per share

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Weighted average number of shares (millions) in issue during the year and used to calculate:			
Basic and adjusted basic earnings per share	27,100	15,445	15,365
Dilutive effect of share options	260	65	45
Diluted earnings per share	<u>27,360</u>	<u>15,510</u>	<u>15,410</u>

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Earnings for basic earnings per share	487	637	419
Goodwill amortization	1,712	9	—
Disposals of fixed asset investments, net of attributable taxation	(954)	(64)	(24)
Exceptional costs, net of attributable taxation	31	—	—
Earnings for adjusted basic earnings per share	<u>1,276</u>	<u>582</u>	<u>395</u>

Earnings for basic earnings per share represents the net profit attributable to ordinary shareholders, being the profit on ordinary activities after taxation and minority interests, and has also been used to calculate diluted earnings per share. Adjusted basic earnings per share has been presented in order to highlight the underlying performance of the Group.

The Group's consolidated financial statements for the year do not include the results of Mannesmann AG, as the acquisition received clearance from the European Commission on April 12, 2000. Accordingly, the ordinary shares issued during the year as part of the purchase consideration for Mannesmann AG have been excluded from the calculation of earnings per share.

The weighted average number of shares for the comparative periods have been adjusted to give effect to the capitalization (bonus) issue on September 30, 1999.

10. Intangible fixed assets

	<u>Goodwill</u>	<u>License and spectrum fees</u>	<u>Total</u>
	£m	£m	£m
Cost			
April 1, 1999	181	173	354
Exchange movements	(431)	(26)	(457)
Acquisitions (note 22)	22,447	—	22,447
Reclassifications from associated undertakings	—	326	326
Additions	—	251	251
March 31, 2000	<u>22,197</u>	<u>724</u>	<u>22,921</u>
Amortization			
April 1, 1999	8	17	25
Exchange movements	4	—	4
Charge for the year	674	12	686
March 31, 2000	<u>686</u>	<u>29</u>	<u>715</u>
Net book value			
March 31, 2000	<u>21,511</u>	<u>695</u>	<u>22,206</u>
March 31, 1999	<u>173</u>	<u>156</u>	<u>329</u>

For acquisitions prior to April 1, 1998, the cumulative goodwill written off to reserves, net of the goodwill attributed to business disposals, was £1,194m at March 31, 2000 (1999 — £1,212m). The movement during the year relates to the disposal of the Group's 20% shareholding in a UK service provider, Martin Dawes Telecommunications Limited.

11. Tangible fixed assets

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>	<u>Network infrastructure</u>	<u>Total</u>
	£m	£m	£m	£m	£m
Cost					
April 1, 1999	94	455	132	2,516	3,197
Exchange movements	(50)	(24)	(5)	(123)	(202)
Acquisitions (note 22)	222	33	53	2,624	2,932
Reclassifications from associated undertakings	—	—	—	85	85
Additions	34	342	76	1,610	2,062
Disposals	(7)	(14)	(4)	(32)	(57)
Reclassifications	2	(30)	(8)	36	—
March 31, 2000	<u>295</u>	<u>762</u>	<u>244</u>	<u>6,716</u>	<u>8,017</u>
Accumulated depreciation					
April 1, 1999	26	207	50	764	1,047
Exchange movements	(5)	(9)	(1)	(24)	(39)
Charge for the year	17	116	22	591	746
Disposals	(1)	(12)	(2)	(29)	(44)
Reclassifications	(2)	(11)	(4)	17	—
March 31, 2000	<u>35</u>	<u>291</u>	<u>65</u>	<u>1,319</u>	<u>1,710</u>
Net book value					
March 31, 2000	<u>260</u>	<u>471</u>	<u>179</u>	<u>5,397</u>	<u>6,307</u>
March 31, 1999	<u>68</u>	<u>248</u>	<u>82</u>	<u>1,752</u>	<u>2,150</u>

11. Tangible fixed assets (continued)

The net book value of land and buildings comprises freeholds of £195m (1999 — £16m), long leaseholds of £10m (1999 — £5m) and short leaseholds of £55m (1999 — £47m).

Network infrastructure at March 31, 2000 comprises:

	<u>Freehold premises</u>	<u>Short term leasehold premises</u>	<u>Plant and machinery</u>	<u>Total</u>
	£m	£m	£m	£m
March 31, 2000				
Cost	41	519	6,156	6,716
Accumulated depreciation	<u>5</u>	<u>114</u>	<u>1,200</u>	<u>1,319</u>
Net book value	<u>36</u>	<u>405</u>	<u>4,956</u>	<u>5,397</u>
March 31, 1999				
Net book value	<u>10</u>	<u>167</u>	<u>1,575</u>	<u>1,752</u>

12. Fixed asset investments

	<u>Joint ventures</u>	<u>Associated undertakings</u>	<u>Other investments</u>	<u>Total</u>
	£m	£m	£m	£m
April 1, 1999.	—	275	97	372
Exchange movements	(35)	(740)	(13)	(788)
Additions and loan advances	768	640	101,652	103,060
Goodwill	2,101	18,524	—	20,625
Disposals and loan repayments	(67)	(7)	(48)	(122)
Share of retained results, excluding goodwill amortization	(44)	358	—	314
Goodwill amortization	(52)	(986)	—	(1,038)
Reclassifications to subsidiary undertakings	—	(85)	—	(85)
March 31, 2000.	<u>2,671</u>	<u>17,979</u>	<u>101,688</u>	<u>122,338</u>

The Group's share of its joint ventures' and associated undertakings' post acquisition accumulated (losses)/profits at March 31, 2000 amounted to £(44)m (1999 — £Nil) and £402m (1999 — £136m), respectively. There were no loans outstanding with joint ventures during the year. Loans to associated undertakings at March 31, 2000 were £33m (1999 — £Nil). The maximum aggregate loans to associated undertakings and former associated undertakings during the year which are not included within the period end balance were £13m (1999 — £3m).

Included in additions and loan advances within "Other investments" is an amount of £101,246m in respect of the acquisition of Mannesmann AG. This represents the fair value of the consideration for the acquisition of approximately 98.62% of the issued share capital of Mannesmann AG and 99.72% of its convertible bond, together with related costs incurred. European Commission approval of the acquisition was received on April 12, 2000. Prior to that date the Group did not have the right to control or the ability to exercise significant influence over Mannesmann AG. Accordingly, the Group's consolidated financial statements do not include Mannesmann AG as a consolidated subsidiary or equity accounted investee. The consolidated results and net assets of Mannesmann AG will be consolidated in the Group's financial statements for the year ending March 31, 2001.

Fixed asset investments include 12,532,364 ordinary shares in Vodafone AirTouch Plc held by a Qualifying Employee Share Ownership Trust. These shares are included at their cost to the Group of £Nil. Further detail is provided within note 19 to these accounts.

Fixed asset investments also include 2,673,833 ordinary shares in Vodafone AirTouch Plc held by the Vodafone Group Employee Trust to satisfy the potential award of shares under the Group's Long Term Incentive Plan and Short Term Incentive Plan. The cost to the Group of these shares was £5m and their market value at March 31, 2000 was £9m.

12. Fixed asset investments (continued)

Joint ventures

The Group's share of its joint ventures comprises:

	<u>2000</u>	<u>1999</u>
	£m	£m
Share of turnover	<u>362</u>	<u>—</u>
Share of assets		
Fixed assets	790	—
Current assets	<u>103</u>	<u>—</u>
	893	—
Share of liabilities		
Liabilities due within one year	164	—
Liabilities due after more than one year	<u>77</u>	<u>—</u>
	241	—
Share of net assets	652	—
Attributed goodwill net of amortization charges	<u>2,019</u>	<u>—</u>
Share of net assets and attributed goodwill	<u>2,671</u>	<u>—</u>

Associated undertakings

The Group's share of its associated undertakings comprises:

	<u>2000</u>	<u>1999</u>
	£m	£m
Share of turnover of associated undertakings	<u>3,286</u>	<u>698</u>
Share of assets		
Fixed assets	2,472	669
Current assets	<u>1,341</u>	<u>253</u>
	3,813	922
Share of liabilities		
Liabilities due within one year	1,737	442
Liabilities due after more than one year	<u>1,020</u>	<u>220</u>
	2,757	662
Share of net assets	1,056	260
Attributed goodwill net of amortization charges	<u>16,923</u>	<u>9</u>
Share of net assets and attributed goodwill	<u>17,979</u>	<u>269</u>

The Group's share of the net assets of its associated undertakings comprises:

	<u>2000</u>	<u>1999</u>
	£m	£m
Fixed asset investments	17,979	275
Included in other creditors (note 15)	—	(6)
	<u>17,979</u>	<u>269</u>

The Group's principal joint ventures, associated undertakings and fixed asset investments are detailed in note 31.

13. Stocks

	<u>2000</u>	<u>1999</u>
	£m	£m
Goods held for resale	<u>190</u>	<u>45</u>

14. Debtors

	<u>2000</u>	<u>1999</u>
	£m	£m
Due within one year:		
Trade debtors	943	385
Amounts owed by associated undertakings	23	47
Other debtors	221	66
Prepayments and accrued income	<u>532</u>	<u>227</u>
	<u>1,719</u>	<u>725</u>
Due after more than one year:		
Trade debtors	34	—
Other debtors	10	2
Prepayments and accrued income	46	14
Deferred tax	<u>329</u>	<u>—</u>
	<u>419</u>	<u>16</u>
	<u>2,138</u>	<u>741</u>

15. Creditors: Amounts falling due within one year

	<u>2000</u>	<u>1999</u>
	£m	£m
Bank loans, other loans and overdrafts	94	174
Commercial paper	700	203
Trade creditors	706	216
Amounts owed to associated undertakings	2	—
Taxation	535	252
Other taxes and social security costs	54	28
Other creditors	436	46
Dividends	417	100
Accruals and deferred income	<u>1,497</u>	<u>511</u>
	<u>4,441</u>	<u>1,530</u>

The weighted average interest rate on short term borrowings at March 31, 2000 was 6.2% (1999 — 5.6%).

