VODAFONE GROUP PUBLIC LIMITED COMPANY

(Exact name of Registrant as specified in its charter)

England

(Address of principal executive offices)

Rosemary Martin (Group General Counsel and Company Secretary)
tel +44 (0) 1635 33251, fax +44 (0) 1635 580 857

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

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

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

See Schedule A

Ordinary Shares of 20 20/21 US cents each
26,439,960,221

7% Cumulative Fixed Rate Shares of £1 each
50,000

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.

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

Yes ☐ No ☐

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

Yes ☐ No ☐

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

Yes ☐ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

US GAAP ☐ International Financial Reporting ☒ Other ☐ Standards as issued by the International Accounting Standards Board

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

Item 17 ☐ Item 18 ☒

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

Yes ☐ No ☒

SCHEDULE A

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<th>Title of each class</th>
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* 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.
The following sections constitute the strategic report:

Overview
In this section:
An introduction to the report covering who we are, the Chairman’s reflections on the year, notable events, and a snapshot of where and how we do business.

Strategy review
In this section:
A summary of the changing landscape we operate in, and how that has shaped our strategy and financial position. Plus a review of performance against our goals and our approach to running a sustainable business.

Performance
In this section:
Commentary on operating performance for the Group, the key operating segments – Europe and AMAP (Africa, Middle East and Asia Pacific), and a summary of key risks.

Governance
In this section:
The governance framework, including the role and effectiveness of the Board and the alignment of the interests of management with long-term value creation.

Financials
In this section:
The statutory financial statements of both the Group and the Company and associated audit report.

Additional information
In this section:
Find out about our shares, history and development, regulatory matters impacting our business, an assessment of potential risks to the Company, and other statutory financial information.

This constitutes the annual report on Form 20-F of Vodafone Group Plc (the ‘Company’) in accordance with the requirements of the US Securities and Exchange Commission (the ‘SEC’) for the year ended 31 March 2014 and is dated 10 June 2014. This document contains certain information set out within the Company’s annual report in accordance with International Financial Reporting Standards ('IFRS') and with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS, dated 20 May 2014, as updated or supplemented if necessary. The content of the Group’s website (www.vodafone.com) should not be considered to form part of this annual report on Form 20-F.

Unless otherwise stated referenced to “year” or “2014” mean the financial year ended 31 March 2014, to “2013” or “previous year” mean the financial year ended 31 March 2013, and to the “fourth quarter” or “Q4” are to the quarter ended 31 March 2014. For other references please refer to page 45.

All amounts marked with an “*” represent organic growth, which excludes the impact of foreign currency movements, acquisitions and disposals and certain other items, see definition on page 212. Definitions of terms used throughout the report can be found on pages 211 and 212.

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

Website references are for information only and are not incorporated by reference into our Annual Report on Form 20-F.
We’ve come a long way since making the first ever mobile call in the UK on 1 January 1985. In 30 years, a small mobile operator in Newbury has grown into a global business and one of the most valuable telecoms brands in the world. We now have mobile operations in 27 countries and partner with mobile networks in 48 more. Today, we have 434 million mobile customers around the world, and because we now do more than just mobile, we’re able to provide fixed broadband services in 17 markets, and 9 million customers use us for their fixed broadband needs.

Our core purpose is to empower our customers to be confidently connected—whether at home, during the daily commute, in the office, or abroad—wherever and however they choose. We want everyone to be confidently connected to their friends, families, and customers, and to always have access to the content and information they choose.

We’re aiming to differentiate ourselves from our competitors, by having the best network, providing the best customer experience and having the best integrated worry-free solutions.

While we expect these actions to improve our business performance over time, we recognise that financial results alone are not enough. A commitment to improve our social impact and behave ethically and responsibly at all times is integral to ensuring the long-term sustainability of our businesses.

Our business is constantly evolving to adapt to changes in customer behaviour, technology, regulation and the competitive landscape. Our strategy is our response to these changes, while ensuring we operate in a responsible way.

As you’ll see in this year’s report, we are making great strides towards our strategic goals, as we begin to realise our vision of empowering everybody to be confidently connected...

This year’s report contains seven strategic report on pages 1 to 47, which includes an analysis of our performance and position, a review of the business during the year, and outlines the principal risks and uncertainties we face. The strategic report was approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer.

/\/ Vitakko Colao /\/ Nick Reed
Chief Executive Chief Financial Officer
Chairman’s statement

Reflections on the year

It has been a momentous year for Vodafone and our shareholders. We have completed the second biggest transaction in corporate history with the sale of our interest in Verizon Wireless; progressed with our unified communications strategy with the acquisition of leading cable companies; and delivered the biggest ever return to shareholders, of US$85 billion (£51 billion).

Three pillars of success

Three distinct elements of Vodafone’s strong track record of shareholder value creation over recent years. First, in response to the increasing demand for data we have formulated a clear strategy of becoming a leading provider of communications services provider and to strengthen further our network and service differentiation, through investments in mobile and fixed capabilities. Second, we have made significant progress in executing our strategy. We have actively managed our portfolio, particularly disposing of our non-controlling interests, and used the proceeds to accelerate the roll-out of 5G and 4G mobile capability and the deployment of next-generation fixed-line operations in a number of key markets. To accelerate our strategy further we acquired Babat e Zacke in Germany and agreed the purchase of Unity in Spain – two leading cable companies in their respective markets. Finally, we have extended our very strong track record of balancing the long-term needs of the business with substantial returns to shareholders. We ended the year in a strong financial position and with a clear strategy for long-term growth.

Our role in society and protection of customer data

Telecommunications technology has a significant positive impact on society, enhancing social inclusion and enabling the development of the local healthcare infrastructure and realising the potential of budding entrepreneurs. Our technology helps people to connect and share information, in this context data protection is critical. However, the main way these have been a number of troubling allegations about the activities of security agencies in accessing customer data. As a trusted communications service provider, we view our customers’ privacy as absolutely key.

To demonstrate our commitment to transparency in this regard, our latest sustainability report includes a section on data enforcement disclosures. This includes the return of all non-controlling government powers to extend our assistance, together with information about agency and authority demands in countries where statistical data can lawfully be disclosed.

We are dependent on government policies and regulatory frameworks. While this is a complex issue, it is critical for the development of a globally competitive and healthy telecom industry. Europe needs to find the right balance between protecting consumer interest and the consumer’s, long-term interest in investment in next-generation telecommunication infrastructure and innovation, which will enable future growth and prosperity for its citizens. So far, that balance in our opinion has not been found in the proposals for reform of the digital single market currently under consideration in Brussels.

Alignment with shareholders

Our remuneration policies continue to ensure that management is strongly aligned with shareholders, with a focus on rewarding long-term value creation. After the return of value, arising from the sale of our Verizon Wireless stake, Verizon, and other members of the executive committee, a significant proportion of their net proceeds back into Vodafone shares to demonstrate their commitment to the business and the strength of that alignment. The Board continues to consider the ordinary dividend to be the core element of shareholder returns, and believes in a consistent dividend policy. This year we increased the dividend per share by 8%, subject to confirmation of our confidence in future performance, we intend to raise it annually thereafter.

Changes to the Board

During the year, Andy Hallford informed the Board of his intention to step down as Group CFO. I would like to thank Andy for his outstanding contribution to Vodafone over his eight-year tenure as CFO and in his previous role. He has brought an invaluable insight into our financial reporting and investor communications, while consistently driving significant improvements to our organisational efficiency. I am confident that Nick Read, who joined the board as CFO on 1 April 2014, will be a success in his role. During the year there were a number of changes to the main executive team and these are set out in our Governance statement. On page 56, we also include more information for the composition of the Board. We are working further in bringing expertise, and achieve a greater gender balance. By September we will have three female directors and will benefit in new ways to our goal of 25% of Board members being women by 2016.

Guaranteed Directors

Chairman
Mixed financial performance

Our financial performance this year reflects the combination of good performance in emerging markets and challenging conditions in Europe.

Revenue: £38.3bn (+0.8%)
Profit for the financial year: £59.4bn (N/A)
Cash generated by operations: £12.1bn (+5.7%)

Adjusted earnings per share: 17.54p (-12.8%)
Capital expenditure: £6.3bn (+19.3%)
Free cash flow: £4.2bn (-24.0%)

Ordinary dividend per share: 11.00p

Note: 1 See "Financial Information" on page 12 of the financial information.
A year bursting with activity

Expanding Vodafone Red
We expanded Vodafone Red—our customer proposition offering unlimited calls and texts with generous data allowances—to 14 markets. By March 2014 we reached 20 markets.

M-Pesa in India
We launched M-Pesa, our money-transfer service in India. The initial launch included over 8,000 agents in the eastern areas of India, serving around 220 million people, and we have expanded the service nationwide throughout the year.

Kabel Deutschland
We announced plans to acquire Kabel Deutschland, Germany’s largest cable operator, for €10.7 billion (£9.1 billion). This helps us create a leading unified communications operator in Germany offering combined fixed and mobile services. The transaction closed in October 2013.
August
4G
We launched 4G in two markets – the UK and the Netherlands. In the UK the service includes Sky Sports or Spotify. We also launched 4G in Australia, the Czech Republic, Ireland, Malta and Spain during the year.

September
Sales of our interest in Verizon Wireless
We announced an agreement to sell our 45% interest in Verizon Wireless to Verizon for US$130 billion (£79 billion). This was the second largest corporate deal in history when it completed on 21 February 2014. As part of this transaction we increased our ownership of Vodafone Italy from 77% to 100%. See page 14 for more information.

November
Project Spring
We announced details of our Project Spring strategy to increase our organic investment over two years to deliver network and service differentiation compared to our competitors. See page 13 for more information on Project Spring.
November

**Vodafone Foundation Instant Network**

Two Instant Networks, which each pack into four cases, were deployed 24 hours after Typhoon Haiyan, to establish a temporary replacement mobile network where permanent infrastructure was destroyed. In just 29 days, it enabled people to send over 1.4 million texts and make over 443,200 calls.

December

**M-Pesa “Text to Treatment” programme**

The Vodafone Foundation announced a partnership with Kick4Life in Lesotho, a country where almost 1 in 4 live with HIV/AIDS, to accelerate the number of children being tested and treated for the virus. The initiative aims to get a generation of young people on antiretrovirals via our M-Pesa “Text to Treatment” programme.

January

**New brand strategy – Vodafone Firsts**

We launched our Firsts programme, inspiring people to do something remarkable for the first time using mobile technology. This new global brand engagement strategy will be launching across all our markets in 2014.
February
New spectrum in India
We acquired and renewed spectrum in auctions held in India for £1.9 billion to provide customers with enhanced mobile voice and data services.

March
The single largest return of value to shareholders
Following the sale of our interest in Verizon Wireless, we completed the return of US$85 billion (£51 billion) to shareholders – the single largest in history.

March
Ono
We announced plans to acquire Ono, Spain’s largest cable operator, for €7.2 billion (£6.0 billion). This, combined with our fibre deployment, will create a leading unified communications provider in Spain.
Breadth of services, scale and global reach

We are one of the world’s largest telecommunications companies providing a wide range of services including voice, messaging, data and fixed broadband. We have 434 million mobile customers and 9 million fixed broadband customers across the globe.

Our business is split across two geographic regions – Europe, and Africa, Middle East and Asia Pacific (AMEAP), which includes our emerging markets.

The discussion of our revenues below is performed under the management basis, as this is assessed as being the most insightful presentation and is how the Group’s operating performance is reviewed internally by management. See “Non-GAAP information” on page 201 for further information and reconciliations between the management and statutory basis.

The services we provide

- **Group service revenue on a management basis 2014**
  - Fixed: 15%
  - Mobile: 81%

- **Over 1 trillion**
  - Voice: We carried 1.2 trillion minutes of calls over our network last year – that’s the equivalent of everyone around the world talking for two and a half hours.

- **544 petabytes**
  - Data: Over 544 petabytes of data were sent across our network last year – that’s enough data for over 100 billion one minute video clips.

- **337 billion**
  - Messaging: Our network carried 337 billion text, picture, music and video messages last year.

- **9.3 million**
  - Fixed broadband: We have 9.3 million fixed broadband customers, mainly in Germany, Spain and Italy.

- **Other services**
  - Includes revenue from mobile virtual network operators (MVNOs) using our network in our markets and from operators outside our footprint using our products and services as part of their partner market network that spans 46 countries.
How we do business

Consistent investment rewards our shareholders

Our business model is based on continued high levels of investment to build a superior telecommunications network and customer experience, and to sustain high levels of cash generation with which we can reward shareholders and reinvest in the business – hence creating a virtuous circle of investment, revenue, strong cash conversion and reinvestment.

We take a sustainable approach to the way we do business. The majority of our products and services offer social and economic benefits for our customers, whether through helping them to reduce their environmental footprint or enhancing access to financial services, healthcare and education, particularly in emerging markets.
Aims to have the best mobile networks in each of our markets, combined with competitive fixed network in suburban markets. This means giving our customers fair pricing, a reliable connection, and increasing data speeds. We believe that the more we invest, the more our network experience will enable us to use spectrum at a position in front of others. We combine our ongoing divestiture of network investments with a commitment to securing the best possible portfolio of spectrum. For more information on our network strategy, see page 30.

Distribution and customer service
Reach our customers through 14,500 exclusive branded stores including franchises, a broad network of distribution partners and third-party retailers. The internet, whether accessed through a mobile device or PC, is becoming an increasingly important channel for both sales and after-sales service. Our call centers are available 24 hours a day, seven days a week in all our European markets.

Supplier relationships
In the last financial year, we spent around £16 billion buying equipment, devices, and services. Given our large scale and global reach, we need to be a reliable, strategic partner for many of our suppliers. We work closely with them to build robust networks, develop innovative services, and offer the widest range of the latest devices.

People
During the year, we employed an average of nearly 93,000 people. We support, train, and encourage our employees, ensuring they have the right capabilities, commitment, and enthusiasm to achieve our targets and build on our success. An outstanding experience is all our customers. We are working hard to build a more diverse workforce that more accurately represents our customer base. For more information on our people, see page 36.

Brand
Today, Vodafone is the UK’s most valuable brand with an attributed worth of US$30 billion (Source: Brand Finance Global 500). The strength of our brand raises the profile of our distribution channels and is a major driver of purchasing decisions for consumers and enterprise customers alike.

Customer
With 434 million customers globally, we are one of the biggest mobile operators in the world. Over 90% of our mobile customers are individuals, and the rest are enterprise customers ranging from large multinationals, to small and medium-sized businesses, down to the owner of the local corner shop. The majority of the growing share of our mobile customers are in emerging markets. We also have over 24 million fixed broadband and business customers, and most of these are in Europe – in fact, we are the fourth largest provider of fixed broadband services in Western Europe and will become the third following the pending acquisition of O2 in Spain.

Revenue
Mobile consumer pays for our services through contracts typically up to two years in length or through buying their airtime in advance (prepaid). Enterprise customers often have longer contracts.

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Cash flow
Our track record of converting revenue into cash flows is strong – with some £16 billion generated on a management basis over the last three years. We achieve this by operating efficient networks, where we seek to minimize costs, thus supporting our gross margin. We also have strong market share positions – as we are typically the first or second largest mobile operator out of three or four in each market. This provides economies of scale and a key driver of cost efficiencies and adjusted EBITDA margins, which in turn provides healthy cash flows. See page 17 for more details of our plans to improve our operating efficiency.

Shareholder returns
The cash generated from operations allows us to sustain a generous shareholder returns programme while also investing in the future prosperity of the business – with almost £22 billion reinvested to shareholders over the last three years, excluding the Verizon Wireless return of value. With our strong financial foundation, and as a sign of our confidence in our future performance, we intend to grow the annual dividend per share each year going forward.

Reinvestment
We maintain a high and consistent level of capital expenditures in our networks. Through our IT investment, we are enhancing our customer relationship capability, and providing new customer billing services. In addition, we have continued to invest in our stores, our internet and social media presence and spectrum licenses to support future services and growth.

To boost our investment even more we started Project Spring, our organic investment programme, which aims to accelerate and extend our current strategy and thereby strengthen further our network and service differentiation. We expect total investments, including Project Spring, to be around £19 billion over the next two years. See page 13 for more details.
Chief Executive’s review

A defining year for the Group...

Our emerging markets are performing well, although our mature European markets continue to face challenging conditions. However, we have continued to make good progress in delivering our long-term strategy by building firm foundations for the future with our substantial investments in Vodafone Red, Project Spring and unified communications.

Review of the year

It has been a year of substantial strategic progress. The sale of our Verizon Wireless stake has rewarded shareholders for their support, and enabled the acceleration of our strategy through the acquisition of Kabel Deutschland, the pending acquisition of One and our Project Spring investment programme.

Our operational performance has been mixed. The Group’s emerging markets businesses have performed strongly throughout the year; we have executed our strategy well and have successfully positioned ourselves for the rapid growth in data we are now witnessing in Europe, where we continue to face competitive, regulatory and macroeconomic pressures, we have taken steps to improve our commercial performance, particularly in Germany and Italy, and are beginning to see encouraging early signs.

Verizon Wireless transaction

The sale of our 45% interest in Verizon Wireless, the leading mobile operator in the United States, was the culmination of a highly successful 14-year investment which began when Verizon and Vodafone entered into a partnership to create Verizon Wireless in 2000.

We had been very happy to stay invested in the business over the years, despite our minority position, because of the strong growth and returns generated, and the attractiveness of the US market. However, the Board viewed the offer of US$105 billion as a very attractive price at which to exit. The completion of the transaction enabled us to return a record US$85 billion to our shareholders, while retaining ample financial flexibility to pursue our own strategy both organically and through targeted acquisitions. See page 14 for more information.

Strategic progress

We have made very substantial progress on our strategy in the past year, despite the significant challenges faced in Europe. With the acquisition of Kabel Deutschland in Germany and the planned purchase of One in Spain, our continued fibre build in Portugal and Spain, and our fibre plan in Italy, allied to last year’s acquisition of Cable & Wireless Worldwide in the UK, we are becoming a leader in unified communications across Europe. This enables us to access a large and growing fixed revenue pool where our market share is currently much lower than in mobile, while also helping us defend our mobile business from converged offers.

We continue to provide a market leading network experience in most of our markets, and now have 4.7 million 4G customers across 14 countries – all our major European markets, as well as South Africa, Australia and New Zealand. Early experience from 4G shows us that customers use roughly twice as much data compared to 3G data usage, driven principally by video streaming.

Smartphone adoption continues to grow strongly in all markets and the increased availability of mobile applications and low-cost devices is driving significant growth in data usage. Data traffic in India increased by 123% year-on-year, and at the end of the year had 32 million data customers in India alone, with seven million of these being 3G data customers. Data adoption is becoming truly mass market.

Our Vodafone Red plans are now available in 20 markets, with 12 million customers at the year end. The footprint of our money transfer service, M-Pesa, continues to grow and we expanded the service to provide it in the year in India, Egypt, Mozambique, Lesotho and our first European market – Romania. It is now available in four countries.

Enterprise now represents 27% of Group service revenue on a management basis, the creation of a dedicated Enterprise unit also beginning to bear fruit as we focus on a smaller number of products with the potential for global application. Our strategic focus areas – Vodafone Global Enterprise, serving our largest multi-national accounts and our machine-to-machine unit, where we are a global leader, delivered further growth. We continue to develop Vodafone One Net to provide converged services for small and medium sized companies.
Where we aim to be five years from now

**Consumer Europe**
A leading mobile data provider

**Unified Communications**
Converged services in all key European markets

**Consumer Emerging Markets**
A leading voice and first choice for data

**Enterprise**
Major enterprise provider with full service offering

**Supported by:**
An excellent network experience
A simplified and cost-efficient business model and operations

*Project Spring accelerates and extends our strategic priorities through investment in mobile and fixed networks, products and services and our retail platform, to strengthen further our network and service differentiation.*

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**Project Spring**
Project Spring is our organic investment programme which will allow us to accelerate and extend our strategic priorities through investment in mobile and fixed networks, products and services, and our retail platform. Announced alongside the Verizon transaction in September 2013, Project Spring will strengthen further our networks and service differentiation. The transition to 4G and unified communications, coupled with an improved economic outlook for Europe, lead us to believe Vodafone has a unique opportunity to invest now.

We expect total investments including Project Spring, to be around £19 billion over the next five years. The main elements of our investment are:

- **4G in Europe:** we aim to reach 91% population coverage by March 2016;
- **3G in emerging markets:** with 95% population coverage in targeted urban areas in India by March 2016;
- **next-generation fixed line infrastructure:** laying fibre to more base stations and deep into residential areas across Europe, and in selected emerging market urban areas;
- **development of enterprise products and services:** extending our M2M reach to 75 countries and rolling out hosting and IP-VPN services internationally; and
- **investment in our retail estate:** modernising 8,000 of our stores to improve the customer experience.

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**Outlook**
In the short term, we continue to face competitive, macroeconomic and regulatory pressures, particularly in Europe, and still need to secure our recovery in revenue markets. While we are better placed to focus on the successful execution of our significant organic investment programme, we are also absolutely committed to operational efficiency and an enhanced operating model, including the delivery of our projects.

We anticipate that our investments will begin to translate into clearly improved network performance and customer satisfaction in the coming year. In the medium term, this will become more evident in key operational metrics such as churn and average revenue per user (ARPU), and subsequently improve revenue, profitability and cash flow.

I am confident about the future of the business given the growth prospects in data, emerging markets, enterprise and unified communications. We have commenced our Project Spring two-year investment programme which will accelerate our plans to establish stronger network and services differentiation for our customers, respect the first signs of growth becoming evident later this year, and deliver 4G coverage in Europe and 3G coverage in emerging markets, improved network performance and increased customer satisfaction. While cash flows will be depressed during this investment phase, our intention is to continue to grow dividends per share annually to demonstrate our confidence in the strong future cash flow generation.

"Vittorio Colao
Vodafone Group
Chief Executive"

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*Want to find out more?*
Project Spring. Our strategy and investment for the future
Page 18

"Our financial guidance"
Page 21
Crystallising value from Verizon Wireless

Opening the next chapter in the history of Vodafone

On 2 September 2013, we announced our agreement with Verizon to sell our US group, whose principal asset was its 45% interest in Verizon Wireless, for US$130 billion, mainly in cash and Verizon shares. We chose to return around 77% of the net proceeds to shareholders amounting to around US$8 billion. This is the largest ever single return to shareholders in history and rewards our shareholders for their long-term support of our US strategy. This also represents the opening of an important new chapter in our history by leaving us in a strong financial position and well positioned to execute our strategy.

A big deal!
This was the second biggest transaction ever and the return of US$8 billion (€5.1 billion) is the equivalent of around 90% of the total dividend paid by all the other FTSE 100 companies in the whole of 2013.

Vodafone Italy
As part of the transaction we also agreed to acquire Verizon’s 23% stake in Vodafone Italy in which we owned 77% thereby securing full ownership.
Why sell our stake?
We have had a very successful 14-year investment in Verizon Wireless. During this time, service revenue has quadrupled to US$69 billion. Its adjusted EBITDA has grown from US$6 billion in 2001 to US$14 billion in 2013, and we received nearly US$16 billion of income dividends. This investment has clearly created a great deal of value for Vodafone shareholders. The sale not only crystallised the value of this significant asset, it has also enabled us to realise that value at a very attractive price representing around nine times Verizon Wireless' adjusted EBITDA and 15 times operational cash flow.

What will the sale enable us to do?
We carefully considered how to make best use of the sale proceeds and we decided to retain a proportion of the cash received to allow us to invest in the business and to reduce net debt, and we returned US$15 billion to shareholders.

Project Spring, our new investment programme, will improve the quality of our networks, products and services in our major markets, relative to our competitors. Project Spring is in addition to our existing capital expenditure programme and will bring total investment over the next two years to around £19 billion. This will amount to the largest and fastest period of investment in our history. We have used the retained proceeds to reduce our net debt significantly and as a result the Company is much more resilient going forwards.

What’s the shareholder return?
We have a track record of making significant returns to shareholders — with almost £23 billion returned in the last three years alone in the form of dividends and share buybacks. Consistent with that track record, we also returned a large proportion of the net proceeds from the sale of our interest in Verizon Wireless — 79% or US$56 billion (£31 billion) comprising £17 billion worth of Vodafone shares and £39 billion of cash, during the year. As part of the transaction, we also consolidated our shares — exchanging every eleven old Vodafone shares for one new Vodafone share.

Overall, we believe we have struck the right balance between investing in the future of the Company and rewarding our shareholders for their long-term support of our strategy. Following the sale, we have reduced debt and established a bigger gap between our cash flow and ordinary dividends paid. As a result, and as a sign of confidence in the future, we intend to continue to grow the dividend per share annually going forward.
Key performance indicators

Monitoring our progress and performance

We track our performance against 12 key financial, operational and commercial metrics which we judge to be the best indicators of how we are doing. The pressures we have faced in Europe are reflected in the decline in service revenue on a management basis and adjusted EBITDA margin and the loss of market position. Despite this we met our financial guidance and increased our dividend per share and we have made clear progress in our operational and commercial KPIs.