16. Creditors: Amounts falling due after more than one year

	<u>2000</u>	<u>1999</u>
	£m	£m
Bank loans	184	606
Other loans	5,854	531
Other creditors	33	33
Accruals and deferred income	<u>303</u>	<u>9</u>
	<u>6,374</u>	<u>1,179</u>

16. Creditors: Amounts falling due after more than one year (continued)

Bank loans of £184m are repayable in more than two years but not more than five years from the balance sheet date. Other loans are repayable as follows:

	<u>2000</u>	<u>1999</u>
	£m	£m
Repayable in more than one year but not more than two years	481	—
Repayable in more than two years but not more than five years	1,497	531
Repayable in more than five years	<u>3,876</u>	<u>—</u>
	<u>5,854</u>	<u>531</u>

Other loans primarily comprise bond issues by Vodafone AirTouch Plc, or its subsidiary AirTouch Communications, Inc. and guaranteed by Vodafone AirTouch Plc, analyzed as follows:

	<u>2000</u>	<u>1999</u>
	£m	£m
7.875% Sterling bond due 2001	249	248
7.125% US Dollar bond due 2001	156	—
7.0% US Dollar bond due 2003	156	—
7.5% Sterling bond due 2004	248	248
7.625% US Dollar bond due 2005	1,089	—
6.35% US Dollar bond due 2005	125	—
5.75% Euro bond due 2006	893	—
7.5% US Dollar bond due 2006	250	—
5.5% Deutschmark bond due 2008	123	—
6.65% US Dollar bond due 2008	313	—
7.75% US Dollar bond due 2010	1,702	—
7.875% US Dollar bond due 2030	459	—
Other	<u>91</u>	<u>35</u>
	<u>5,854</u>	<u>531</u>

17. Financial assets and liabilities

Net debt

	<u>2000</u>	<u>1999</u>
	£m	£m
Liquid investments	(30)	—
Cash at bank and in hand	(159)	(6)
Debt due in one year or less, or on demand	794	377
Debt due after one year	<u>6,038</u>	<u>1,137</u>
	<u>6,643</u>	<u>1,508</u>

17. Financial assets and liabilities (continued)

Maturities of financial liabilities

The maturity profile of the Group's borrowings at March 31, was as follows:

	<u>2000</u>	<u>1999</u>
	£m	£m
In one year or less, or on demand	794	377
In more than one year but not more than two years	481	—
In more than two years but not more than five years	1,681	1,137
In more than five years	3,876	—
	<u>6,832</u>	<u>1,514</u>

The maturities of the Group's other financial liabilities at March 31, was as follows:

	<u>2000</u>	<u>1999</u>
	£m	£m
In more than one year but not more than two years	33	5
In more than two years but not more than five years	3	37
	<u>36</u>	<u>42</u>

Total bank loans, other loans and overdrafts are repayable as follows:

	<u>2000</u>	<u>1999</u>
	£m	£m
Within one year	794	377
Between one to two years	481	—
Between two to three years	188	524
Between three to four years	404	365
Between four to five years	1,089	248
Between five to six years	125	—
Between six to seven years	1,156	—
Between eight to nine years	434	—
Between nine to ten years	1,702	—
Between twenty nine to thirty years	459	—
	<u>6,832</u>	<u>1,514</u>

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available to it on March 31:

	<u>2000</u>	<u>1999</u>
	£m	£m
Expiring in one year or less	5,689	50
Expiring in more than one year but not more than two years	—	495
Expiring in more than two years	4,562	418
	<u>10,251</u>	<u>963</u>

In addition to the above, a subsidiary undertaking has a £439m committed facility which may only be used to fund its operations. This facility expires in more than five years.

17. Financial assets and liabilities (continued)

Interest rate and currency of financial liabilities

After taking into account the various interest rate and currency swaps entered into by the Group, the currency and interest rate exposure of the financial liabilities of the Group was:

Currency	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Fixed rate financial liabilities		Non-interest bearing financial liabilities — weighted average period until maturity Years
					Weighted average interest rate %	Weighted average time for which rate is fixed Years	
At March 31, 2000:							
Sterling	2,298	871	1,422	5	6.7	1.6	0.7
Euro	1,895	322	1,511	62	3.8	1.6	1.3
US Dollar	2,057	578	1,479	—	7.3	13.1	—
Other	618	614	—	4	—	—	3.2
Gross financial liabilities	<u>6,868</u>	<u>2,385</u>	<u>4,412</u>	<u>71</u>	<u>5.9</u>	<u>5.5</u>	<u>1.4</u>
At March 31, 1999:							
Sterling	733	235	496	2	6.8	3.3	1.5
Euro	440	230	176	34	3.4	1.3	2.3
Other	383	275	102	6	5.0	1.0	3.0
Gross financial liabilities	<u>1,556</u>	<u>740</u>	<u>774</u>	<u>42</u>	<u>5.8</u>	<u>2.6</u>	<u>2.5</u>

Interest on floating rate borrowings is based on national LIBOR equivalents or government bond rates in the relevant currencies.

Financial assets

Liquid investments of £30m comprises a Euro denominated short term deposit. Cash at bank and in hand of £159m was primarily Euro denominated.

Fixed asset investments, excluding the investment in Mannesmann AG, are included at a net book value of £442m at March 31, 2000 (1999 — £97m). Fixed asset investments primarily comprise equity investments with a net book value of £392m (1999 — £60m), of which £7m (1999 — £16m) was denominated in Sterling, £79m (1999 — £44m) was denominated in Euro, £66m was denominated in US Dollars (1999 — £Nil) and £240m (1999 — £Nil) was denominated in other currencies. Fixed asset investments also included an interest bearing US Dollar denominated deposit of £32m (1999 — £37m) which had a maximum period to maturity of 3.7 years.

Financial instruments

Vodafone AirTouch uses financial instruments to manage exposure to market risks arising from changes in foreign exchange and interest rates.

(i) Interest rate risk management

The Group enters into interest rate swap agreements, forward rate agreements and futures contracts to adjust both the proportion of debt subject to fixed or floating interest rates and the period of that interest. At March 31, 2000 the Group had outstanding interest rate swaps and futures contracts with a notional principal amount of £5,230m (1999 — £1,031m). The fair value of these agreements was £57m in excess of their carrying value at March 31, 2000 (1999 — £12m).

17. Financial assets and liabilities (continued)

(ii) Foreign exchange rate risk

The Group enters into foreign currency forward purchase and sale transactions to hedge foreign currency cash flows in relation to the Group's investments and other payments and receipts to be made or received in foreign currencies.

At March 31, 2000 the Group had outstanding foreign exchange contracts and currency swaps with an aggregate amount of £3,379m (1999 — £530m). These contracts mature within 37 months (1999 — 49 months). The fair value of these contracts was £66m less than their carrying value at March 31, 2000 (1999 — £6m less than their carrying value). Profits and losses arising from these instruments are recognized in the profit and loss account when the associated sale and purchase is recognized or when a hedged transaction is no longer expected to occur.

The fair value of both the interest rate and foreign exchange rate risk management instruments was estimated by discounting the future cash flows to net present values using appropriate market interest and foreign exchange rates prevailing at the year end. No instruments are held by the Group for trading purposes.

(iii) Fair values of financial assets and liabilities

The carrying amounts and estimated fair value of the Group's other outstanding financial instruments are set out below:

	2000 Net carrying amount	2000 Estimated fair value	1999 Net carrying amount	1999 Estimated fair value
	£m	£m	£m	£m
Long term investments (excluding investments in joint ventures and associated undertakings)	442	442	97	97
Cash at bank and in hand and liquid investments	189	189	6	6
Borrowings:				
Short term	794	794	377	377
Long term	6,038	6,017	1,137	1,175

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement. Changes in assumptions could significantly affect the estimates.

Fixed asset investments in the above table exclude £101,246m in relation to the fair value of the consideration for the acquisition of Mannesmann AG as at March 31, 2000.

The following methods and assumptions were used to estimate the fair values shown above.

Fixed asset investments (excluding investments in joint ventures and associated undertakings) — The net book value of fixed asset investments at March 31, 2000 comprises investments recorded at an original cost of £442m (1999 — £97m), including assets with a fair value to the Group of £384m arising as a result of the AirTouch merger. Investments include untraded equity investments in foreign companies that are operating cellular and satellite communications services. Fixed asset investments of £442m do not include any valuation in respect of existing customer bases or other intangible assets.

Cash at bank and in hand and liquid investments — The carrying values of cash and short term borrowings, and liquid investments, approximate to their fair values because of the short term maturity of these instruments.

Borrowings (excluding foreign exchange contracts) — The fair value of quoted long term borrowings is based on year end mid-market quoted prices. The fair value of other borrowings is estimated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

17. Financial assets and liabilities (continued)

Currency exposures

Taking into account the effect of forward contracts and other derivative instruments, the Group did not have a material financial exposure to foreign exchange gains or losses on monetary assets and monetary liabilities denominated in foreign currencies at March 31, 2000.

Hedges

The Group's policy is to use derivative instruments to hedge against exposure to movements in interest rates and exchange rates. Changes in the fair value of instruments used for hedging are not recognized in the financial statements until the hedged exposure is itself recognized. Unrecognized gains and losses on instruments used for hedging are set out below:

	<u>Gains</u>	<u>Losses</u>	<u>Total net gains/ (losses)</u>
	£m	£m	£m
Unrecognized gains and losses on hedges at April 1, 1999	22	(16)	6
Less: Gains and losses arising in previous years that were recognized in the year	<u>(5)</u>	<u>16</u>	<u>11</u>
Gains and losses arising before April 1, 1999 that were not recognized at			
March 31, 2000	17	—	17
Gains and losses arising in the year that were not recognized at March 31, 2000	<u>71</u>	<u>(97)</u>	<u>(26)</u>
Unrecognized gains and losses on hedges at March 31, 2000	<u>88</u>	<u>(97)</u>	<u>(9)</u>
<i>Of which:</i>			
<i>Gains and losses expected to be recognized in 2000</i>	86	(97)	(11)
<i>Gains and losses expected to be recognized in 2001 or later</i>	2	—	2

18. Provisions for liabilities and charges

	<u>Deferred taxation</u>	<u>Post employment benefits</u>	<u>Other provisions</u>	<u>Total</u>
	£m	£m	£m	£m
April 1, 1999	10	—	—	10
Exchange movements	(5)	—	(1)	(6)
Acquisitions (note 22)	157	23	60	240
Profit and loss account	13	4	2	19
Transfer to current tax	<u>(70)</u>	<u>—</u>	<u>—</u>	<u>(70)</u>
March 31, 2000	<u>105</u>	<u>27</u>	<u>61</u>	<u>193</u>

Deferred taxation

The £123m credit to deferred taxation in the profit and loss account (note 7) is in relation to a deferred tax asset of £136m recognized on the sub-letting of certain US communications towers, offset by a charge of £13m in relation to other short term timing differences.