Organic service revenue growth on a management basis

Growth in the top line demonstrates our ability to grow our customer base and stabilise or increase ARPU. It also helps to maintain margins. We aim to return to service revenue growth.

Adjusted EBITDA margin\(^1\) on a management basis

Growth in our adjusted EBITDA margin magnifies the impact of revenue growth on the profitability of our business. We expected this year’s margins to be lower than last year’s.

Adjusted operating profit (AOP)\(^3\) on a management basis

AOP includes the impact of depreciation and amortisation and includes the results of our non-controlling interests. We gave guidance of around £11.9 billion for the year on a pro forma basis, see page 39.

Free cash flow on a management basis

Maintaining a high level of cash generation is key to delivering strong shareholder returns. We gave guidance of £4.5–£5 billion for the year on a pro forma basis, see page 39.

% of European mobile service revenue in-bundle\(^2\) on a management basis

Our strategic push towards bundling voice, text and data allows us to defend our revenue base from substitution, and to monetise future data demand growth. We aim to increase this proportion each year.

Smartphone penetration (March 2014, Europe)\(^3\) on a management basis

Smartphones are key to giving our customers access to data; the more our customers have them, the bigger our data opportunity becomes. We aim to increase penetration to over 50% by 2015.
9
KPIs achieved

Want to find out more?
Al l KPIs are show n on a management base. See how these targets are used with the incentive plans for senior management.

Mobile network performance floor (Europe)
We continuously improve the speed of our European network to create the best data experience for our customers, and had a target of 750MB/s on smartphone data sessions to be at least 13Mbps by 2015.

- 2012: 750MB/s
- 2013: 750MB/s
- 2014: 750MB/s

We achieved our 2015 target this year. Over the past year, we grew our network strategy.

Relative mobile market share performance
We track our relative performance by measuring the change in our revenue market share against our key competitors. We aim to gain or hold revenue market share in most of our markets.

- 2012: 11 out of 17 markets
- 2013: 9 out of 17 markets
- 2014: 7 out of 17 markets

We have a shared vision of our European markets over the years, and have grown share in some of our key emerging markets, including India, South Africa, and Turkey.

Ordinary dividend per share
The ordinary dividend remains the primary method of shareholder return and we have an outstanding record of growth here. Our target was to maintain the dividend per share at its 2013 level.

- 2012: 9.52p
- 2013: 10.19p
- 2014: 11.00p

The Verizon Wireless transaction enabled us to increase the dividend per share by 8% to 11.00pence and we now expect to increase annually.

Consumer net promoter score (NPS)
We use NPS to measure the extent to which our customers would recommend us to friends and family. We aim to increase or maintain the number of markets where we are ranked number one by NPS.

- 2012: 11 out of 21 markets
- 2013: 10 out of 21 markets
- 2014: 9 out of 11 markets

The year we increased the number of markets where we were ranked number one, but the total of nine markets remains too low. We aim to improve our position over the coming year.

Employee engagement
The employee engagement score measures employees’ level of engagement, a combination of pride, loyalty, and motivation. Our goal here is to retain our top quartile position.

- 2012: 77
dividend per share (EUR2)
- 2013: 77
- 2014: 77

Our employee engagement score remains in the top quartile position. More information can be found on page 36.

% of women in the senior leadership team
Diversity increases the range of skills and styles in our senior leadership team. We are making progress here.

- 2012: 22%
dividend per share (EUR2)
- 2013: 22%
dividend per share (EUR2)
- 2014: 22%

Gender diversity is a key area of our global diversity strategy, and we have continued to make progress in this area. We also increased the number of women on both the Executive Committee and the Board. See page 56 for more details.

Notes:
1 Adjusted EBITDA and AOP have been redefined to exclude restructuring costs. AOP also excludes write-offs of intangible assets, and amortization of customer bases and brands.
2 Compliance with IAS 32.
Market overview

The telecommunications industry today

The fixed and mobile telecommunications industry is a large and important sector, generating around US$1.5 trillion of revenue. Today, there are seven billion mobile users and over 650 million fixed customers.

The global mobile market

Scale and structure

The mobile industry alone has seven billion users, generating over US$960 billion of annual service revenue every year. A majority of revenue comes from traditional calls and text, for example, last year 17.8 billion text were sent around the world last year. However, over the last five years, the demand for data services, such as internet browsing on a smartphone, has accelerated and today around 38% of mobile revenues from data, up from 13% in 2009.

Around 34% of mobile users are in emerging markets, such as India and Africa, reflecting the typical combination of large populations and the lack of fixed line infrastructure. The remaining users are from wealthier mature markets, such as Europe. However, the proportion of the population with a phone—or mobile penetration—tends to be higher in mature markets, especially over 100% and lower in emerging markets, particularly in rural areas, due mainly to lower incomes and less network coverage.

Growth

The demand for mobile services continues to grow strongly. In the last three years the number of users increased by an average of 7% each year. In 2009 global mobile penetration was only 59%, and by 2013 it had risen to 88%. Most of the increase in users has been from emerging markets due to favourable growth drivers—youth and expanding populations, faster economic growth, lower but rising mobile penetration, and less fixed line infrastructure. The other key area of growth is data, which is being driven by increasing smartphone and tablet penetration, better mobile networks, and an increased choice of internet content and applications (‘apps’).

Competition

The mobile industry is highly competitive, with many alternative providers giving customers a wide choice of suppliers. In most countries, there are typically at least four to five mobile network operators (MNOs), such as Vodafone. In addition, there can be numerous mobile virtual network operators (MVNOs) that rent capacity from mobile operators to sell on to their customers. There can also be competition from internet based companies and software providers that offer alternative communication services such as voice over internet protocol (VoIP) or instant messaging services.

Regulation

The mobile industry is very heavily regulated by national and supranational authorities. Regulators continue to lower mobile termination rates (MTRs), where the fees mobile companies charge for calls received from other companies’ networks, and to limit the amount that operators can charge for mobile roaming services. These two areas represent around 10% of service revenue for Vodafone.

Revenue trends

In an environment of intense competition and significant regulatory pressures, the price of mobile services has tended to reduce overtime. However, with both more mobile phone users, mainly in emerging markets, and more data usage, global mobile revenue remains on a positive trend and expanded by 2% in 2013.

Note: The industry data on this page is sourced from Strategy Analytics, Analysys Mason and Ovum.
Supporting access to mobile

Overcoming barriers to mobile ownership for women in emerging markets

Our Connected Women report looked at the gender gap in mobile phone ownership in emerging economies and the social and economic impact of extending women’s access to mobile phones.

Vodafone Turkey launched the Vodafone Women First programme in 2013, which combines promotional offers with services that help women to increase their income, use mobile technology and acquire new skills. Launched in 2015, it attracted 75,000 women customers in its first nine months, of which 15% were new customers for Vodafone.

Want to find out more?
See the full Connected Women report
vodafone.com/connectedwomen
Where the industry is heading

The pace of change in the industry over the last few years has been significant and is expected to continue— with new revenue streams, new users, new services, major improvements to networks, and the convergence of fixed and mobile services.

Growing importance of data and other new revenue areas

Mobile voice and texts, our traditional revenue sources, have reached maturity in a number of markets. To deliver future growth opportunities, we need to invest in new revenue areas such as data. It is estimated that between 2013 and 2017 data revenue for the telecommunications sector is set to grow by US$129 billion, compared to a US$108 billion decline in voice revenue over the same period. The demand for data will continue to be driven by increased smartphone and tablet penetration and usage, and improvements in mobile network capability. As the demand for data grows, mobile networks have to be reconfigured to data, while still meeting the need for traditional texts and calls. Already 91% of the world’s total traffic on mobile networks is data. The services most used are video streaming and internet browsing which require high speeds. Therefore, we are investing in target 4G with average download speeds of over 75Mbps today, and the expectation of faster speeds, up to 300Mbps, by the end of 2014.

New applications for mobile services are being developed by the industry to extend the use of mobile beyond everyday communication and deliver new revenue streams, such as mobile payments via a handset or machine-to-machine services, including vehicle monitoring, through a SIM card embedded in the vehicle.

Convergence of fixed and mobile into unified communications

We expect a continued trend towards unified communications such as bundled mobile, fixed and TV services. These provide a range of benefits for the user, including simplicity, flexibility, and cost savings. The demand for these services is already established among enterprise customers and is now becoming more visible in the consumer market, particularly in southern European markets, such as Spain. We believe that this demand, combined with technological advances delivering easier connection of mobile data devices, will support strong data growth in future, and that this will need to be managed by access to next-generation fixed networks, principally fibre or fibre to the home, to support increased speed and capacity demands.

Strong demand from emerging markets

Emerging markets have the most potential for future mobile customer and revenue growth driven by populations, strong economic growth, lower mobile-penetration and a lack of alternative fixed-line infrastructure. According to industry analysts, by 2017 there will be 7.7 billion new mobile users across the globe, and most will be from emerging markets. As a result, by 2017, 77% of the world’s mobile users will be from these markets.

Increasing range of competitors

The high level of competition among established MNOs is expected to continue. However, there is also a wider pool of new competitors. Alternative communication technologies, such as instant messaging services, which use data rather than traditional voice and text, are increasingly used by mobile consumers. In response, operators have begun to replace per unit charges for voice and data services with unlimited bundles, and combine this with a fixed fee for data usage. Meanwhile MNOs, which offer low prices, but have little capital invested, have been in recent years driven by new entrants established or taking over pre-existing operators. However, the move to 4G and unified communications is leading many operators to reconsider the way they differentiate the quality of their networks and services.

Note: The data above this page is sourced from Strategy Analytics, Analysys Mason and Ovum.
Accelerating our strategy

As the demand for ubiquitous data grows rapidly, we are transforming our business to become a leading unified communications company, and to strengthen further our network and service differentiation against our peers.

Our strategy is shaped by the following industry trends:

- Growing importance of data and other new revenue areas
- Increasing demand for unified communications for both enterprises and consumers
- Strong demand from emerging markets
- Increasing range of competitors
- Improving economic environment in Europe

In light of these expected industry trends, our strategic goals are focused on four key growth areas and targets:

- Consumer Europe
  - A leading mobile data provider

- Unified Communications
  - Converged services in all key European markets

- Consumer Emerging Markets
  - A strong leader and first choice for data

- Enterprise
  - Major enterprise provider with full service offering

Supported by:

- An excellent network experience
- A simplified and cost-efficient business model and operations

Project Spring accelerates and extends our strategic priorities through investment in mobile and fixed networks, products and services, and our retail platform, to strengthen further our network and service differentiation.

What we want to achieve for our customers:

- Always best connected
  - Best mobile voice and data coverage and quality - 4G/3G
  - Competitive in fixed and best converged experience
- Unmatched customer experience
  - Number one in customer experience - in store, online or on the phone
  - Consistent execution across markets
- Integrated worry-free solutions
  - Simplest connectivity and price plans
  - Converged enterprise product suite
  - Innovator in new services such as mobile payments

Read more:

- Consumer Europe: page 22
- Unified Communications: page 24
- Consumer Emerging Markets: page 26
- Enterprise: page 28
- Network: page 30
- Operations: page 32
Consumer Europe

While voice and messaging remain important for European consumers, demand for data is rapidly accelerating. We are focused on providing the best data experience – both in mobile and fixed – matched by outstanding customer service, combined with a range of worry-free price plans and additional services.

Context

- Nearly half our European customers now use a smartphone, with more and more also using tablets.
- The average data usage per customer is also increasing rapidly.
- Customers want simplicity and worry-free bills and they demand the best in customer service.
- The bundling of fixed and mobile products for residential customers is becoming increasingly common across Europe and we expect this trend to continue.
- Aggressive price competition continues in many of our markets.

Where we are going

- We are enabling worry-free usage through our Red and roaming plans.
- We are improving our customer experience across all contact points.
- We are pushing the adoption of smartphones and are encouraging our customers to use more and more data.
- We are becoming a leading unified communications provider across Europe.
- We are innovating in mobile payments.

Vodafone Red enabling worry-free usage

Vodafone Red offers unlimited calling and texts with generous data allowances – enabling our customers to use their smartphones worry-free. We already have 17 million users across 20 markets and 37% of new contract customers on Red plans. Our research shows that Red customers are more likely to recommend us to their friends and family, and we are seeing signs that they are less likely to leave us for a rivals’ operator. Red also helps us protect our revenue, with 58% of our European mobile service revenue on a management basis now in each market compared to 51% a year ago, and it reduces the risk to our business from over-the-top services.

We have launched Red family plans with 0.6 million customers, and have combined Red plans with fixed broadband in some markets.

Simple, worry-free roaming offer

As people travel, they want to use their phones and “roam” abroad, therefore we developed an offer that sets customers’ use of their home allowance for a small daily fee, removing any worries about their bills.

These plans are now available in 15 markets and 14 million customers have registered to use these services, accounting for 21% of consumer contract revenues. Customers on these offers use phone more generative higher roaming ARPU than those on standard tariffs.

Delivering an unmatched customer experience

We are modernizing around 18,000 of our stores to a new format that enables customers to interact within a more engaging way and these stores have been seen increase transactions by more than 30%. We have already upgraded over 1,000 stores and Project Spring will accelerate our plans to modernize the remaining stores by March 2016.

We are also upgrading our customer service with all of our call centers across Europe, now offering “24/7” service and we have expanded our “self-care” solutions online and on mobile.

4G driving increased data usage and engagement

Although almost all of our customers are using 2G and 3G devices, we are seeing increased demand for 4G services, with 4.7 million customers across 14 markets. 4G is attractive because it offers much faster speeds and a better user experience and as a result our 4G customers use on average twice as much data as our 3G users.

By adding attractive content such as music and sport packages with 4G plans we believe we can drive growth in both data usage and revenue. In the UK, for example, 4G plans are generating 18% more ARPU versus comparable 3G plans, and our customers are using 2.3 times more data.

Mobile devices driving data adoption

The growing popularity of smartphones is supporting data adoption, accounting for 78% of the handsets we sold in Europe last year. This has helped Europe’s smartphone penetration grow to 45%.

We sold 2.2 million Vodafone branded smartphones in Europe and beyond during the year, instrumental in stimulating data adoption in low-end contract and prepaid segments.

Fixed and unified communications

Consumers increasingly want unified communications as they benefit from one plan that includes their fixed and mobile connections and in some cases TV, as well. We already have over 8.5 million fixed broadband customers in Europe and are increasingly offering mobile and fixed services together. We expect unified communications to become more and more important over time – see page 24 for details of our strategy.

Innovating in mobile payments

As part of our drive for innovation we are developing services which allow our customers to use their smartphones to pay for goods and services, using our secure network. During the year we launched location Wallet in Germany and Spain.
### 500MB

The average data usage on a smartphone is now around 500MB per month compared to around 350MB a year ago.

<table>
<thead>
<tr>
<th>Year</th>
<th>European smartphone penetration</th>
<th>% of European mobile service revenue in-bundle</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>28</td>
<td>45</td>
</tr>
<tr>
<td>2013</td>
<td>30</td>
<td>45</td>
</tr>
<tr>
<td>2014</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

### Transforming the retail experience

We are updating our stores into a common and consistent store concept. Each of our transformed stores now have a simple design allowing each store to run different promotions and host a "top 10" table with live devices, on-site "Tech Expert", support who can transfer customers’ data from the old phones to their new ones. At the same time we are training our staff to better serve customers.

### An easier way to pay

“Contactless” payments are becoming an increasingly popular way to pay for small value transactions. We have created the Vodafone Wallet to leverage this opportunity, which allows you to pay for anything with your phone. It digitises everything in your wallet: payment cards, loyalty cards, tickets or coupons. We launched the first commercial wallet in Spain, ahead of our competitors and built the first mobile wallet in Europe, based entirely on industry standards.

### Extending our reach through partner markets

Through relationships with other mobile operators around the world, we have extended our reach to another 48 countries stretching from Chile to Russia to Kenya to Brazil. These markets extend our mobile reach beyond our own mobile operations and support the global access to our services which our customers have come to expect from us.

Note: 1: Arribando de Horizonte
Unified Communications

Our roots are in mobile services, and these still represent the majority of our revenues. However, more and more businesses and individual consumers are seeking unified communications, or converged fixed and mobile services, and we are changing the shape of our Company to meet this demand.

What is unified communications?
As customer demand for ubiquitous data and content grows rapidly over the coming years, the most successful communications providers will be the ones who can provide seamless high-speed connectivity at home, at work, at play and anywhere in between. This will require the integration of multiple technologies – 5G, 4G, WiFi, cable and fibre – into a single network delivering the best, uninterrupted experience – what we call “unified communications”.

Unified communications for enterprise
Combined fixed and mobile services have been a feature of the enterprise market, particularly for small and medium-sized companies, for several years. We have been a market leader with products such as Vodafone One Net, which provides integrated fixed and mobile services that create significant business efficiencies for customers. This year we have evolved One Net as an application that can also serve the needs of larger national corporations as well.

With the acquisition of Cable & Wireless Worldwide in 2012, we have made a step-change in our ability to offer unified communications services to customers in the UK and gained an extensive international footprint. After successfully integrating sales forces this year, we are now beginning to build a strong pipeline of new business.

Unified communications for consumers
Over the last few years, we have seen a significant move towards bundling of fixed and mobile products for residential customers, often including television in the package deal. Of our markets, Spain and Portugal, are the most advanced in this respect, but we expect it to become prevalent in all our major European markets. This presents us with a clear opportunity to increase our share of fixed services in our European markets under 10%, whereas our share of the mobile market is well over 25%. In addition, mobile customer churn is typically three times higher than that of customers taking combined fixed and mobile services.

However, unified communications is also a threat, particularly in the residential market, as historically we have not owned or had access to next-generation fixed line infrastructure such as fibre or cable. This could allow cable operators with MVNO platforms, or integrated fixed and mobile incumbents, to take share in the market with aggressively discounted offers.

Progressing our strategy
Our goal is to secure access to next-generation fixed line infrastructure in all our major European markets. Our approach is market-by-market, based on the cost of building our own fibre, the openness of the incumbent provider to reasonable wholesale terms, the speed of market development, and the availability of good-quality businesses to acquire. The table below shows the progress we have made this year. We have made significant strides in most of our major markets, with three routes to market – wholesale, forming our own fibre deployment, or acquisitions. In particular, the acquisition of Kabel Deutschland and the proposed purchase of Ono will significantly strengthen our position in Germany and Spain respectively.

Outside Europe, we acquired TelstraClear in New Zealand, the second largest fixed line operator in 2012 to strengthen our portfolio of fixed products and services and create a leading total communications company. We also intend to expand selectively high-speed fibre services to urban areas in emerging markets to enable converged services in key business areas. And our subsidiary, Vodacom, proposes to acquire Neotel, the second largest provider of fixed telecommunications services in South Africa, for a total cash consideration of ZAR 10.0 billion (€ 0.6 billion) to accelerate its growth in unified communications products and services.

Making good progress on unified communications strategy

<table>
<thead>
<tr>
<th>Wholesale</th>
<th>Fixed-line deployment</th>
<th>Acquisitions</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Italy (2013)</th>
<th>Italy (planned for 2014)</th>
<th>Spain (prop. 2014)</th>
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<tbody>
<tr>
<td>Germany (2012)</td>
<td>Spain (combined)</td>
<td>Germany (combined)</td>
</tr>
<tr>
<td>Netherlands (2013)</td>
<td>Portugal (2014)</td>
<td>UK (combined)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Customers</th>
<th>Total Broadband Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1m</td>
<td>2.3m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market position</th>
<th>Largest cable operator in Germany</th>
<th>Largest cable operator in Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>€10.7bn</td>
<td>€7.2bn</td>
</tr>
<tr>
<td>Annual revenue</td>
<td>€19.9bn</td>
<td>€16.9bn</td>
</tr>
<tr>
<td>Homes passed</td>
<td>15.2m</td>
<td>7.2m</td>
</tr>
</tbody>
</table>

Our recent acquisitions

<table>
<thead>
<tr>
<th>Data to March 2014</th>
<th>Kabel Deutschland</th>
<th>Ono (proposed)</th>
</tr>
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Unified Communications

Our market-leading unified communications solution in Portugal

In Portugal we have developed a market-leading unified communications solution by combining our fibre-based fixed broadband, advanced internet TV (with full cloud catch-up TV and multi-screen option – tablet, PC, smartphone) and our mobile offers. As a result we are the operator with the highest mobile net promoter score.

As part of our Project Spring programme we are accelerating the deployment of high-speed fibre, which offers up to 300Mbps, to reach 1.5 million homes by mid-2015.
Consumer
Emerging Markets

It's easy to think of Vodafone as simply a European company, with its headquarters in the UK, but the reality is that one third of our revenue comes from countries outside Europe and most of this is in fast-growing emerging markets where data demand is taking off.

Context
- Our main emerging markets are India, South Africa, Turkey, Egypt, Ghana, Kenya, Tanzania and several other southern African countries.
- They provide strong growth opportunities due to fast economic growth, young and rising populations, and low and increasing mobile penetration.
- The demand for mobile data in emerging markets is beginning to take off, partly due to the lack of alternative fixed broadband infrastructure.
- There is significant scope for new revenue streams, such as mobile money transfers as many people in these markets have little or no access to banking services.

Where we are going
- We aim to drive continued growth in emerging markets through a differentially focused strategy of being "first" by:
  - Increasing and enhancing our base stations to improve service and data quality and coverage.
  - Extending fibre to business customers to meet the expected demand for unified communications services.
  - Expanding the branded store footprint to enhance customer service and
  - Expanding our leading money transfer service, M-Pesa. The goal is to be able to deliver a growing proportion of our emerging market service revenue.

Driving the mobile penetration opportunity
The number of customers in our emerging markets has grown steadily and rapidly from 185 million, 37% of the Group total three years ago, to around 332 million, representing 79% of the total today. This has been driven by fast economic growth and rising populations. In our largest emerging market, India, the proportion of the 1.2 billion population with a mobile commonly known as mobile penetration is still only 28%, so we expect to see a lot more growth going forward.

We have invested significantly in our emerging markets to support and drive this growth opportunity. We have expanded network coverage by 5% to over 150,000 base station sites, provided with significant scale and broad coverage. We have increased the range of offers: Vodafone branded devices, enabling many people on low incomes to access mobile services. We have also lowered the cost of calls with prices as low as £0.15 per minute in India, which, along with greater network capacity, has helped drive growth in both the number of users and mobile usage.

The data opportunity
With mobile data usage to browse the internet or watch videos increasingly common in Europe, it’s still an early stage in emerging markets. However, it is expanding quickly due to the growth in customers and also the greater range and affordability of handsets. In India, for example, the number of data users increased by 13 million to 52 million over the course of the year. In Turkey, we now have 6.5 million smartphone users, up from 3.1 million only two years ago. Outside of South Africa, in our smaller southern African markets of Tanzania, Lesotho, Mozambique and the DRC, the number of data customers increased 98% to 27 million taking the total active data customer base to 30% of total customers.
M-Pesa in Tanzania

The cost of travel prevents many people seeking the medical care they need. A local NGO, the Comprehensive Community Based Rehabilitation (CCBR) is working with the Vodafone Foundation to address this by integrating M-Pesa into its referral process, to ensure patients suffering from obstetric fistula get to hospital.

In 2013, 30% of CCBR’s fistula patients came via the M-Pesa “Text to Treatment” initiative. This project is one of the world’s largest fistula repair programmes.

Data usage in South Africa

In South Africa, we are investing in new revenue streams such as data by driving smartphone adoption and enhancing the network. During the year we supported a 26% increase in the number of active smartphones and tablets, taking the total to 87 million devices. Average monthly smartphone usage increased 82% to 233MB per device and grew 25% to 74MB on tablets. We supported this growth by investing in our market-leading data network. 74% of our base stations are fitted with high capacity fibre transmission, and we can now provide 3G services to 92% of the population. We’re also ready for the future, with 4G coverage of 25% of the population today.

Egypt’s literacy programme

Vodafone Egypt Foundation launched an accredited mobile literacy app in 2013, which forms part of its Knowledge & Power initiative, supporting national efforts to tackle adult literacy. The app uses picture and a talkback function to make learning easier and more flexible. The Knowledge & Power programme uses classroom and mobile learning to improve literacy skills – to date 57,000 people have enrolled.
Enterprise

We want to build on our core strength in mobile to become the leading communications provider for businesses across the world, whether large or small. We are focused on providing a range of mobile, fixed, hosting, cloud and other business services that are simple to use, worry-free and cost-effective.

Context

- Mobility increasingly sits at the heart of how organisations function, how they maximise their employees productivity and how they interact with their customers, suppliers and partners.
- Customers increasingly want more than just mobile solutions. Demand for unified communications and full service offerings, machine-to-machine and cloud and hosting is increasing, providing exciting new growth opportunities.

Where we are going

- We are building on our core strength in mobile and increasing capability to develop a portfolio of products and services, based on converged fixed and mobile solutions, to sell to businesses across the globe.
- Our strategy and investment is focused on three high-growth product areas—unified communications, cloud and hosting, and machine-to-machine—and three market segments—small and medium sized enterprises (SMEs), large and multinational corporations and carriers.