18. Provisions for liabilities and charges (continued)

The amounts provided and unprovided for deferred taxation are:

	2000		1999	
	Amount provided	Amount unprovided	Amount provided	Amount unprovided
	£m	£m	£m	£m
Deferred tax on unvested options	(193)	—	—	—
Deferred tax on sub-letting of US communication towers	(136)	—	—	—
Accelerated capital allowances	11	161	—	101
Gains subject to rollover relief	—	7	—	7
Other timing differences	94	(92)	10	(10)
	<u>(224)</u>	<u>76</u>	<u>10</u>	<u>98</u>

The amount provided is analysed as:

	2000	1999
	£m	£m
Deferred tax asset	(329)	—
Deferred tax provision	105	10
	<u>(224)</u>	<u>10</u>

The potential net tax benefit in respect of tax losses carried forward at March 31, 2000 was £16m in United Kingdom subsidiaries (1999 — £18m) and £51m in international subsidiaries (1999 — £52m). These losses are only available for offset against future profits arising from the same trade within these companies.

In addition, the Group's share of losses of United Kingdom and international associated undertakings that are available for off-set against future profits is £Nil and £105m, respectively (1999 — £Nil and £55m, respectively).

Other provisions

Other provisions primarily comprise amounts provided for legal claims.

19. Called up share capital

	2000		1999	
	Number	£m	Number	£m
Authorized				
Ordinary shares of \$0.10 each	78,000,000,000	4,875	—	—
7% cumulative fixed rate shares of £1 each	50,000	—	—	—
Ordinary shares of 5p each	—	—	4,000,000,000	200
	<u>78,000,050,000</u>	<u>4,875</u>	<u>4,000,000,000</u>	<u>200</u>
Ordinary shares allotted, issued and fully paid				
April 1, 1999	3,099,406,734	155	3,085,587,323	154
Allotted and issued during the year	<u>58,234,625,428</u>	<u>3,642</u>	<u>13,819,411</u>	<u>1</u>
March 31, 2000	<u>61,334,032,162</u>	<u>3,797</u>	<u>3,099,406,734</u>	<u>155</u>

19. Called up share capital (continued)

	Number	Nominal value £m	Proceeds £m
Allotted during the year			
Savings related share option schemes	3,760,864	—	14
Executive share option schemes	9,019,353	1	10
US share option schemes	179,447,100	11	358
Total for share option schemes.....	192,227,317	12	382
Scrip dividends	20,973,986	1	—
Redenomination of share capital.....	—	41	—
Shares issued as consideration for the merger with AirTouch Communications, Inc.	3,046,345,743	193	—
Capitalization issue	24,833,984,132	1,508	—
Shares issued as consideration for the acquisition of Mannesmann AG....	30,141,094,250	1,887	—
	<u>58,234,625,428</u>	<u>3,642</u>	<u>382</u>

Following approval at the Extraordinary General Meeting on May 24, 1999, the entire share capital at June 30, 1999, totaling 3,099,829,971 ordinary shares of 5p each, was redenominated to ordinary shares of \$0.10 each. The equivalent sterling value of the redenominated shares was calculated at that date and resulted in a transfer from the share premium account of a balance of £41m. On the same date, the Company allotted 50,000 7% cumulative fixed rate shares of £1 each at par, fully paid.

Between June 30, 1999 and September 30, 1999, 3,046,345,743 ordinary shares were issued in connection with the Company's merger with AirTouch Communications, Inc., which completed on June 30, 1999.

On September 30, 1999, a capitalization (bonus) issue of four shares for every one share held resulted in a transfer from the share premium account to share capital of £1,508m.

At March 31, 2000, 30,141,094,250 ordinary shares of \$0.10 each had been issued to shareholders of Mannesmann AG. This followed the receipt of valid acceptances of the Company's Offer to acquire Mannesmann AG in respect of a total of 499,970,377 Mannesmann shares, representing approximately 98.62% of the issued share capital, and Euro 2,293,545,000 Mannesmann convertible bonds, representing approximately 99.72% of the bonds in issue.

In February 1998, the Company established a Qualifying Employee Share Ownership Trust ("QUEST") to operate in connection with the Company's Savings Related Share Option Scheme. The trustee of the QUEST is Vodafone Group Share Trustee Limited, a wholly owned subsidiary of the Company. At March 31, 2000, the trustee held 12,532,364 Vodafone AirTouch ordinary shares of which 3,695,995 shares had been issued to the trustee during the year. The market value at March 31, 2000 for the total shareholding of the trustee was £44m. The dividend rights in respect of these shares have been waived. During the year 5,580,186 shares (after adjustment for the capitalization issue) had been transferred to option holders exercising options under the Savings Related Share Option Scheme.

In July 1998, the Company established an Employee Benefit Trust ("EBT") to operate in connection with the Company's Sharesave Scheme and the executive share schemes. The trustee of the EBT is Vodafone Group Share Schemes Trustee Limited, a wholly owned subsidiary of the Company. A total of 1,190,544 new ordinary shares (after adjustment for the capitalization issue) have been allotted for use by the EBT during the year, all of which have been transferred to employees exercising options under the relevant share option schemes.

The proceeds of share issues which have not been issued to parties outside the Group have been shown as deductions from the Group profit and loss account reserves.

19. Called up share capital (continued)

Options for ordinary shares

The Company has five share option plans for its directors and employees. The maximum aggregate number of ordinary shares in respect of which options may be granted under these five plans will not (without shareholder approval) exceed 5% of the outstanding ordinary shares at the date of grant of any options.

The Sharesave Scheme enables staff to acquire shares in the Company through monthly savings of up to £250 over a three or five year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the savings contract and usually at a discount to the then prevailing market price of the Company's shares. Invitations to participate in this scheme are normally made annually. This scheme replaced the Vodafone Group Savings Related Share Option Scheme in 1998, as that scheme had then operated for 10 years.

The Company also has two discretionary share option schemes. The directors used these schemes to award share options to all UK based staff on the Company's payroll on July 1, 1998. These special "Millennium Options" were granted in July 1998 and are exercisable from July 2001. At the Company's Annual General Meeting in July 1998, the discretionary schemes were replaced with similar schemes known as the Vodafone Group Executive Share Option Scheme, approved by the Inland Revenue and the Vodafone Group Share Option Scheme, which is not Inland Revenue approved.

Options under the discretionary schemes are subject to performance conditions, the aim of which is to link the exercise of options to sustained improvements in the underlying financial performance of the Company. The performance conditions are set by the Remuneration Committee of the Board. Options are normally exercisable between three and ten years after their grant, although options under the scheme which was replaced by the Executive Share Option Scheme are exercisable between three and seven years after their grant.

The Vodafone AirTouch 1999 Long Term Stock Incentive Plan was introduced in 1999 to provide share incentives for employees of AirTouch Communications, Inc. In July 1999, all employees of AirTouch were granted share options under the Long Term Stock Incentive Plan which vest over a four year period. The options exercisable are in respect of American Depository Shares.

Following the merger with AirTouch, some rights to acquire AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan options were converted into rights to acquire Vodafone AirTouch Plc American Depository Shares. No further awards will be granted under this scheme.

19. Called up share capital (continued)

A summary of the options outstanding at March 31, 2000 to subscribe for shares in the Company is provided in the following table.

<u>Range of exercise prices</u>	<u>Total shares/ ADS's under option</u> (millions)	<u>Weighted average period remaining to full vesting</u> (months)	<u>Weighted average exercise price</u>	<u>Exercisable shares/ ADS's at March 31, 2000</u> (millions)	<u>Exercisable shares/ ADS's weighted average exercise price</u>
Ordinary shares:					
Vodafone Group Savings Related and Sharesave Schemes					
£0.01 — £1.00	14.6	15	£0.43	—	—
£1.01 — £2.00	7.3	30	£1.27	—	—
£2.01 — £3.00	6.4	41	£2.16	—	—
	<u>28.3</u>			<u>—</u>	
Vodafone Group Executive Schemes					
£0.01 — £1.00	41.7	—	£0.54	15.7	£0.46
£1.01 — £2.00	69.6	16	£1.57	—	—
£2.01 — £3.00	15.0	28	£2.59	—	—
	<u>126.3</u>			<u>15.7</u>	
American Depository Shares:					
AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan					
\$0.01 — \$10.00	6.6	—	\$ 7.02	6.6	\$ 7.02
\$10.01 — \$20.00	21.8	—	\$16.31	21.8	\$16.31
\$20.01 — \$30.00	1.3	—	\$20.04	1.3	\$20.04
\$30.01 — \$40.00	2.5	1	\$34.05	—	—
	<u>32.2</u>			<u>29.7</u>	
Vodafone AirTouch Plc 1999 Long Term Stock Incentive Plan					
\$40.01 — \$50.00	30.2	3	\$41.53	1.5	\$41.10
\$50.01 — \$60.00	0.9	11	\$55.70	—	—
	<u>31.1</u>			<u>1.5</u>	

Movements in ordinary share options and ADS options outstanding during the years ended March 31, 2000, 1999 and 1998 are summarized as follows:

	<u>Number of ADS options</u>		<u>Number of ordinary share options</u>		
	<u>2000</u>		<u>2000</u>	<u>1999</u>	<u>1998</u>
	(millions)		(millions)	(millions)	(millions)
At April 1	—		160.8	107.2	111.7
Granted(1)	107.5		21.8	88.2	37.6
Exercised	(41.0)		(22.4)	(29.0)	(38.9)
Forfeited	(3.2)		(5.6)	(5.6)	(3.2)
At March 31	<u>63.3</u>		<u>154.6</u>	<u>160.8</u>	<u>107.2</u>
Exercisable at March 31	<u>31.2</u>		<u>15.7</u>	<u>8.9</u>	<u>13.3</u>
Weighted average price:					
Granted during year	\$ 23.26		£ 2.46	£ 1.54	£ 0.56
Exercised during year	\$ 13.65		£ 0.47	£ 0.65	£ 0.49
Forfeited during year	\$ 38.91		£ 1.43	£ 0.34	£ 0.43
Outstanding at March 31	\$ 28.71		£ 1.29	£ 1.03	£ 0.46
Exercisable at March 31	\$ 14.78		£ 0.46	£ 0.39	£ 0.30

Note:

- (1) On June 30, 1999, rights to acquire AirTouch options were converted into options over 73,449,670 Vodafone AirTouch ADSs with a weighted average price of \$14.65. A further 34,006,573 ADS options were granted between July 1, 1999 and March 31, 2000 with a weighted average price of \$41.86.

19. Called up share capital (continued)

The number of options and weighted average prices in the above table have been restated, where applicable, in respect of the capitalization (bonus) issue on September 30, 1999.

20. Reserves

	<u>Share premium account</u>	<u>Merger reserve</u>	<u>Other reserve</u>	<u>Profit and loss account</u>
	£m	£m	£m	£m
April 1, 1999	96	—	—	564
Shares issued in respect of the merger with AirTouch	38,274	—	—	—
Redenomination of share capital	(41)	—	—	—
Capitalization issue	(1,508)	—	—	—
Shares issued in respect of the acquisition of Mannesmann AG ..	2,431	96,914	—	—
Other allotments of shares	306	—	—	—
Loss for the financial year	—	—	—	(133)
Goodwill transferred to the profit and loss account in respect of business disposals	—	—	—	18
Currency translation	—	—	—	(1,130)
Transfer in respect of issue of shares to employee trusts (note 19)	20	—	—	(20)
Unvested option consideration	—	—	1,165	—
Transfer to profit and loss account	—	—	(45)	45
Scrip dividends	(1)	—	—	81
March 31, 2000	<u>39,577</u>	<u>96,914</u>	<u>1,120</u>	<u>(575)</u>

The currency translation movement includes a gain of £316m (1999 — loss of £19m) in respect of foreign currency net borrowings.

At March 31, 2000 the cumulative direct charge against the profit and loss account reserve in equity in respect of exchange adjustments was £1,360m (1999 — cumulative charge of £230m).

21. Non-equity minority interests

Non-equity minority interests of £1,004m comprise £1,000m of Class D & E Preferred Shares issued by AirTouch and £4m non-cumulative redeemable preference shares issued by Vodafone Pacific Pty Limited, formerly Vodafone Holdings Australia Pty Limited (1999 — £4m non-cumulative redeemable preference shares issued by Vodafone Pacific Pty Limited).

The aggregate redemption value of the Class D & E Preferred Shares, on which annual dividends of \$51.43 per share are payable quarterly in arrears, is \$1.65 billion. The holders of the Preferred Shares are not entitled to vote unless their dividends are in arrears and unpaid for six quarterly dividend periods, in which case holders can vote for the election of two directors. The maturity date of the 825,000 AirTouch Class D Preferred Shares is April 6, 2020, although they may be redeemed at the option of the company, in whole or in part, after April 7, 2018. The 825,000 AirTouch Class E Preferred Shares have a maturity date of April 7, 2018 with no early redemption. The Preferred Shares have a redemption price of \$1,000 per share plus all accrued and unpaid dividends.

The holders of the shares issued by Vodafone Pacific Pty Limited have the right to vote and receive such dividend as the directors declare, subject to a pre-defined limit on the amount of that dividend. These shares are redeemable by either the company or the holder of the share under certain circumstances and are generally not entitled to any participation in the profits or assets of the company other than as prescribed. These securities rank in priority to all other classes of share issued by the company as regards return of capital.

22. Acquisitions and disposals

Merger with AirTouch Communications, Inc.

	Balance sheet at acquisition	Reclassifications(1)	Fair value adjustments(2)	Accounting policy conformity	Fair value balance sheet
	£m	£m	£m	£m	£m
Intangible fixed assets	5,284	—	—	(5,284)(3)	—
Tangible fixed assets	2,637	—	188 (4)	—	2,825
Investments in joint ventures	—	1,495	127 (5)	(963)(3)	659
Investments in associated undertakings	—	809	—	(203)(3)(6)	606
Other investments	2,477	(2,357)	245 (7)	—	365
Other net current assets	1	223	76 (8)	—	300
Net overdrafts	(5)	—	—	—	(5)
Long term borrowings	(1,483)	—	(30)(9)	—	(1,513)
Other creditors due after one year	(100)	98	—	—	(2)
Provisions for liabilities and charges	(1,150)	(268)	—	1,178 (10)	(240)
Net assets	<u>7,661</u>	<u>—</u>	<u>606</u>	<u>(5,272)</u>	<u>2,995</u>
Minority interests					(1,267)
Goodwill(11)					<u>40,968</u>
Consideration					<u>42,696</u>
Consideration satisfied by:					
Vodafone AirTouch ordinary shares					38,467
Cash consideration					3,477
Unvested options					1,165
Tax on unvested options					(449)
Other					36
					<u>42,696</u>

Notes:

The table above sets out the details of the merger with AirTouch Communications, Inc. which was completed on June 30, 1999 and has been accounted for as an acquisition.

- (1) Reclassification of certain investments to investments in joint ventures and investments in associated undertakings, and reclassification of certain liabilities to provisions.
- (2) The fair value adjustments are provisional and may be subject to adjustment in the year ending March 31, 2001.
- (3) Elimination of acquired intangibles, including goodwill.
- (4) Revaluation of certain tangible fixed assets to fair value.
- (5) Equity share of revaluations of certain tangible fixed assets to fair value.
- (6) Restatement of the Group's share of associated undertakings' net assets in line with Group accounting policies.
- (7) Revaluation of cost based investments to fair value.
- (8) Adjustments to other net current assets primarily comprise provisions for potential tax liabilities and an adjustment to fair value of an option held by AirTouch Communications, Inc. to increase its shareholding in Omnitel from 17.8% to 21.6%. This option was exercised during the year.
- (9) Revaluation of long term debt to fair value.
- (10) Restatement of deferred tax liabilities.
- (11) The total goodwill of £40,968m derived above has been allocated as £21,543m in respect of subsidiary undertakings, £2,031m for joint ventures and £17,394m for associated undertakings.

22. Acquisitions and disposals (continued)

Impact on cash flows

Former AirTouch operations contributed £945m to the Group's net operating cash flows, received £104m in respect of taxation and utilized £487m for investing activities (including capital expenditure of £686m, and cash receipts of £279m in relation to the sub-lease of certain US communications towers), excluding payments made to increase percentage holdings in associated undertakings on behalf of the Group following the merger.

Unaudited pro forma summary financial information

The following unaudited pro forma summary financial information presents the Group's consolidated results of operations for the year ended March 31, 2000 and the year ended March 31, 1999 as if the merger with AirTouch Communications, Inc., took place on April 1, 1999 and April 1, 1998, respectively, the first day of the financial accounting period presented. The financial statements of AirTouch Communications, Inc., which were previously prepared under US GAAP, have been adjusted to conform materially to the Group's accounting policies under UK GAAP following the merger. The pro forma merger adjustments include assumptions that the Group's management believe to be reasonable. The pro forma results are not necessarily indicative of those that would have actually occurred had the merger taken place at the beginning of the periods presented.

	<u>2000</u>	<u>1999</u>
	£m	£m
Turnover	8,887	7,018
Net income/(loss)	104	(1,106)
Basic earnings/(loss) per ordinary share	0.34p	(3.64)p

Pre-merger results of AirTouch Communications, Inc.

The summarized consolidated statements of income and comprehensive income of AirTouch Communications, Inc. prepared under US GAAP for the 6 months ended June 30, 1999, and the year ended December 31, 1998, and translated at the average exchange rate for these periods of \$1.61 per £1 and \$1.66 per £1, respectively, are given below.

	<u>6 months ended June 30, 1999</u>	<u>12 months ended December 31, 1998</u>
	£m	£m
Profit and loss account		
Operating revenues	1,811	3,120
Total operating expenses	<u>1,490</u>	<u>2,550</u>
Operating income	321	570
Equity in net income of unconsolidated wireless systems	227	236
Minority interests in net income of consolidated wireless systems	(57)	(108)
Interest:		
Expense	(47)	(87)
Income	3	14
Merger related costs	(74)	—
Miscellaneous income	<u>57</u>	<u>2</u>
Income before income taxes and preferred dividends	430	627
Income taxes	<u>136</u>	<u>190</u>
Income before preferred dividends	294	437
Preferred dividends	<u>43</u>	<u>71</u>
Net income applicable to common stockholders	<u><u>251</u></u>	<u><u>366</u></u>

22. Acquisitions and disposals (continued)

	<u>6 months ended June 30, 1999</u>	<u>12 months ended December 31, 1998</u>
	£m	£m
Comprehensive income		
Income before preferred dividends	294	437
Foreign currency translation (loss)/gain	(55)	5
Unrealized holding loss on noncurrent available-for-sale securities, net ..	<u>(18)</u>	<u>—</u>
Comprehensive income	<u>221</u>	<u>442</u>

CommNet Cellular, Inc.

On January 6, 2000 the Company acquired CommNet Cellular, Inc., a cellular network operator in the US, for a cash consideration of £459m. The composition of net liabilities acquired is given below.

	<u>Balance sheet at acquisition</u>	<u>Fair value adjustments(1)</u>	<u>Accounting policy conformity(2)</u>	<u>Fair value balance sheet</u>
	£m	£m	£m	£m
Intangible fixed assets	110	—	(110)	—
Tangible fixed assets	115	(12)	—	103
Trade debtors	18	—	—	18
Other net current assets	18	(14)	—	4
Short term debt	<u>(449)</u>	<u>—</u>	<u>—</u>	<u>(449)</u>
Net liabilities	<u>(188)</u>	<u>(26)</u>	<u>(110)</u>	<u>(324)</u>
Goodwill				783
Cash consideration				<u>459</u>

Notes:

(1) The fair value adjustments, which primarily comprise the revaluation of certain tangible fixed assets and the write-off of deferred costs, are provisional and may be subject to adjustment in the year ending March 31, 2001.

(2) Elimination of acquired intangibles.

The loss after tax of CommNet Cellular, Inc., for the 3 months ended December 31, 1999 was £1m (prepared under US GAAP and translated at the average exchange rate for the period of £1 = \$1.62) and the profit after tax of CommNet Cellular, Inc., for the year ended September 30, 1999 was £16m (prepared under US GAAP and translated at the average exchange rate for the year of £1 = \$1.63).

Other acquisitions

The Company undertook a number of other acquisitions in the year for an aggregate consideration of £1,318m. The aggregate net liabilities acquired as a result of these transactions was £3m, with goodwill of £1,321m resulting. Goodwill comprised £112m, £70m, £1,130m and £9m in respect of acquired subsidiary undertakings, joint ventures, associated undertakings and customer bases, respectively. No significant fair value adjustments were made to the acquired net assets or liabilities.

Disposal of interest in associated undertaking

In December 1999, the Company disposed of its interest in Martin Dawes Telecommunications Limited. The cash consideration received by the Group in respect of the disposal was £27m. Goodwill amounting to £18m, which was previously written off to reserves, has been reinstated and charged in the profit and loss account.