Mobile and unified communications

While the majority of our revenue still comes from mobile, we are increasingly providing unified communications services. The recent acquisitions of Cable & Wireless Worldwide (CWW) and TelosGroup combine with our existing fixed assets, enabling us to accelerate growth of our fixed and converged services, with 23% of our Enterprise revenue on a management basis coming from fixed services, an increase of 12 percentage points over the year.

Vodafone One Net, our flagship, converged offering which combines fixed and mobile services, is available to businesses of all sizes, from both small and medium up to global multinational companies and sit in ten markets.

Vodafone Global Enterprise (VGE)

VGE delivers total communications services to some of the world’s largest multinational companies. We currently serve around 1,700 companies and provide services in over 100 countries.

VGE simplifies operations for our customers by providing them with a single point of contact, a single multi-country contract, single pricing structures and a single portfolio of products and services. These are underpinned by our fully integrated fixed and mobile network, cloud-based hosting platforms, machine-to-machine capability and other business services.

Carrier Services

Our Carrier Services division manages the commercial relationships with other operators to support, in particular international voice and data services. We are the second largest international voice carrier in the world, carrying 50 billion international voice minutes annually. We are one of the world’s largest investors in submarine cables that reach more than 100 countries. We offer an extensive portfolio of carrier and data products and services and work with over 10,000 communication service providers globally.

Machine-to-Machine (M2M)

M2M technology connects “things” to the internet, transforming them into intelligent devices that exchange real-time information – in effect enabling machines to talk.

Our M2M business serves customers across all market sectors, with specific focus on the key growth sectors of automotive, smart metering and consumer electronic products. M2M is growing rapidly and we have increased M2M connections from 12.0 million to 16.2 million in the year.

Connections in the global M2M market are expected to grow at an average of 24% per year between 2013 and 2018. We continue to be ranked as the market leader by a number of market analysts, including Analysys Mason and Machina Research.

Cloud and Hosting

Bringing together mobile, fixed, cloud and hosting services, we help organisations move their data and applications to the cloud, transforming the way they do business. Our capabilities mean we are well placed to capitalise on the global growth of cloud computing and the increasing technology and procurement link between hosting, cloud and connectivity.

With the successful integration of our CWW operations, our Cloud and Hosting Services business now serves more than 1,200 public sector and enterprise customers in multiple regions. Our 14 data centres in the UK, Ireland and South Africa are complemented by a partner network of datacentre facilities that allow us to serve multinational customers globally. Our services include co-location, managed hosting, private and public cloud services, messaging and software-as-a-service applications.

Notes

Vodafone enterprise service revenue on a management basis 2014

% Fleet 23% Mobile 77%

Share of Group service revenue on a management basis 2014

% 2012 2013 2014

>40%

Over 40% of service revenue on a management basis in the UK and New Zealand now from enterprise customers

M2M services for automotive customers

We will provide automotive connectivity in new Volkswagen and Audi vehicles in Europe from next year using an embedded SIM to provide customers with high-speed Internet access on the road. We worked closely with Volkswagen to design the activation and service processes to their specific requirements.

Vodafone One Net Business

Vodafone One Net Business has helped ICT Networks in the UK reduce costs and free up technicians’ time by providing a simple and reliable virtual desk phone via their mobile – allowing technicians who are travelling and working remotely to be more accessible and responsive to customers and colleagues.

Cloud and hosting

We will provide cloud and hosting services to global software provider Syncromesh across Europe, with the ability to expand to the Middle East and the Asia-Pacific region. Our solution leverages assets and knowledge acquired from OiW to help them deploy secure applications on a global scale.
Network

We aim to have the best mobile network in all our markets, be competitive in fixed services and provide the best converged fixed and mobile services to support the growing demand for unified communications. We are aiming to provide our customers with a "perfect voice" call experience, and provide both high quality and broad data coverage.

Context

- The telecoms industry continues to experience a rapid increase in the demand for data services, as well as video streaming and internet browsing on smartphones and tablets.
- Across the Group data traffic increased by 64% over the last year and data now accounts for 61% of our traffic including voice.
- Mobile and fixed network technology is continuing to evolve, providing faster data speeds and the capability to carry more data.
- Customers are increasingly seeking fixed and mobile converged or unified communications propositions.

Where we are going

Our strategy is focused upon delivering a clearly differentiated, market leading networking position. We will do this through:

- The provision of the best mobile voice and data services by the rapid and widespread deployment of 5G and 4G, and upgrades to network basestations infrastructure.
- Being competitive in the fixed market and delivering leading edge unified communications solutions by acquiring access to an effective mix of high-speed next-generation fixed network cable and fibre infrastructure.

During the year we acquired Kabelfachverband Deutschland in Germany and announced the acquisition of One in Spain, both of which provide us with high quality cable network infrastructure. The integration of Cable & Wireless Worldwide in the UK and TelstraClear in New Zealand remains on track and we have made good progress on our fibre roll-out programmes in Spain and Portugal, with a target to reach three million and 1.5 million homes passed respectively by 2021.

Spectrum

Radio spectrum is the key raw material for our mobile business. During the year we acquired and renewed spectrum for 6.2 billion in India, Romania, New Zealand and the Czech Republic, with a cash cost of £0.9 billion during the year. The purchases in India will enable the provision of enhanced voice and data services including 5G, 3G and 4G across the country. We have a strong portfolio of spectrum assets to support the rapid deployment of 4G, with 5GHz spectrum for indoor coverage and 1800GHz spectrum for capacity and performance. See page 154 for more details.

Project Spring

The largest part of Project Spring will be significant additional investment in our mobile and fixed networks over the next two years to both accelerate and clearly differentiate our network position in all of our markets. This is the largest network investment programme in our history.

In our European mobile networks, this will enable us to deliver "perfect voice" which means a call success rate of over 95%. We will also deliver the best 4G data experience with over 90% of outdoor population coverage and over 90% of customer data sessions. High speed smartphones will be above 3Mbps. This will be supported by a suite of products with over 90% of sites covered with high capacity backhaul. In emerging markets, we will also deliver "perfect voice" and will grow our 3G coverage to 95% in targeted urban areas in India. For our fixed customers, we will deploy fibre in Italy passing 6.4 million households, extend our fibre rollout in Portugal to more households and build fibre coverage to support 15,000 enterprises in South Africa.
Our 4G journey continues to go from strength to strength. In the last year, we launched 4G services in a further seven markets, including the UK, pushing the total to 14. 4G% of the smartphones in our European network are 4G capable, and our 4G network enables customers to upload and download content twice to three times faster than over 3G. This allows users to stream video content and browse the internet with less delay. By 2016 we expect to expand our 4G network to cover over 90% of the European population.

Portable network supports victims of typhoon

In November 2013, the Vodafone Foundation deployed two Instant Networks to support relief efforts following Typhoon Haiyan in the Philippines. These portable networks pack into four cases, each weighing less than 100kg. Over 29 days the networks enabled 1.4 million SMS and 443,200 calls to be made.

In February 2014, the Vodafone Foundation launched the Instant Network Mini—a “network in a backpack” weighing just 11kg, which can be deployed in ten minutes.

Network innovation

We work very closely with our network suppliers to continually develop innovative new solutions to help improve our customers’ network experience, deliver efficiencies and enable us to differentiate. During this year, we began testing and deploying several solutions, which will be available in the near future. For example, 4G carrier aggregation combines two or more spectrum blocks to increase peak data download speeds up to 500Mbps, and 4G broadcast enables an unlimited number of smartphone users with compatible devices, to watch TV channels without putting additional load on the 4G network. We were the first operator to trial this service in Europe in February 2014.

Over 263,400 mobile base stations, making us one of the largest mobile operators in the world.

Expanding our 4G network

Our 4G journey continues to go from strength to strength. In the last year, we launched 4G services in a further seven markets, including the UK, pushing the total to 14. 4G% of the smartphones in our European network are 4G capable, and our 4G network enables customers to upload and download content twice to three times faster than over 3G. This allows users to stream video content and browse the internet with less delay. By 2016 we expect to expand our 4G network to cover over 90% of the European population.
Operations (continued)

We are using the benefits of our global reach and scale to standardise and simplify the way we do business across the Group. This will both improve cost efficiency and reduce the time to launch new services and products to our customers.

Context

- The challenging economic, regulatory and competitive environment we face in Europe has led to declining revenues in our European businesses.
- Inflationary pressure in emerging markets is putting upward pressure on our cost base.
- The trend towards greater data usage significantly increases the traffic on our network.
- Against this background, to protect our level of profitability, we must continue to find ways to improve operating efficiency and simplify and standardise processes for customers.

Where we are going

We aim to improve operational efficiency, and to speed up and co-ordinate our time to market for new propositions and services, by:

- Using our centralised functions more:
  - Driving standardisation and simplification of our business processes across the globe.
  - Offshoring more business functions to shared service centres.
  - Applying new technology to improve efficiency and reducing non-customer facing cost.

Using our centralised functions more

The Vodafone Procurement Company (VPC) in Luxembourg centrally manages the strategic procurement of the majority of our overall spend. This allows us to leverage scale and achieve better prices and terms and conditions. During the year, the spend managed through the VPC increased to €10.2 billion, which represents around 50% of our spend, up from €6.9 billion in the prior year.

By utilising the VPC, we also learn how to apply best practice across different spend categories. For example, by applying techniques from how we manage the software licences for our data centres under a single contract to how we buy software for our network operations, we have achieved a 50% reduction in prices compared to what our markets were achieving in isolation.

Standardisation and simplification

In the UK, we completed the first phase of a programme to simplify our organisation and improve all of our IT systems for billing, customer relationship management, and online and retail sales. All prepaid customers services have migrated from legacy IT systems to one new integrated platform. This has resulted in simplification of our tariffs and improved end-to-end order processing times. We have also upgraded all of our retail outlets to enable the sale of logistics processes simpler for our staff. All of this means a better experience for customers.

We have reduced the number of ways of returning a handset to eight, and through our rationalisation programme we are reducing our consumer price plans from nearly 500 to under 50.

Offshoring functions to shared service centres of expertise

Our business depends on having simple and effective operations that leverage the benefits of shared service centres to support our operations across the globe.

Over the past three years, we have expanded the scope of shared service centres in Egypt, India and Europe to provide financial, administrative, IT, customer operations and human resource services for all of our markets. In 2012, we had just 3,500 shared service employees and this has now risen to over 13,000, and we have expanded to cover commercial activities for our Enterprise business and customers. Our shared services are delivering cash cost savings at an annualised run-rate of about £160 million. We expect to have around 16,000 employees in shared services by 2016.

Applying new technology to improve efficiency

We have been at the forefront of Single-RAN (Radio Access Network) technology that enables the combination of 2G, 3G and 4G technologies into the same radio equipment. This has a number of cost benefits, including reduced floor space requirement sites, which reduces our capital expenditure and efficient power capability provides savings on our energy bill. Single-RAN units are now present in 43% of our sites, and we plan to expand this to 60% by 2016.

Reducing non-customer facing costs

We continue to expand our shared service units, and we have been able to make savings with administrative support positions. We have also been able to make savings across administrative support positions in Europe. On balance this has led to a decrease in the number of employees in the UK excluding our acquisitions of Robtel Deutschland and the minority stake in Vodafone Italia and an increase in the number of employees in AMAP.

Notes

1. Excluding 6,000, as indicated in our current report, in discussion-based services employees supporting global customer operations.
Deploying Single Radio Access Network sites helps reduce costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>15,000</td>
</tr>
<tr>
<td>2013</td>
<td>13,300</td>
</tr>
<tr>
<td>2014</td>
<td>10,700</td>
</tr>
</tbody>
</table>

Moving employees to shared services to reduce costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost reduction (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5,000</td>
</tr>
<tr>
<td>2013</td>
<td>9,500</td>
</tr>
<tr>
<td>2014</td>
<td>13,300</td>
</tr>
</tbody>
</table>

£0.3bn
£0.3 billion reduction in organic European and common functions operating expenses on a management basis

Sharing network sites to reduce costs

Nearly three quarters of the new radio sites deployed across the Group during the year were shared with other mobile operators, which reduces the cost of renting or building new sites by about 20% compared to non-shared units. During the year we entered into new sharing arrangements in three markets – Greece, Romania and Italy.

Virtualising our network

We are increasingly looking at ways to virtualise our network through cloud computing. This requires us to move our existing network capabilities from dedicated hardware onto virtualised applications running over the cloud. As a result, we are able to simplify our network architecture and reduce costs. Virtualised networks are more scalable and resilient, and enable the faster deployment of new services. With this capability we have started rolling out new features such as a messaging platform for our M2M products, and many more are planned.