23. Leased assets

Operating leases

Future minimum amounts payable under non-cancelable operating leases at March 31, 2000 are as follows:

<u>Years ending March 31</u>	<u>£m</u>
2001.	458
2002.	262
2003.	223
2004.	196
2005.	161
Thereafter.	525

Finance leases

Tangible fixed assets include the following amounts in respect of finance leases:

	<u>Plant & machinery</u>	<u>Fixtures & fittings</u>	<u>Network infrastructure</u>	<u>Total</u>
	£m	£m	£m	£m
March 31, 2000				
Cost	19	4	250	273
Accumulated depreciation	<u>(16)</u>	<u>(4)</u>	<u>(106)</u>	<u>(126)</u>
Net book value	<u>3</u>	<u>—</u>	<u>144</u>	<u>147</u>
March 31, 1999				
Net book value	<u>2</u>	<u>3</u>	<u>171</u>	<u>176</u>

Liabilities under leases for network infrastructure assets have been unconditionally satisfied by call deposits and other assets, trust deed and set-off arrangements. Accordingly, neither these lease liabilities nor the corresponding financial assets are included in the Group's balance sheet.

24. Capital commitments

	<u>2000</u>	<u>1999</u>
	£m	£m
Contracted for but not provided	<u>442</u>	<u>161</u>

25. Contingent liabilities

	<u>2000</u>	<u>1999</u>
	£m	£m
Guarantees and indemnities of bank or other facilities including those in respect of the Group's joint ventures, associated undertakings and investments	<u>1,155</u>	<u>175</u>

Guarantees and indemnities include £978m in respect of a letter of indemnity provided, in September 1999, to a co-investor in certain operating companies in which the Company has equity interests. The co-investor has provided the lending institutions to the operating companies with certain credit support documents, which are not legally binding obligations on the co-investor. Prior to the Company indemnifying the co-investor from any loss it may suffer as a result of the credit support documents, the co-investor has agreed to request other shareholders in the operating companies to make equity contributions in order that the operating companies may discharge their liabilities and, in the event that the co-investor discharges, under the credit support documents, more than 40% of the operating companies' indebtedness, the co-investor will use its efforts to cause the operating companies to refinance (if practicable) the remaining debt.

26. Analysis of cash flows

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Net cash inflow from operating activities			
Operating profit	981	847	627
Depreciation and amortization	1,432	297	238
Increase in stocks	(65)	(15)	(7)
Increase in debtors	(271)	(213)	(83)
Increase in creditors	433	129	111
	<u>2,510</u>	<u>1,045</u>	<u>886</u>
Net cash outflow for returns on investments and servicing of finance			
Interest received	57	16	19
Interest paid	(370)	(85)	(62)
Dividends paid to minority shareholders	(93)	(21)	—
	<u>(406)</u>	<u>(90)</u>	<u>(43)</u>
Net cash outflow for capital expenditure and financial investment			
Purchase of intangible fixed assets	(185)	(18)	(25)
Purchase of tangible fixed assets	(1,848)	(737)	(492)
Purchase of trade investments	(17)	(4)	—
Disposal of interests in tangible fixed assets	294	14	7
Disposal of trade investments	991	54	—
Loans to associated undertakings	—	—	(1)
Loans repaid by associated undertakings	9	3	1
	<u>(756)</u>	<u>(688)</u>	<u>(510)</u>
Net cash outflow for acquisitions and disposals			
Purchase of subsidiary undertakings	(4,062)	(255)	(354)
Net cash acquired with subsidiary undertakings	4	—	25
Disposal of interest in subsidiary undertaking	—	19	—
Purchase of interests in associated undertakings	(717)	(75)	(131)
Disposal of interests in associated undertakings	28	4	99
Purchase of customer bases	(9)	(10)	(3)
	<u>(4,756)</u>	<u>(317)</u>	<u>(364)</u>

Net cash inflow from operating activities for the year ended March 31, 2000 is stated after cash payments of £30m in relation to exceptional reorganization costs (1999 — £9m; 1998 — £11m).

The cash inflow from the disposal of interests in tangible fixed assets in the year ended March 31, 2000 includes £279m of cash receipts in relation to the sub-letting of certain US communications towers.

Material non-cash transactions in the year comprised issues of new ordinary shares in relation to the merger with AirTouch Communications, Inc., and the acquisition of Mannesmann AG. Further details are included in note 19.

27. Analysis of net debt

	<u>April 1, 1999</u>	<u>Cash flow</u>	<u>Acquisitions (excluding cash and overdrafts)</u>	<u>Other non-cash changes and exchange movements</u>	<u>March 31, 2000</u>
	£m	£m	£m	£m	£m
Liquid investments	—	33	—	(3)	30
Cash at bank and in hand	6	153	—	—	159
Bank overdrafts	(6)	(37)	—	—	(43)
	<u>—</u>	<u>116</u>	<u>—</u>	<u>—</u>	<u>116</u>
Debt due within one year (other than bank overdrafts)	(371)	(149)	(449)	218	(751)
Debt due after more than one year	(1,137)	(3,319)	(1,684)	102	(6,038)
	<u>(1,508)</u>	<u>(3,468)</u>	<u>(2,133)</u>	<u>320</u>	<u>(6,789)</u>
	<u>(1,508)</u>	<u>(3,319)</u>	<u>(2,133)</u>	<u>317</u>	<u>(6,643)</u>

28. Directors

Aggregate emoluments of the directors of the Company were as follows:

	<u>2000</u>	<u>1999</u>
	£000	£000
Salaries and fees	3,422	2,444
Bonuses	695	—
Incentive schemes	2,468	514
Contributions to defined contribution pension scheme	61	57
Benefits	174	137
	<u>6,820</u>	<u>3,152</u>

29. Employees

The average number of persons employed by the Group during the year was:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	Number	Number	Number
Operations	9,058	3,675	2,432
Selling and distribution	5,484	2,871	2,391
Administration	14,923	6,096	4,817
	<u>29,465</u>	<u>12,642</u>	<u>9,640</u>

The cost incurred in respect of these employees (including directors) was:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Wages and salaries	774	314	223
Social security costs	65	20	19
Other pension costs	42	18	14
	<u>881</u>	<u>352</u>	<u>256</u>

30. Pensions and other post retirement benefits

The Group operates a number of pension plans for the benefit of its employees throughout the world. For United Kingdom employees, the plans are generally funded defined benefit schemes, the assets of which are held in separate trustee administered funds. For United States employees, the Group operates a defined contribution scheme which covers substantially all full-time employees, and maintains defined benefit plans for individuals who were employees of AirTouch at December 31, 1986 and for transferees from Pacific Telesis Group into AirTouch. For other international employees the plans are generally defined contribution schemes.

UK defined benefit pension schemes

The schemes are subject to triennial valuations by independent actuaries. The last formal valuations of the three main UK schemes were carried out as at April 1, 1998 using the projected unit funding method of valuation in which allowance is made for projected earnings growth. The triennial formal valuations are supplemented by annual reviews by independent actuaries.

At April 1, 1998 the market value of the three principal schemes was £98m and their actuarial value was sufficient to cover 87.6% of the benefits accrued to members calculated on an ongoing basis, and 99.4% of accrued benefits based on the Minimum Funding Requirement basis. The deficiency is being dealt with by payment of contributions at the rate advised by the actuary.

The main assumptions used in the last valuations were that the average long term rate of return earned by the scheme assets would be 8.5%, that this will exceed the general rate of salary growth by between 0.5% and 1.5% per annum and that equity dividend growth would be 4.5% per annum.

The pension cost for the year under UK GAAP for such schemes was £17m (1999 — £13m; 1998 — £12m).

A net prepayment under UK GAAP of £17m (1999 — £13m) is included in prepayments due after more than one year. This represents the excess of the amounts funded over accumulated pension costs.

The net pension cost for the Group under US GAAP was comprised of the following:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Service costs — benefits earned during this year	19	10	8
Interest costs on projected benefit obligation	8	6	5
Actual return on plan assets	(21)	(6)	(16)
Net deferred items	15	(1)	12
Net periodic pension cost	<u>21</u>	<u>9</u>	<u>9</u>

For 2000, 1999 and 1998, respectively, the discount rates used to determine the actuarial present value of the projected benefit obligation were 5.75%, 5.5% and 6.75%, the expected long-term rates of return on assets were 6.5%, 6.25% and 7.5%, and the expected long term general salary growth was assumed to be 4.5%, 4.25% and 4.75%.

30. Pensions and other post retirement benefits (continued)

The pension plans' assets, obligations and funded status as calculated under US GAAP was as set forth below:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Change in benefit obligation			
Benefit obligation at April 1	135	87	59
Service cost	19	10	8
Interest cost	8	6	6
Members' contributions	6	5	4
Amendments	1	—	2
Actuarial loss	1	30	12
Benefits paid (estimated)	(2)	(3)	(4)
Benefit obligation at March 31	<u>168</u>	<u>135</u>	<u>87</u>
Change in plans' assets			
Fair value of assets at April 1	120	97	66
Actual return on plans' assets	21	6	16
Employer's contributions	22	15	16
Members contributions	6	5	4
Benefits paid (estimated)	(2)	(3)	(4)
Fair value of assets at March 31	<u>167</u>	<u>120</u>	<u>98</u>
Funded status			
Projected benefit obligation	(168)	(135)	(87)
Fair value of plan assets	167	120	97
Unrecognized net loss	17	31	—
Prior period service cost	2	1	1
Prepaid pension cost	<u>18</u>	<u>17</u>	<u>11</u>

Plan assets principally comprise investments in discretionary segregated managed funds.

US defined benefit pension plan and other post retirement benefits

Individuals who were employees of AirTouch at December 31, 1986, and transferees from Pacific Telesis Group, receive pension, death and survivor benefits based on a percentage of their final five-year average pay and years of service. In 1986, AirTouch discontinued the accrual of service credit for defined benefit pension plan participants. Thus, pension benefits only increase as a participant's compensation increases. The defined benefit pension plan's assets primarily comprise mutual and index funds.

The Group provides medical and dental benefits for eligible retired employees and their eligible dependents and also provides life insurance benefits to eligible retired employees. The Group retains the right, subject to existing agreements and applicable legal requirements, to amend or eliminate these post retirement benefits.