Helping our customers cut costs

We estimated that our products and services in smart metering and logistics, fleet management, call conferencing, and cloud and hosting services, could save our customers 2.9 million tonnes of carbon dioxide equivalent (CO2e) – almost equal to our total emissions last year.
Sustainable business

Contributing to social and economic improvement

Telecommunications technology has the power to transform people’s lives. Ensuring that we continue to connect more people to essential services, while expanding the reach of our network, is the best way we can support that improvement.

Telecommunications technology can be used to tackle some of the most pressing challenges faced by society today. Our products and services provide access to a range of solutions to these challenges in ways that can improve lives around the world. We remain determined to continue to contribute to the social and economic development of all our customers, particularly our 300 million customers who live in emerging markets. While ensuring we continue to fulfill our strategic business goals.

How we achieve our goals is integral to the long-term success of the business. We remain fully committed to operating ethically and responsibly in everything we do. This includes ensuring we respect our customers’ human rights, improving ethical and environmental standards in our supply chain and managing our environmental impact while remaining competitive in our responses to emerging sustainability risks.

This report highlights our progress in four critical areas.

Connecting people to vital services

Mobile money continues to be a driver of financial inclusion, offering people access to payments and financial services beyond the reach of traditional institutions. Our platform, M-Pesa, expanded its geographical reach in 2014, launching recently in Mozambique, Lesotho, Egypt, Romania and India. M-Pesa now has 17 million active users who can access a wide range of services that enhance their ability to improve their livelihoods, including the ability to pay bills and even be paid their salary via M-Pesa. A new savings and loan product, launched in conjunction with the Commercial Bank of Africa, enables M-Pesa users to save and access loans, often for the very first time.

The M-Pesa platform supports our efforts in many other areas, including our aim to increase productivity and improve the lives of 500,000 smallholder farmers in Africa through the Connected Farmer Initiative. Our first formal partnership with Kilombero Plantations Limited in Tanzania tested how mobile technology could support Company’s engagement with smallholder rice farmers. We are also piloting our solution with a dairy cooperative in Kenya, to help them run more efficiently, increasing productivity and income for the members who supply the cooperative with milk.

Protecting our customers’ information and respecting their privacy

The amount of data and personal information transmitted over our networks is increasing, as our customers use their mobile and other connected services more and more. Our commitment to protect that information and respect our customers’ privacy and freedom of expression remains critical in retaining their trust.

We can only ensure our customers’ privacy if we first ensure the security of their information and communications. Cyber security threats continue to proliferate, so Vodafone’s Global Security Operations Centre monitors our IT systems 24 hours a day, seven days a week, to anticipate or detect attacks and minimize their impact.

Saving energy and cutting carbon

We are a top-rated global communications service provider for the machine-to-machine (M2M) industry. Using our M2M solutions helps our enterprise customers to cut carbon emissions and generate cost savings. We estimated the carbon savings we deliver for our customers from our M2M products and services in 2014, and our cloud hosting for a total of 27.2 million tons of carbon dioxide equivalent (tCO₂e) in 2013– almost equal to the total emissions. By March 2014, we had contracts to provide nearly 1.1 million M2M connections with carbon-reducing potential in smart metering, fleet management and logistics.

Throughout our global operations, we are working to reduce our energy consumption and improve our carbon efficiency. The efficiency of our operations has greatly improved with emissions per base station now at ten tonnes CO₂e, almost 42% lower than in 2007. Our total carbon emissions in 2014 were 2.55 million tonnes of CO₂e, a slight increase on 2013 due to newly acquired operations.

Want to find out more?
Read our Sustainability Report 2014 for more information on Vodafone’s contributions to social and economic development.
The total amount of donations made to the Vodafone Foundations in 2013 — including £50.9 million towards its operating costs. Since its inception, Vodafone has donated over £475 million to the charitable programmes led by our Foundations.

Connecte Women
Vodafone’s Connected Women Summit focused on the impact of mobile technology on the lives of women around the world. New research, commissioned by the Vodafone Foundation, showed that stabilising the gender pay gap in markets could have an economic benefit for women and society of more than US$22.3 billion annually from 2020.

Supporting victims of domestic violence
TecSOS, from the Vodafone Foundation, rapidly connects victims of domestic violence to emergency services. Now available in six European markets, it has helped more than 31,900 victims. In the UK, TecSOS is used by over 50% of police forces in response to Metropolitan Police Commissioner’s Award for Best Use of Technology and was granted a “Secured by Design” licence, which recognises TecSOS as a high quality service to be used by the police.

Instant Education
The Vodafone Foundation opened the first “Instant Network School” in the DAC in 2013, in partnership with Italian NGO, Don Bosco. The Vodafone Foundation’s Instant Network School programme is supported by the Qatar Foundation’s “Educate a Child” Initiative. The school, in Goma, is enabling 400–500 children aged 7–17 to access online educational content via tablets provided through the Instant Network mobile education programme.
One company, local roots

We believe our people are fundamental to our success – that’s why we want to attract and retain exceptional employees. We’re committed to providing an inclusive workplace where we offer great opportunities for our people to build their skills and careers.

We continue to develop our people to ensure that they have the right skills and experience to deliver an outstanding experience to our customers.

During the year we employed an average of 92,812 people and had 97,721 employees as of March 2014. The number of our people increased during the year following our acquisition of Hutchison DeutchTel Deutschland GmbH and the move to full ownership of Vodafone Italia.

The following sections highlight our progress in the key areas behind our people strategy.

Increasing employee engagement

Every year, all our employees participate in our Global People Survey, which allows us to measure engagement levels, compare ourselves to other large companies and helps us identify ways to improve how we do things.

Our employee engagement index measures how committed our employees are, their desire to continue working for us and their willingness to recommend Vodafone as an employer. The index remained broadly stable at 77 points this year compared to 78 last year. Crucially, we retained our top quintile position. Our employee turnover rate also remained broadly stable at 13%.

Embedding The Vodafone Way

The Vodafone Way is about ensuring our employees work with speed, simplicity and focus, so we can be customer-relevant, ambitious and competitive, innovation hungry and work as one company with local roots.

For the third consecutive year we have run development workshops for all senior employees within a particular focus area to provide a superior experience to our customers.

Building a diverse and inclusive culture

We believe that adverse team is crucial to our success, helping us better understand and meet the needs of our customers. Our Group-wide diversity and inclusion strategy aims to create a workplace environment which values, celebrates and respects the most of individual differences.

We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, and religious or political beliefs. This also applies to agency workers, the self-employed and contract workers who work for us. We promote an open culture that encourages people to raise issues to ensure that any behaviour which excludes or discriminates against individuals does not go unresolved. This year’s People Survey showed that 89% of employees believe that Vodafone treats people fairly regardless of their gender, background, age or beliefs.

Creating a lean and effective organisation

We continue to make our business more efficient, simplifying processes across our markets and sharing best practice. We continue to move transactional and back office activities to our shared service centres in Egypt, India and Europe. In the last year we wound down or exit to reduce our non-customer facing support functions, as discussed on page 32.

We aim to treat all employees fairly, consulting with those affected by change and clearly communicating developments. We support employees through organisational changes, helping them to explore new job opportunities in the company or arrange for them to work for another company where possible. We also help those whose roles have been made redundant search for new jobs, offering them training on job applications and interview skills, and advising on how to start their own business.

During the year we completed the integration of employees from Cable & Wireless Worldwide and established single management teams for consumer and enterprise.

Strengthening capabilities

We want people to grow their careers at Vodafone and develop the skills and talent needed to grow our business. We do this through formal training, on the job experience and regular coaching from managers.

We conduct an annual analysis of learning needs to identify priorities and ensure that learning plans support our business strategy. Every employee also has a formal review once a year with their manager to review their performance and set clear goals and development plans for the year ahead.

Our global learning academies in marketing, technology, sales, retail, finance and supply enable people to develop the critical skills they need to excel in their functions. We work with leading business schools and accredited external providers to develop and deliver the training. Last year, around 195,000 online courses were completed and we trained around 18,000 people in our Technology Academy and over 10,000 people in our Retail and Sales academies.

We conduct regular talent reviews to identify high-potential future leaders and accelerate the progress of high-potential managers through our "Top Talent" programme, which offers development and executive coaching over an 18 month period and may include an assignment to another Vodafone market or function.

Our "Discover" programme for graduates accelerates the careers of high performing graduates and we recruited 196 people from 55 countries onto the programme during the year. We also have an international assignment programme, "Columbus", with 55 graduates from 16 different markets taking part this year.
Valuing diversity

At the end of the year we had 61,948 (63%) male and 35,873 (37%) female employees and we have increased female representation at all levels of the business, particularly within more senior roles. Women now make up 22% of our senior leadership team (up from 17% in 2013) and there are now still 24% in leadership roles.

Recognising performance

We continued to reward people based on their performance, potential and contribution to our success. We benchmarking roles regularly to ensure competitive, fair remuneration in every country in which we operate. We also offer competitive retirement and other benefits provisions which vary depending on conditions and practices in local markets.

Global short-term incentive plans are offered to a large percentage of employees and global long-term incentive plans are offered to our senior managers. Individual and company, performance measures are attached to these plans which give employees the opportunity to be rewarded for exceptional performance in local markets.

Creating a safe place to work

We have a “Code of Conduct” that sets out our business principles and what we expect from employees to ensure they protect themselves as well as the company’s reputation and assets. We actively promote our Code of Conduct throughout the year via our global “Doing What’s Right” campaign. The aim was to improve understanding of and engagement with key topics including health and safety, anti-bribery, privacy, security and competition law, to ensure that people know what’s expected of them and managers know what is expected of their teams.

What’s Right “campaign. The aim was to improve understanding of and engagement with key topics including health and safety, anti-bribery, privacy, security and competition law.”

Doing what’s right

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Creating a safe place to work

Driving a culture where safety is an integral part of every business decision is critical to our vision of preventing any incident that could affect the health and safety of our people. We continue to work hard to ensure employees and contractors know how to identify and manage risks and take personal responsibility for their own safety and the safety of those around them.

Through increased awareness and a strong focus on managing our top five safety risks, our injury rates have continued to decline in 2014. The safety culture in Vodafone continues to improve – our target.

People Survey shows that 99% of employees believed our “Avulsive Rules” which help employees follow best practice for safety, are taken seriously.
Our financial performance was mixed

Our financial performance reflects continued strong growth in our emerging markets, partly offsetting competitive, regulatory and macroeconomic pressures in Europe. While we have seen declines in our revenue and adjusted EBITDA, we have met our financial guidance and increased the dividend per share.

Overall performance

The Group’s emerging markets businesses have delivered strong organic growth this year, combining good local execution on marketing and distribution with leading network quality. In particular, data usage in emerging markets is really taking off, providing further growth potential for the Group. This has however been offset by significant ongoing pressures in our European operations, from a combination of a weak macroeconomic environment, regulatory headwinds, and stiff competition. We experienced revenue declines in all of our major European markets, and related pressure on margins, despite continuing measures to control costs.

Group revenue increased by 0.8% to £38.3 billion, with service revenue of £35.2 billion, an increase of 0.5%.

Group adjusted EBITDA decreased by 3.3% to £11.1 billion as the impact of steep revenue declines in Europe offset improving margins in AMAP, notably in India and Australia.

Group adjusted operating profit fell 22.9% year-on-year to £4.3 billion due to lower adjusted EBITDA and higher amortisation and depreciation due principally to the acquisition of KDG in October 2013.

Verizon Wireless

The profit contribution of Verizon Wireless is reported in our 2014 financial year results for five months to 2 September 2013, the date we announced its sale. Our share of Verizon Wireless’ profits for this five month period amounted to £3.2 billion. The sale of the US group, whose principal asset was Verizon Wireless, led to a pre-tax gain on disposal of £45.0 billion.

Impairment losses

We recorded impairment charges of £6.6 billion relating to our businesses in Germany, Spain, Portugal, Czech Republic and Romania. These were driven by lower projected cash flows within business plans, resulting from the tougher macroeconomic environment and heavy price competition.

Financing costs and taxation

Net financing costs have decreased 6.4% primarily due to the recognition of mark-to-market gains, offset by a £99 million loss (2013: £nil) on the redemption of US$5.65 billion bonds as part of the restructuring of the Group’s financing arrangements following the disposal of Verizon Wireless and lower interest income on settlement of tax issues.

The statutory effective tax rate for the year ended 31 March 2014 was -33.4% compared to 77.2% in the prior year. The difference is primarily due to the gain on disposal of our interest in Verizon Wireless which did not result in any tax consequences and the recognition of significant deferred tax assets in Luxembourg and Germany.