30. Pensions and other post retirement benefits (continued)

The plans' assets and obligations as calculated under US GAAP (and translated at the year-end exchange rate of \$1.5922 per £1) at March 31, 2000 were:

	2000	
	Defined benefit pension plans £m	Other post retirement benefits £m
Change in benefit obligation		
Benefit obligation at July 1, 1999	57	18
Service cost	—	1
Interest cost	3	1
Amendments	2	—
Actuarial loss	8	6
Benefits paid (estimated)	<u>(11)</u>	<u>—</u>
Benefit obligation at March 31, 2000	<u>59</u>	<u>26</u>
Change in plans' assets		
Fair value of assets at July 1, 1999	102	—
Actual return on plans' assets	9	—
Employer's contributions	3	—
Benefits paid (estimated)	<u>(11)</u>	<u>—</u>
Fair value of assets at March 31, 2000	<u>103</u>	<u>—</u>
Funded status		
Projected benefit obligation	(59)	(26)
Fair value of plan assets	103	—
Unrecognized net (gain)/loss	(21)	1
Prior period service cost	<u>2</u>	<u>1</u>
Prepaid/(accrued) pension cost	<u>25</u>	<u>(24)</u>
Weighted-average actuarial assumptions		
Discount rate:		
Net periodic cost	7.5%	7.5%
Benefit obligation	8.0%	8.0%
Rate of compensation increase	5.5%	5.5%
Expected long-term return on plan assets	8.5%	8.5%
Components of net periodic cost		
Service cost	—	1
Interest cost	3	1
Expected return on plan assets	(7)	—
Net deferred items	<u>1</u>	<u>—</u>
Net periodic (income)/cost	<u>(3)</u>	<u>2</u>

The estimates of the other post retirement benefits also include an escalation factor for anticipated increases in health care costs. The escalation rate was 7.0% in 1998 and decreases to 5.0% by 2002; it remains at that level thereafter. A one-percentage-point change in health care cost trend rates would have the following effects (translated at the year-end exchange rate of \$1.5922 per £1):

	1% Increase £m	1% Decrease £m
Effect on total service and interest cost components	1	—
Effect on post retirement benefit obligation	6	(4)

30. Pensions and other post retirement benefits (continued)

Defined contribution pension schemes

The pension cost for such schemes for the year was £25m (1999 — £5m; 1998 — £2m). The increase this year is primarily in respect of contributions charged in relation to the AirTouch defined contribution plan.

31. Principal subsidiary undertakings, joint ventures, associated undertakings and investments

Vodafone AirTouch had, at March 31, 2000, the following subsidiary undertakings, joint ventures and associated undertakings carrying on businesses which principally affect the profits and assets of the Group.

Principal subsidiary undertakings

Unless otherwise stated Vodafone AirTouch's principal subsidiary undertakings all have share capital consisting solely of ordinary shares and all subsidiary undertakings are directly held, sub-subsidiary undertakings are shown inset. The country of incorporation or registration of all subsidiary undertakings is also their principal place of operation, unless otherwise stated.

<u>Name</u>	<u>Activity</u>	<u>Country of incorporation or registration</u>	<u>Percentage(1) shareholding at March 31, 2000</u>
Vodafone UK Limited	Holding company	England	100.0
Vodafone Limited	Cellular network operator	England	100.0
Vodafone Distribution Limited	Holding company	England	100.0
Vodafone Corporate Limited	Service provider	England	100.0
Vodafone Connect Limited	Service provider	England	100.0
Vodafone Retail Limited(2)	Holding company	England	100.0
Vodafone Central Services Limited	Provision of central services	England	100.0
Vodafone Paging Limited(2)	Radiopaging network operator	England	100.0
Vodafone Value Added and Data Services Limited	Supply of value added services and packet radio network operator	England	100.0
Vodafone AirTouch Global Commercial Services Limited	Global revenue opportunities	England	100.0
Vodafone Finance Limited	Financial trading company	England	100.0
Vodafone AirTouch Group Services Limited	Provision of central services	England	100.0
Vodafone AirTouch International Holdings BV(2)	Holding company	Netherlands	100.0
Libertel NV	Holding company	Netherlands	70.0
Libertel Netwerk BV	Cellular network operator	Netherlands	70.0
Libertel Verkoop en Services BV	Service provider	Netherlands	70.0
Vodafone Malta Limited	Cellular network operator	Malta	80.0
Vodafone Gibraltar Limited(2)	Investment company	Gibraltar	100.0
Panafon SA	Cellular network operator	Greece	55.0
Misrfone Telecommunications Company SAE	Cellular network operator	Egypt	60.0
Vodafone Australasia Pty Limited(3)	Holding company	Australia	100.0
Vodafone Pacific Pty Limited(4)	Licence holder and holding company	Australia	91.0
Vodafone Network Pty Limited	Cellular network operator	Australia	91.0
Vodafone Pty Limited	Service provider	Australia	91.0
Vodafone New Zealand Limited	Cellular network operator	New Zealand	100.0
Vodafone Mobile NZ Limited	Licence holder	New Zealand	100.0
AirTouch Communications, Inc.(5)	Holding company	USA	100.0
AirTouch International	Holding company	USA	100.0

31. Principal subsidiary undertakings, joint ventures, associated undertakings and investments (continued)

<u>Name</u>	<u>Activity</u>	<u>Country of incorporation or registration</u>	<u>Percentage(1) shareholding at March 31, 2000</u>
Vodafone AirTouch International BV	Holding company	Netherlands	100.0
Vodafone AirTouch (Europe) BV	Holding company	Netherlands	100.0
Europolitan Holdings AB	Holding company for cellular network operator	Sweden	71.1
VRAM Telecommunications Company Limited	Cellular network operator	Hungary	50.1
Telecel Comunicacoes Pessoais SA	Cellular network operator	Portugal	50.9
AirTouch Paging	Holding company	USA	100.0
AirTouch Support Services, Inc(2)	Provision of central services	USA	100.0
Vodafone AirTouch Satellite Services, Inc	Holding company	USA	100.0

Notes:

- (1) To nearest tenth of one percent.
- (2) Indirectly held.
- (3) Vodafone Australasia Pty Limited changed its name to Vee Australasia Pty Limited on April 18, 2000 and was subsequently placed in receivership on May 2, 2000.
- (4) At March 31, 2000 share capital comprised 62,516,783 ordinary shares, 24,798 redeemable preference shares and 2,945,817 A Class shares of which 95.3% of the ordinary shares and 91% of the redeemable preference shares were indirectly held by Vodafone AirTouch Plc. On May 16, 2000, all A Class shares were converted to ordinary shares and each ordinary share (including A Class shares) was converted into 20 ordinary shares. Vodafone AirTouch Plc's interest remained unchanged at 91.0%. The Company changed its name from Vodafone Holdings Australia Pty Limited on October 22, 1999, and changed its name again in May 2000 to Vodafone Pacific Limited.
- (5) Share capital consists of 597,372,729 ordinary shares and 1.65 million \$1 Class D and E redeemable preference shares of which 100% of the ordinary shares were indirectly held by Vodafone AirTouch Plc.

Principal joint ventures

Vodafone AirTouch's joint ventures are partnerships. The country of incorporation or registration is also their principal place of operation.

<u>Name</u>	<u>Activity</u>	<u>Percentage(1) partnership interest at March 31, 2000</u>	<u>Latest financial accounts</u>	<u>Country of incorporation or registration</u>
CMT Partners(2)	Cellular network operator	46.9	31.12.99	USA
PrimeCo Personal Communications, LP(2)	Cellular network operator	49.8	31.12.99	USA

Notes:

- (1) To nearest tenth of one percent.
- (2) The registered or principal office of both joint ventures is c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, 19801 USA. The Group's investment in these ventures is subject to a partnership agreement that confers joint control.

31. Principal subsidiary undertakings, joint ventures, associated undertakings and investments (continued)

Principal associated undertakings

Vodafone AirTouch's associated undertakings all have share capital consisting solely of ordinary shares unless otherwise stated and are all indirectly held. The country of incorporation or registration of all associated undertakings is also their principal place of operation.

<u>Name</u>	<u>Activity</u>	<u>Percentage(1) shareholding at March 31, 2000</u>	<u>Par value of issued equity</u>	<u>Latest financial accounts</u>	<u>Country of incorporation or registration</u>
Airtel Móvil SA	Cellular network operator	21.7	PTS 78,016.7m	31.12.99	Spain
Belgacom Mobile SA	Cellular network operator	25.0	BEF 2.82m	31.12.99	Belgium
Celtel Limited	Cellular network operator	36.8	Shilling 608m	31.3.00	Uganda
J. Phone Chugoku Co., Limited	Cellular network operator	21.7	Yen 50,000	31.3.00	Japan
J. Phone Hokuriku Co., Limited	Cellular network operator	23.9	Yen 50,000	31.3.00	Japan
J. Phone Hokkaido Co., Limited	Cellular network operator	23.3	Yen 50,000	31.3.00	Japan
J. Phone Kansai Co., Limited	Cellular network operator	20.2	Yen 50,000	31.3.00	Japan
J. Phone Kyushu Co Limited	Cellular network operator	22.2	Yen 50,000	31.3.00	Japan
J. Phone Shikoku Co., Limited	Cellular network operator	21.4	Yen 50,000	31.3.00	Japan
J. Phone Tohoku Co., Limited	Cellular network operator	23.5	Yen 50,000	31.3.00	Japan
J. Phone Tokai Co., Limited	Cellular network operator	20.2	Yen 50,000	31.3.00	Japan
J. Phone Tokyo., Co	Cellular network operator	28.8	Yen 50,000	31.3.00	Japan
Mannesmann Mobilfunk GmbH	Cellular network operator	34.8	DEM 405m	31.12.99	Germany
MobiFon SA	Cellular network operator	20.1	ROL 1,713,027.67m	31.12.99	Romania
Omnitel Pronto Italia SpA	Cellular network operator	21.6	ITL 594,293.8 m	31.12.99	Italy
Polkomtel SA(2)	Cellular network operator	19.6	PLN 1,500m	31.12.99	Poland
RPG Cellcom Limited	Cellular network operator	49.0	Rupees 490.9m	31.3.00	India
RPG Cellular Services Limited	Cellular network operator	20.6	Rupees 9.6m	31.3.00	India
Société Française du Radiotéléphone SA	Cellular network operator	20.0	€964.25m	31.12.99	France
Vodafone Fiji Limited	Cellular network operator	49.0	F\$ 6 million	31.12.99	Fiji
Vodacom Group (Pty) Limited	Holding company	31.5	Rand 100	31.3.00	South Africa

Notes:

- (1) To nearest tenth of one percent.
- (2) Treated as an associated undertaking due to the Group's significant influence over the company's operating and financial policies by virtue of the Group's board representation.

Principal investments

The shareholdings in investments consist solely of ordinary shares and are indirectly held. The principal country of operation for the investments is the same as the country of incorporation or registration.

<u>Name</u>	<u>Activity</u>	<u>Percentage(1) shareholding</u>	<u>Country of incorporation or registration</u>
Globalstar LP(2)	Development and operation of satellite telecommunications service	7.8	USA
Mannesmann AG	Cellular network and fixed line telecommunications, engineering, automotive and steel tubes and tubular products	98.6	Germany
Mannesmann Arcor AG & Co	Fixed line operator	3.7	Germany
Shinsegi Telecom, Inc.	Cellular network operator	11.7	South Korea

Notes:

- (1) To nearest tenth of one percent.
- (2) Partnership interest.

31. Principal subsidiary undertakings, joint ventures, associated undertakings and investments (continued)

Summary financial information

Summary aggregated financial information of the joint ventures (extracted on a 100% basis from accounts prepared to March 31, 2000) is set out below:

	<u>2000</u>	<u>1999</u>
	£m	£m
Assets		
Current assets	207	—
Noncurrent assets	<u>1,589</u>	<u>—</u>
	<u>1,796</u>	<u>—</u>
Liabilities and equity shareholders' funds		
Current liabilities	331	—
Long-term liabilities	155	—
Total equity shareholders' funds	<u>1,310</u>	<u>—</u>
	<u>1,796</u>	<u>—</u>
Turnover	<u>746</u>	<u>—</u>
Operating profit	<u>31</u>	<u>—</u>

Summary aggregated financial information of the associated companies (extracted on a 100% basis from accounts prepared to March 31, 2000) is set out below:

	<u>2000</u>	<u>1999</u>
	£m	£m
Assets		
Current assets	5,613	1,158
Noncurrent assets	<u>10,013</u>	<u>2,842</u>
	<u>15,626</u>	<u>4,000</u>
Liabilities and equity shareholders' funds		
Current liabilities	6,754	1,972
Long-term liabilities	4,478	971
Total equity shareholders' funds	<u>4,394</u>	<u>1,057</u>
	<u>15,626</u>	<u>4,000</u>
Turnover	<u>12,973</u>	<u>3,055</u>
Operating profit	<u>3,107</u>	<u>424</u>

Included in current liabilities and long-term debt are amounts owed to the Group, other shareholders of the associated companies and third parties. These providers of finance have also guaranteed certain borrowings of these associated companies. The Group's share of all associated companies' debt after deducting such amounts owed or guaranteed by the providers of finance amounted to £1,352m at March 31, 2000 (1999 — £211m).

31. Principal subsidiary undertakings, joint ventures, associated undertakings and investments (continued)

The interest in Mannesmann Mobilfunk GmbH was acquired as part of the AirTouch merger. Summary financial information of the associated undertaking, Mannesmann Mobilfunk GmbH, (extracted on a 100% basis from accounts prepared under German GAAP for the years ended December 31, 1999 and December 31, 1998, and translated at an exchange rate of Euro 1.599 per £1 and Euro 1.417 per £1 respectively) is set out below:

	<u>December 31, 1999</u>	<u>December 31, 1998</u>
	£m	£m
Assets		
Current assets	893	489
Noncurrent assets	<u>976</u>	<u>870</u>
	<u>1,869</u>	<u>1,359</u>
Liabilities and equity shareholders' funds		
Current liabilities	325	322
Long-term liabilities	435	391
Total equity shareholders' funds	<u>1,109</u>	<u>646</u>
	<u>1,869</u>	<u>1,359</u>
Turnover	<u>3,196</u>	<u>2,633</u>
Operating profit	<u>1,096</u>	<u>922</u>

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States

Summary of differences between accounting principles generally accepted in the UK and the US

The consolidated financial statements are prepared in accordance with accounting principles accepted in the UK ("UK GAAP"), which differ in certain material respects from those generally accepted in the US ("US GAAP"). The differences that are material to the Group relate to the following items and the necessary adjustments are shown on pages F-47 to F-49.

(a) Goodwill and other intangibles

Under UK GAAP, the policy followed prior to the introduction of FRS 10, "Goodwill and Intangible Assets" (which is effective for accounting periods ended on or after December 23, 1998 and was adopted on a prospective basis) was to write off goodwill against shareholders' equity in the year of acquisition. FRS 10 requires goodwill to be capitalized and amortized over its estimated useful economic life.

Under US GAAP, intangibles arising on the acquisition of an equity stake would be capitalized and amortized over their useful lives.

Investments in associated undertakings, under US GAAP, can also include an element of goodwill in the amount of the excess investment over the acquirer's share in the fair value of the net assets at the date of the investment. Under UK GAAP, the treatment followed prior to the implementation of FRS 10 was to write off the excess of the purchase consideration over the fair value of the stake in the associated undertaking acquired against shareholders' equity in the year of purchase.

(b) Determination of the purchase price

Under UK GAAP and US GAAP, the purchase price of a transaction accounted for as an acquisition is based on the fair value of the consideration. In the case of share consideration, under UK GAAP the fair value of such consideration is based on the share price at completion of the acquisition or the date when the transaction becomes unconditional. Under US GAAP, the fair value of the share consideration is based on the average share price over a reasonable period of time before and after the proposed acquisition is announced or, in the event of an unsolicited

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

offer, when the offer is recommended by the acquirees directors. This will result in a difference in the fair value of consideration and consequently in the amount of goodwill capitalized and amortized.

(c) Fixed asset investment

As a result of the difference in the determination of the purchase price between UK GAAP and US GAAP, the amount recorded for the investment in Mannesmann will differ. Mannesmann has been recorded as a fixed asset investment under both UK GAAP and US GAAP as the Group did not have the right to control or the ability to exercise significant influence over Mannesmann prior to receiving European Commission approval on April 12, 2000.

(d) Exceptional reorganization costs

Under UK GAAP, costs incurred in reorganizing the Group's US operations, following the merger with AirTouch, are charged to the profit and loss account post-acquisition. Under US GAAP, certain of such costs are considered in the allocation of purchase consideration.

(e) Gain on disposal of fixed asset investments

Under US GAAP, the net gain on disposal of fixed asset investments of £954m (1999 — £67m, 1998 — £25m) would be included within operating income. The amount included within the UK GAAP to US GAAP reconciliation is a result of differing net book values prior to disposal as a result of previous UK GAAP and US GAAP adjustments.

(f) Income taxes

Deferred taxation — Under the UK GAAP partial provision method, deferred taxation is only provided where timing differences are expected to reverse in the foreseeable future. For US GAAP, under the liability method, deferred taxation is provided for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at enacted rates expected to be in effect when these amounts are realized or settled.

Tax benefit on option exercises — Under UK GAAP, the tax benefit received on the exercise of share options by employees, being the tax on the difference between the market value on the date of exercise and the exercise price, is shown as a component of the tax charge for the period. Under US GAAP, the tax benefit is shown as a component of paid-in capital on issue of shares.

(g) Proposed dividends

Under UK GAAP, final dividends are included in the financial statements when recommended by the Board of directors to the shareholders in respect of the results for a financial year. Under US GAAP, dividends are included in the financial statements when declared by the Board of directors.

(h) Minority interests

The minority interest adjustment between UK GAAP and US GAAP relates to minority interests' share of intangible assets recognized separately from goodwill for US GAAP purposes, but not under UK GAAP.

(i) Other adjustments

License fee amortization — Under UK GAAP, Vodafone AirTouch has adopted a policy of amortizing license fees in proportion to the expected usage of the network during the start up period and then on a straight line basis. Under US GAAP, license fees are amortized on a straight line basis from the date that operations commence to the date the license expires.

Capitalized interest — Under UK GAAP, the policy of Vodafone AirTouch is not to include interest on borrowings used to finance the construction of an asset in the cost of the asset. Under US GAAP, the interest cost on borrowings used to finance the construction of an asset is capitalized during the period of construction until the

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

date that the asset is placed in service. This interest cost is amortized over the estimated useful life of the related asset.

Pension costs — Under both UK GAAP and US GAAP pension costs are provided so as to provide for future pension liabilities. However, there are differences in the prescribed methods of valuation, which give rise to GAAP adjustments to the pension cost and the pension prepayment.

Defeasance of liabilities — Under UK GAAP, liabilities which have been unconditionally satisfied by monetary assets placed in trust and other set off arrangements are considered to be extinguished. Under US GAAP, the offsetting of assets and liabilities is generally not allowed and therefore, the non-recognition of a liability is permissible only if the liability has been legally extinguished.

(j) Earnings per ordinary share

Basic earnings per ordinary share has been calculated by dividing net income of £553m, £510m and £374m for the years ended March 31, 2000, 1999 and 1998, respectively, by 27,100 million, 15,445 million and 15,365 million which are the approximate weighted average number of ordinary shares outstanding for the years ended March 31, 2000, 1999 and 1998 respectively. For diluted earnings per share, the approximate weighted average number of ordinary shares outstanding for the years ended March 31, 2000, 1999 and 1998 was 27,360 million, 15,510 million and 15,410 million, respectively. The presentation of adjusted basic earnings per share is not permitted under US GAAP.

(k) Fixed assets

The carrying value of long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Group estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized based on the asset's fair value, on a discounted cash flow basis.

(l) Equity accounting

UK GAAP requires the investor's share of operating profit or loss, exceptional items and interest income or expense of associated undertakings and joint ventures to be shown separately from those of the Group on the face of the profit and loss account. The charges for interest and taxation for associated undertakings and joint ventures must be included within the Group interest and taxation amounts either shown separately on the face of the profit and loss account, or disclosed in the notes to the accounts. The Group's share of the turnover of joint ventures is required to be disclosed on the face of the profit and loss account. In addition, the Group's share of gross assets and gross liabilities of joint ventures are shown on the face of the consolidated balance sheet. Under US GAAP, the after-tax profits or losses (i.e. operating results after exceptional items, interest and taxation) are included in the income statement as a single line item and the investments in associated undertakings and joint ventures are included in the consolidated balance sheet as a single line item. US GAAP does not permit the Group's share of turnover of joint ventures to be disclosed on the face of the income statement, nor does it permit the Group's share of gross assets and gross liabilities to be shown on the face of the consolidated balance sheet.

(m) Stock based compensation

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation" establishes a fair value based method of accounting for stock based compensation plans and encourages the recognition of the compensation cost on this basis in the income statement. Where the cost is not recognized, the proforma effect of the valuation method on net income must be disclosed. Under UK GAAP, the compensation

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

element is not required to be recognized in net income. The disclosure only provisions of SFAS No. 123 have been adopted.