Adjusted earnings per share

Adjusted earnings per share1 fell 12.8% to 17.54 pence, driven by lower adjusted operating profit, offset by a lower share count arising from the Group’s share buyback programme. The Board is recommending a final dividend per share of 7.47 pence, to give total ordinary dividends per share for the year of 11.0 pence, up 8% year-on-year.

Free cash flow

Free cash flow was £4.2 billion, down 24.0% from the prior year. The year-on-year decline reflects the relative strength of sterling against the South African rand and Indian rupee over the course of the year, partly offset by movements in the euro, as well as tough trading conditions. In addition to the free cash flow reported above, we received an income dividend of £2.1 billion from Verizon Wireless.

Capital expenditure

Capital expenditure increased 19.3% to £6.3 billion, with the growth driven by the inclusion of
CWW for 12 months, the inclusion of KDG from October 2013, the commencement of our fibre roll-out in Spain, and initial Project Spring investments in Germany and India. In addition, we acquired and renewed spectrum for £2.2 billion in India, Romania, New Zealand and the Czech Republic, with a cash cost of £0.9 billion during the year.
Group 1

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>38,346</td>
<td>38,041</td>
</tr>
<tr>
<td>Service revenue</td>
<td>35,190</td>
<td>34,999</td>
</tr>
<tr>
<td>Other revenue</td>
<td>3,156</td>
<td>3,042</td>
</tr>
<tr>
<td>Adjusted EBITDA 2</td>
<td>11,084</td>
<td>11,466</td>
</tr>
<tr>
<td>Adjusted operating profit 2</td>
<td>4,310</td>
<td>5,590</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>(6,600)</td>
<td>(7,700)</td>
</tr>
<tr>
<td>Restructuring costs and other</td>
<td>(355)</td>
<td>(311)</td>
</tr>
<tr>
<td>Amortisation of acquired customer bases and brand intangible assets</td>
<td>(551)</td>
<td>(249)</td>
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<tr>
<td>Other income/(expense)</td>
<td>(717)</td>
<td>468</td>
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<tr>
<td>Operating loss</td>
<td>(3,913)</td>
<td>(2,202)</td>
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<tr>
<td>Non-operating income and expense</td>
<td>(149)</td>
<td>10</td>
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<tr>
<td>Net financing costs</td>
<td>(1,208)</td>
<td>(1,291)</td>
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<tr>
<td>Income tax credit/(expense)</td>
<td>16,582</td>
<td>(476)</td>
</tr>
<tr>
<td>Profit/(loss) for the financial year from continuing operations</td>
<td>11,312</td>
<td>(3,959)</td>
</tr>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>48,108</td>
<td>4,616</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>657</td>
</tr>
</tbody>
</table>

Notes:
1. 2014 results reflect average foreign exchange rates of £1:1.17, £1:1.23 and £1:1.19 and please see page 201 for guidance foreign exchange rates for the year ended 31 March 2014 were £1:1.23 and £1:1.58.
2. Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs. Adjusted operating profit has also been restated to exclude amortisation of customer base and brand intangible assets. See page 201 for "Non-GAAP financial information".

Net debt

Net debt decreased £11.7 billion to £13.7 billion as proceeds from the disposal of our US group, whose principal asset was its 45% stake in Verizon Wireless, positive free cash flow and favourable foreign exchange movements more than offset the acquisition of Kabel Deutschland, licences and spectrum payments and equity shareholder returns including equity dividends, the special distribution and share buybacks. In Q4, we paid £2.4 billion in relation to the expected tax liability for the Verizon wireless transaction, of which US$3.3 billion (£2.0 billion) was paid to Verizon. We now expect this liability to total US$3.6 billion (£2.2 billion).

Performance against 2014 financial year guidance 2

On 2 September 2013 we issued pro forma guidance for the 2014 financial year, which excluded VZW and included 100% of Vodafone Italy, both for the whole year. This pro forma guidance included Vodafone’s remaining joint ventures (Australia, Fiji and Indus Towers), on an equity accounting basis, consistent with IFRS requirements.

Based on guidance foreign exchange rates, our pro forma adjusted operating profit for the 2014 financial year was £4.9 billion2, in line with the around £5.0 billion range set in September 2013. On the same basis our pro forma free cash flow was £4.8 billion2, in line with our guidance range of £4.5–£5.0 billion.

2015 financial year guidance 3

We expect adjusted EBITDA to be in the range of £11.4 billion to £11.9 billion.

We expect free cash flow to be positive after all capex, before the impact of M&A, spectrum purchases and restructuring costs. Total capex over the next two years is expected to be around £19 billion, after which we anticipate capital intensity normalising to a level of 13–14% of annual revenue.

J/s Nick Read
Nick Read
Chief Financial Officer

Notes:
1. All amounts in this document marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. See page 202 for "Non-GAAP financial information" for further details.
3. Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs. Adjusted operating profit has also been restated to exclude amortisation of customer base and brand intangible assets. See page 201 for "Non-GAAP financial information".

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This section presents our operating performance, providing commentary on how revenue and adjusted EBITDA performance of the Group and its operating segments within the Europe and AMAP regions, together with Common Functions, have developed over the last year. These revenue and adjusted EBITDA amounts are extracted from note 2 to the Consolidated Financial Statements. See pages 171 to 175 for commentary on the 2013 financial year. The presentation of segmental revenues and adjusted EBITDA within note 2 to the Consolidated Financial Statements segment is under the management basis as this is assessed as being the most insightful presentation and is how the Group’s operating performance is reviewed internally by management. See “Non-GAAP information” on page 201 for further information on the use of management basis measures and reconciliations between the management basis measures and the statutory (IFRS) basis.

Group level operating performance is discussed on pages 38, 39 and 97.

Europe on a management basis

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>Germany £m</th>
<th>Italy £m</th>
<th>UK £m</th>
<th>Spain £m</th>
<th>Other Europe £m</th>
<th>Eliminations £m</th>
<th>Europe £m</th>
<th>Restated 2013 £m</th>
<th>% change</th>
<th>Organic % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>8,272</td>
<td>4,312</td>
<td>6,427</td>
<td>5,525</td>
<td>(57)</td>
<td>27,997</td>
<td>28,602</td>
<td>(2.1)</td>
<td>(9.3)</td>
<td></td>
</tr>
<tr>
<td>Service revenue</td>
<td>7,739</td>
<td>3,863</td>
<td>6,095</td>
<td>5,104</td>
<td>(54)</td>
<td>25,977</td>
<td>26,501</td>
<td>(2.0)</td>
<td>(9.1)</td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>533</td>
<td>449</td>
<td>332</td>
<td>421</td>
<td>(3)</td>
<td>2,020</td>
<td>2,101</td>
<td>(3.9)</td>
<td>(10.8)</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>2,698</td>
<td>1,536</td>
<td>1,418</td>
<td>1,736</td>
<td></td>
<td>8,175</td>
<td>9,099</td>
<td>(10.2)</td>
<td>(18.3)</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>32.6%</td>
<td>35.6%</td>
<td>22.1%</td>
<td>31.4%</td>
<td></td>
<td>29.2%</td>
<td>31.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1 “Other activity” includes the impact of M&A activity and the revision to intra-group roaming charges from 1 April 2013. Refer to “Organic growth” on page 202 for further detail.
Germany
Service revenue decreased 6.2%*, with a slightly improving trend in Q4 compared to Q3. Performance for the year was driven by intense price competition in both the consumer and enterprise segments and an MTR cut effective from December 2012, with Vodafone particularly impacted due to our traditionally high ARPU. In a more competitive environment we launched both a more aggressive 3G price plan (“Smart”) and pushed otelo in the entry-level contract segment. Mobile in-bundle revenue increased 2.7%* as a result of growth in integrated Vodafone Red offers, which was more than offset by a decline in mobile out-of-bundle revenue of 22.6%*. We continue to focus on Vodafone Red and 4G where we had nearly 3.0 million customers and 891,000 consumer contract customers respectively at 31 March 2014.

Adjusted EBITDA declined 18.2%*, with a 4.3% percentage point decline in adjusted EBITDA margin, driven by lower service revenue and increased customer investment.

The roll-out of 4G services continued with a focus on urban areas, with overall outdoor population coverage of 70% at 31 March 2014, which combined with our ongoing network enhancement plan has resulted in a significant improvement in voice and data performance in the second half of the year.

Following its acquisition on 14 October 2013, KDG contributed £702 million to service revenue and £297 million to adjusted EBITDA in Germany. The domination and profit and loss transfer agreement was registered on 14 March 2014 and the integration of Vodafone Germany and KDG began on 1 April 2014.

Italy
Service revenue declined 17.1%* driven by the effect of the summer prepaid price war penetrating the customer base and the negative impact of MTR cuts in January and July 2013. Mobile in-bundle revenue grew 15.2%* driven by the take-up of integrated prepaid plans. Vodafone Red, which had nearly 1.5 million customers at 31 March 2014, continues to penetrate further into the base leading to improving churn in the contract segment.

Enterprise revenue growth, while still negative, showed signs of improvement during the year thanks to the success of “Zero”. Prepaid experienced a steep ARPU decline as a result of the market move to aggressive bundled offers. 4G services are now available in 202 municipalities and outdoor coverage has reached 35%.

Fixed line revenue declined 3.2%* as a result of declining fixed voice usage, partly offset by continued broadband revenue growth supported by 77,000 net broadband customer additions during the year. Vodafone Italy now offers fibre services in 37 cities and is progressing well on its own fibre build plans.

Adjusted EBITDA declined 24.9%*, with a 4.8% percentage point decline in adjusted EBITDA margin, primarily driven by the lower revenue, partially offset by strong efficiency improvement delivered on operating costs which fell 7.1%*.

The roll-out of 4G services continued following the launch in August 2013, with services now available in 14 cities and over 200 towns, with over 637,000 4G enabled plans (including Mobile Broadband) at 31 March 2014. We are making significant progress in network performance, particularly in the London area.

Adjusted EBITDA declined 9.8%*, driven by lower revenue and a 1.0% percentage point decline in the adjusted EBITDA margin as a result of higher customer investment.

Spain
Service revenue declined 13.4%*, as a result of intense convergence price competition, macroeconomic price pressure in enterprise and a MTR cut in July 2013. Service revenue trends began to improve towards the end of the year. As a result of a stronger commercial performance and lower customer churn from an improved customer experience, the contract customer base decline slowed during the year and the enterprise customer base remained broadly stable. Mobile in-bundle revenue declined 0.4%* driven by the higher take-up of Vodafone Red plans, which continue to perform well, with over 1.2 million customers at 31 March 2014. We had 797,000 4G customers at 31 March 2014 and services are now available in all Spanish provinces, 227 municipalities and 80 cities.

Fixed line revenue declined 0.2%* as we added 216,000 new customers during the year and added 276,000 homes to our joint fibre network with Orange. On 17 March 2014 we agreed to acquire Grupo Corporativo Ono, S.A. (‘Ono’), the leading cable operator in Spain and the transaction is, subject to customary terms and conditions including anti-trust clearances by the relevant authorities, expected to complete in calendar Q3 2014.

Adjusted EBITDA declined 23.9%*, with a 3.4% percentage point decline in adjusted EBITDA margin, primarily driven by the lower revenue, partly offset by lower commercial costs and operating cost reductions of 9.4%*.

Other Europe
Service revenue declined 7.1%* as price competition and MTR cuts resulted in service revenue declines of 5.6%*, 8.4%* and 14.1%* in the Netherlands, Portugal and Greece respectively. However, Hungary and Romania returned to growth in H2, and all other markets apart from Portugal showed an improvement in revenue declines in Q4.

In the Netherlands mobile in-bundle revenue increased by 3.4%*, driven by the success of Vodafone Red plans. In Portugal, the broadband customer base and fixed line revenues continued to grow as the fibre roll-out gained momentum in a market moving strongly towards converged offers, whilst in Greece the customer base grew due to the focus on data. In Ireland, contract growth remained good in a declining market.

Adjusted EBITDA declined 14.0%*, with a 2.1% percentage point reduction in the adjusted EBITDA margin, driven by lower service revenue, partly offset by operating cost efficiencies.
UK
Service revenue decreased 4.4%*, principally driven by declines in enterprise and prepaid and a 1.9 percentage point impact from MTR cuts, partially offset by consumer contract service revenue growth. Mobile in-bundle revenue increased 0.6%* as the positive impact of contract customer growth and greater penetration of Vodafone Red plans into the customer base, with nearly 2.7 million customers at 31 March 2014, offset pricing pressures. Mobile out-of-bundle revenue declined 7.2%*, primarily driven by lower prepaid revenue.