	ADS options	Ordinary share options		
	2000	2000	1999	1998
Weighted average fair value	\$11.57	£0.86	£0.39	£0.23
Weighted average assumptions:				
Implied volatility	26.0%	26.57%	47.02%	27.25%
Expected dividend yield	0.50%	0.50%	1.18%	1.73%
Risk-free interest rate	6.50%	6.55%	6.24%	7.09%
Expected option lives	3.5 years	3.7 years	3.6 years	3.7 years

Had compensation cost been determined based upon the fair value of the share options and ADS options at grant date consistent with SFAS No. 123 the Group's net income available to ordinary shareholders and earnings per ordinary share would have been reduced to the pro forma amounts indicated below (in millions, except per share amounts):

	2000	1999	1998
	£m	£m	£m
Net income			
As reported under US GAAP	553	510	374
Proforma	401	492	368
Basic earnings per share			
As reported under US GAAP	2.04p	3.30p	2.44p
Proforma	1.48p	3.19p	2.40p
Diluted earnings per share			
As reported under US GAAP	2.02p	3.29p	2.43p
Proforma	1.47p	3.17p	2.38p

(n) Recently issued accounting standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards for derivative instruments including requiring those instruments to be reported as either assets or liabilities at fair value and how changes in fair value from period to period should be reported. The statement also describes the conditions that need to be met for hedge accounting. The Company will be evaluating the effect SFAS No. 133 will have on its financial position and results from operations. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition" which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure impact with respect to revenue recognition policies. The implementation of SAB 101 has been delayed until no later than October 1, 2000. The Company will be evaluating the effect, if any, SAB 101 will have on its financial position and results of operations.

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

Reconciliation of net income available to ordinary shareholders and earnings per ordinary share to US GAAP

	<u>Note</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
		£m	£m	£m
Net income available to ordinary shareholders as reported in accordance with UK GAAP		487	637	419
Items (decreasing)/increasing net income:				
Goodwill and other intangibles amortization	(a),(b)	(425)	(99)	(62)
Reorganization costs	(d)	25	—	—
Gain on disposal of fixed asset investments	(e)	1	4	14
Income taxes	(f)	439	(28)	3
Minority interests	(h)	35	—	—
Other	(i)	(9)	(4)	—
Net income available to ordinary shareholders in accordance with US GAAP		<u>553</u>	<u>510</u>	<u>374</u>
Basic earnings per ordinary share in accordance with US GAAP	(j)	<u>2.04p</u>	<u>3.30p</u>	<u>2.44p</u>
Diluted earnings per ordinary share in accordance with US GAAP	(j)	<u>2.02p</u>	<u>3.29p</u>	<u>2.43p</u>

Reconciliation of shareholders' equity to US GAAP

	<u>Note</u>	<u>2000</u>	<u>1999</u>
		£m	£m
Shareholders' equity as reported in accordance with UK GAAP		140,833	815
Items increasing/(decreasing) shareholders' equity:			
Goodwill and other intangibles — net of amortization	(a),(b)	10,283	1,031
Fixed asset investments	(c)	9,054	—
Deferred income taxes	(f)	(12,334)	(71)
Proposed dividends	(g)	417	100
Minority interest	(h)	(1,939)	(3)
Other	(i)	20	(14)
Shareholders' equity in accordance with US GAAP		<u>146,334</u>	<u>1,858</u>

Reconciliation of total assets to US GAAP

	<u>Note</u>	<u>2000</u>	<u>1999</u>
		£m	£m
Total assets as reported in accordance with UK GAAP		153,368	3,643
Items increasing total assets:			
Goodwill and other intangibles — net of amortization	(a),(b)	10,283	1,031
Fixed asset investments	(c)	9,054	—
Deferred tax asset	(f)	616	44
Other	(i)	26	1
Total assets in accordance with US GAAP		<u>173,347</u>	<u>4,719</u>

Comprehensive income

SFAS No. 130, "Reporting Comprehensive Income" requires that all items that are required to be recognized as components of comprehensive income be reported in a separate financial statement. There are no material differences between total recognized gains and losses for the financial year shown in the statement of total recognized gains and losses presented under UK GAAP and US GAAP comprehensive income.

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

Consolidated statements of cash flows

The consolidated statements of cash flows prepared under UK GAAP differ in certain presentational respects from the format required under SFAS No. 95 "Statement of Cash Flows". Under UK GAAP, a reconciliation of profit from operations to cash flows from operating activities is presented in a note, and cash paid for interest and income taxes are presented separately from cash flows from operating activities.

Under SFAS No. 95, cash flows from operating activities are based on net profit, include interest and income taxes, and are presented on the face of the statement.

Summary consolidated cash flow information as presented in accordance with US GAAP:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Cash was provided by (used in):			
Operating activities	1,965	628	975
Investing activities	(5,276)	(1,002)	(871)
Financing activities	<u>3,497</u>	<u>365</u>	<u>(126)</u>
Net increase/(decrease) in cash	186	(9)	(22)
Exchange movement	(3)	—	(4)
Cash at the beginning of year	<u>6</u>	<u>15</u>	<u>41</u>
Cash at the end of year	<u><u>189</u></u>	<u><u>6</u></u>	<u><u>15</u></u>

A reconciliation between the consolidated statements of cash flows presented in accordance with UK GAAP and US GAAP is set out below:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	£m	£m	£m
Operating activities			
Net cash inflow from operating activities (UK GAAP)	2,510	1,045	886
Tax paid	(325)	(195)	(163)
Net interest paid	(406)	(90)	(43)
Increase/(decrease) in short term borrowings	149	(130)	295
Increase/(decrease) in bank overdrafts	37	(2)	—
Net cash provided by operating activities (US GAAP)	<u>1,965</u>	<u>628</u>	<u>975</u>
Investing activities			
Net cash outflow from capital expenditure, financial investments and acquisitions and disposals (UK GAAP)	(5,512)	(1,005)	(874)
Dividends received from joint ventures and associated undertakings	236	3	3
Net cash used in investing activities (US GAAP)	<u>(5,276)</u>	<u>(1,002)</u>	<u>(871)</u>
Financing activities			
Net cash inflow from financing activities (UK GAAP)	3,867	353	293
(Increase)/decrease in short term borrowings	(149)	130	(295)
Dividends paid	<u>(221)</u>	<u>(118)</u>	<u>(124)</u>
Net cash provided by/(used in) financing activities (US GAAP)	<u><u>3,497</u></u>	<u><u>365</u></u>	<u><u>(126)</u></u>

33. Subsequent events

On April 3, 2000, a new US joint venture wireless business with a national footprint, Verizon Wireless, was created by the combination of Vodafone AirTouch's and Bell Atlantic's US cellular, PCS and paging assets. Following the completion of the merger between Bell Atlantic Corp., and GTE Corp., on June 30, 2000 to form Verizon Communications, and the contribution of GTE's US wireless assets to the joint venture on July 10, 2000, the Group has a 45% shareholding in the new venture.

On April 12, 2000, the acquisition of Mannesmann AG received clearance from the European Commission. The acquisition has resulted in increased shareholdings in certain mobile operations. In addition, Mannesmann's interests also include fixed line businesses in Germany, Italy, France and Austria as well as non-telecommunications businesses, primarily Atecs Mannesmann, its engineering and automotive business.

On April 17, 2000, the Company announced that Mannesmann AG had reached an agreement with Siemens AG and Robert Bosch GmbH on the disposal of a 50% plus two shares stake in Atecs Mannesmann, with an option arrangement over Mannesmann AG's remaining stake. The transaction values Atecs Mannesmann at approximately € 9.6 billion, consisting of a payment of € 3.1 billion to be paid on completion of the sale of the stake of 50% plus two shares, but in any event not later than September 30, 2000, € 3.7 billion to € 3.8 billion to be paid upon the exercise of certain options between closing and December 31, 2003, and € 2.8 billion of pension and non-trading financial liabilities to be assumed by Siemens AG and Robert Bosch GmbH. The proceeds from the sale will be used to reduce Group net debt. On July 13, 2000, Siemens AG and Robert Bosch GmbH submitted a proposal for the acquisition of Atecs Mannesmann to the European Commission, which takes into account antitrust requirements that came to light during preliminary discussions.

On April 27, 2000, the UK business was successful in acquiring the largest 3G licence available to an existing operator at a cost of £5.964 billion.

On May 17, 2000, the Company and VivendiNet (a joint venture between Vivendi and Canal+) announced that an agreement had been signed for the creation of a new joint venture company, VIZZAVI, to establish a multi-access Internet portal for Europe. The Company and VivendiNet will both have a 50% shareholding in the new company.

At the end of May, the Company and Mannesmann AG reached agreement for the sale of Orange plc to France Telecom for an enterprise value of £31 billion, subject to approval by France Telecom's shareholders and the regulatory authorities. Orange plc will retain its current debt and commitment to fund its UK 3G license, giving an equity value of approximately £25 billion. The consideration will comprise £13.8 billion in cash, payable on completion, approximately £1.3 billion through a loan note redeemable by March 2001, and the balance in France Telecom paper. France Telecom has underwritten the non-cash consideration to a value of £8.4 billion. Until the transaction is completed, plans continue to effect the demerger of Orange plc in accordance with an undertaking given to the European Commission.

On June 12, 2000, the Company announced that a co-operation arrangement had been agreed with BT regarding each company's shareholding in Airtel Móvil, S.A.. The agreement includes terms whereby BT agrees to support Vodafone AirTouch in acquiring further shares in Airtel, and should Vodafone AirTouch's holding exceed 55%, then BT has the option to acquire the excess. In the event that Vodafone AirTouch holds in excess of 55%, the board of Airtel will be restructured to give Vodafone AirTouch and BT equal representation. Subsequently, on July 16, 2000, the Company announced that its offer to a group of shareholders of Airtel to acquire their 43.5% shareholding in Airtel had been accepted. The Company currently has a 21.7% stake in Airtel. The Company will enter into an agreement to acquire the relevant Airtel shares, subject to regulatory approval, in consideration of the issue of between approximately 2.4 billion and 3.2 billion new ordinary shares for the 43.5% stake in Airtel. The final number of shares to be issued as consideration will depend upon the average closing share price on the thirty days prior to the date the Company gives notice to complete the transaction.

FINANCIAL STATEMENT SCHEDULE II

Valuation and qualifying accounts

	<u>Allowances for bad and doubtful accounts</u>	<u>Allowances for stock obsolescence</u>
	£m	£m
1997/98:		
April 1, 1997	16	6
Opening foreign currency revaluation	(2)	—
Additions — charged	15	5
Assets written-off	<u>(13)</u>	<u>(1)</u>
March 31, 1998	16	10
1998/99:		
Opening foreign currency revaluation	1	—
Additions — charged	20	2
Assets written-off	<u>(10)</u>	<u>(5)</u>
March 31, 1999	27	7
1999/2000:		
Opening foreign currency revaluation	(4)	—
Additions — charged	71	4
Acquisitions	77	—
Assets written-off	<u>(39)</u>	<u>(2)</u>
March 31, 2000	<u>132</u>	<u>9</u>

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

VODAFONE AIRTOUCH PUBLIC LIMITED COMPANY

/s/ CC GENT

CC Gent
Chief Executive

Date: July 21, 2000