The activity to integrate the UK operations of CWW was accelerated successfully and we continue to deliver cash and capex synergies as planned. The sales pipeline is now growing, which we expect to materialise into revenue increases in the 2015 financial year.
Operating results (continued)

Africa, Middle East and Asia Pacific on a management basis

<table>
<thead>
<tr>
<th>India £m</th>
<th>Vodacom £m</th>
<th>Other AMAP £m</th>
<th>Eliminations £m</th>
<th>AMAP £m</th>
<th>Restated £m</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,394</td>
<td>4,718</td>
<td>5,860</td>
<td>(1) 14,971</td>
<td>15,413</td>
<td>(2.9) 8.4</td>
<td></td>
</tr>
<tr>
<td>Service revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,927</td>
<td>3,866</td>
<td>5,295</td>
<td>(1) 13,087</td>
<td>13,729</td>
<td>(4.7) 6.1</td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>467</td>
<td>852</td>
<td>565</td>
<td>– 1,884</td>
<td>1,684</td>
<td>11.9 27.4</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,397</td>
<td>1,716</td>
<td>1,567</td>
<td>– 4,680</td>
<td>4,532</td>
<td>3.3 16.2</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.6%</td>
<td>36.4%</td>
<td>26.7%</td>
<td>– 31.3%</td>
<td>29.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1 “Other activity” includes the impact of M&A activity and the revision to intra-group roaming charges from 1 April 2013. Refer to “Organic growth” on page 203 for further detail.

<table>
<thead>
<tr>
<th>Organic change %</th>
<th>Other activity %</th>
<th>Foreign exchange %</th>
<th>Reported change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue – AMAP</td>
<td>8.4</td>
<td>0.7</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Service revenue</td>
<td>India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.0</td>
<td>–</td>
<td>(11.7)</td>
<td>1.3</td>
</tr>
<tr>
<td>Vodacom</td>
<td>4.1</td>
<td>(2.8)</td>
<td>(13.7)</td>
</tr>
<tr>
<td>Other AMAP</td>
<td>2.8</td>
<td>4.0</td>
<td>(9.4)</td>
</tr>
<tr>
<td>AMAP</td>
<td>6.1</td>
<td>0.7</td>
<td>(11.5)</td>
</tr>
</tbody>
</table>

| Adjusted EBITDA | India       | –                     | 12.7             |
|                | Vodacom     | 6.6                   | (16.1)           |
|                | Other AMAP  | 19.3                  | (10.7)           |
| AMAP           | 16.2        | 1.0                   | (13.9)           |

India

Service revenue increased 13.0%*, driven by continued customer growth and data usage as well as improved voice pricing. Mobile customers increased by 14.2 million during the year, yielding a closing customer base of 166.6 million at 31 March 2014.

Data usage grew 125% during the year, primarily resulting from a 39% increase in mobile internet users and a 67% increase in usage per customer. At 31 March 2014 active data customers totalled 52 million including seven million 3G customers.

We progressively rolled out M-Pesa across India over the year, reaching nationwide coverage by March 2014.

Adjusted EBITDA grew 26.4%*, with a 3.3* percentage point increase in adjusted EBITDA margin, driven by the higher revenue and the resulting economies of scale on costs.

In February, Vodafone India successfully bid for additional spectrum in 11 telecom circles in the Indian Government’s 800MHz and 1800MHz spectrum auction, enabling the company to provide customers with enhanced mobile voice and data services across the country. Of the total £1.9 billion cost of these spectrum licences, £0.5 billion was paid during the financial year with the remainder payable in instalments starting in 2017.

Vodacom

Service revenue grew 4.1%*, driven by strong growth in Vodacom’s mobile operations outside South Africa. In South Africa, organic service revenue increased 0.3%*, despite the adverse impact of an MTR cut, due to the strong growth in data revenues of 23.5%*, driven by higher smartphone penetration and the strong demand for prepaid bundles.

Vodacom’s mobile operations outside South Africa delivered service revenue growth of 18.9%* mainly from continued customer base growth. M-Pesa continued to perform well and is now operational in all of the Vodacom mobile operations outside of South Africa, with over 4.4 million customers actively using the service.

Adjusted EBITDA increased 6.6%*, driven by revenue growth, optimisation in customer investment and efficiencies in South Africa operating costs. The adjusted EBITDA margin decline of 0.3% percentage points is the result of higher sales of lower margin handsets.

On 14 April 2014, Vodacom announced the acquisition of the Vodacom customer base from Nashua, a mobile cellular provider for South African mobile network operators, subject to the approval of the Competition Authority.
On 19 May 2014 Vodacom announced that it had reached an agreement with the shareholders of Neotel Proprietary Limited (‘Neotel’), the second largest provider of fixed telecommunications services for both enterprise and consumers in South Africa, to acquire 100% of the issued share capital in, and shareholder loans against, Neotel for a total cash consideration of ZAR 7.0 billion (£0.4 billion). The transaction remains subject to the fulfilment of a number of conditions precedent including applicable regulatory approvals and is expected to close before the end of the financial year.
Other AMAP  
Service revenue increased 2.8%*, with growth in Turkey, Egypt, Qatar and Ghana being partially offset by declines in Australia and New Zealand. 
Service revenue growth in Turkey was 7.9%* after a 5.4 percentage point negative impact from voice and SMS MTR cuts effective from 1 July 2013. Mobile in-bundle revenue in Turkey grew 25.0%* driven by higher smartphone penetration, the success of Vodafone Red plans and continued growth in enterprise. 
In Egypt service revenue increased 2.6%*, driven by the growth in the customer base, higher data usage and a successful pricing strategy. Service revenue growth in Qatar came as a result of strong net customer additions and the success of segmented commercial offers. In Ghana, service revenue grew 19.3%*, driven by an increase in customers and higher data usage in both consumer and enterprise. 
Adjusted EBITDA grew 19.3%* with a 3.1 percentage point improvement in adjusted EBITDA margin, with improvements in Turkey, Australia, Qatar and Ghana driven by the increase in scale and operating cost efficiencies, and with robust contribution from Egypt, partially offset by a decline in New Zealand. 
Our joint venture in Australia experienced a service revenue decline of 9.0%*. The turnaround plan remains on track, yielding improved levels of network performance, net promoter score and customer base management. The adjusted EBITDA margin was improved by 14.8 percentage points, as a result of restructuring and stronger cost discipline. 
Our associate in Kenya, Safaricom, increased service revenue by 17.2% driven by a higher customer base and continued growth in M-Pesa. 

Non-Controlled Interests on a management basis  
Verizon Wireless1,2 
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Service revenue</td>
<td>9,905</td>
<td>21,972</td>
</tr>
<tr>
<td>Interest</td>
<td>4,274</td>
<td>8,831</td>
</tr>
<tr>
<td>Group’s share of result in VZW</td>
<td>3,169</td>
<td>6,500</td>
</tr>
</tbody>
</table>

Notes:  
1 All amounts represent the Group’s share based on its 45% partnership interest, unless otherwise stated. Results for the year ended 31 March 2014 only include results to 2 September 2013, the date the Group announced its intention to dispose of its 45% interest.  
2 The Group’s share of the tax attributable to VZW relates only to the corporate entities held by the VZW partnership and certain US state taxes which are levied on the partnership. The tax attributable to the Group’s share of the partnership’s pre-tax profit is included within the Group’s tax charge. 

On 2 September 2013 Vodafone announced it had reached an agreement with Verizon Communications Inc. to dispose of its US group whose principal asset was its 45% interest in Verizon Wireless. The Group ceased recognising its share of results in Verizon Wireless on 2 September 2013, and classified its investment as a held for sale asset and the results as a discontinued operation. The transaction completed on 21 February 2014.

Operating loss  
Adjusted operating profit excludes certain income and expenses that we have identified separately to allow their effect on the present results of the Group to be assessed (see page 201). The items that are included in operating loss but are excluded from adjusted operating profit are discussed below. 
Impairment losses of £6,600 million (2013: £7,700 million) recognised in respect of Germany, Spain, Portugal, Czech Republic and Romania. Further detail is provided in note 4 to the Group’s consolidated financial statements. 
Restructuring costs of £365 million (2013: £311 million) have been incurred to improve future business performance and reduce costs. 
Amortisation of intangible assets in relation to customer bases and brands are recognised under accounting rules after we acquire businesses and amounted to £551 million (2013: £249 million). Amortisation charges increased in the year as a result of the acquisition of KDG and Vodafone Italy in the year. 

Other income and expense comprises a loss of £0.7 billion arising largely from our acquisition of a controlling interest in Vodafone Italy. The year ended 31 March 2013 includes a £0.5 billion gain on the acquisition of CWW. 
Including the above items, operating loss increased to £3.9 billion from £2.2 billion as lower impairment charges were offset by lower revenue, higher customer costs and higher amortisation. 

Net financing costs 

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>346</td>
<td>305</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(1,554)</td>
<td>(1,596)</td>
</tr>
<tr>
<td>Net financing costs</td>
<td>(1,208)</td>
<td>(1,291)</td>
</tr>
</tbody>
</table>

Net financing costs have decreased 6.4% primarily due to the recognition of mark-to-market gains, offset by a £99 million loss (2013: £nil) on the redemption of US$5.65 billion bonds as part of the restructuring of the Group’s financing arrangements following the disposal of Verizon Wireless and lower interest income on settlement of tax issues. 

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Discontinued operations

On 2 September 2013 the Group announced it had reached an agreement with Verizon Communications Inc. to dispose of its US group whose principal asset was its 45% interest in VZW. The Group ceased recognising its share of results in VZW on 2 September 2013, and classified its investment as a held for sale asset and the results as a discontinued operation. The transaction completed on 21 February 2014.

The table below sets out all of the elements relating to this discontinued operation within the consolidated income statement.

<table>
<thead>
<tr>
<th>2014 £m</th>
<th>2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of result in associate</td>
<td>3,191</td>
</tr>
<tr>
<td>Net financing income/(costs)</td>
<td>27</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>3,218</td>
</tr>
<tr>
<td>Taxation relating to performance of discontinued operations</td>
<td>(1,709)</td>
</tr>
<tr>
<td>Post-tax profit from discontinued operations</td>
<td>1,509</td>
</tr>
</tbody>
</table>

The table below sets the gain on disposal of discontinued operations.

<table>
<thead>
<tr>
<th>2014 £m</th>
<th>2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on disposal of discontinued operations before tax</td>
<td>44,996</td>
</tr>
<tr>
<td>Other items arising from the disposal</td>
<td>1,603</td>
</tr>
<tr>
<td>Net gain on disposal of discontinued operations</td>
<td>46,599</td>
</tr>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>48,108</td>
</tr>
</tbody>
</table>
Earnings/(loss) per share

We have redefined adjusted earnings per share to exclude amortisation of acquired customer base and brand-related intangible assets, restructuring costs and one-off items in relation to the disposal of our interest in Verizon Wireless and the acquisition of the remaining 23% of Vodafone Italy. Comparatives have been restated consistently.

Adjusted earnings per share was 17.54 pence, a decrease of 12.8% year-on-year, reflecting lower adjusted operating profit primarily due to the cessation of equity accounting for VZW from 2 September 2013, partially offset by a reduction in shares in issue arising from the Group’s share buyback programme.

Basic earnings per share from continuing operations increased to 42.10 pence (2013: loss of 15.66 pence) primarily due to the recognition of the additional deferred tax assets in the current year.

### Profit attributable to equity shareholders

<table>
<thead>
<tr>
<th></th>
<th>Statutory basis</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td>6,600</td>
<td>7,700</td>
</tr>
<tr>
<td>Amortisation of acquired customer base and brand intangible assets</td>
<td></td>
<td>551</td>
<td>249</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td></td>
<td>355</td>
<td>311</td>
</tr>
<tr>
<td>Other income and expense</td>
<td></td>
<td>717</td>
<td>(468)</td>
</tr>
<tr>
<td>Discontinued and other items</td>
<td></td>
<td>(46,520)</td>
<td>–</td>
</tr>
<tr>
<td>Non-operating income and expense</td>
<td></td>
<td>149</td>
<td>(10)</td>
</tr>
<tr>
<td>Investment income and financing costs</td>
<td></td>
<td>78</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>59,254</td>
<td>413</td>
</tr>
</tbody>
</table>

**Taxation**

(17,511) (150)

**Removal of VZW trading results and tax after 2 September**

1,019 (2,669)

**Non-controlling interests**

(50) (28)

**Adjusted profit attributable to equity shareholders**

4,642 5,399

### Notes:

1. The adjustment for the year ended 31 March 2014 primarily relates to the removal of tax in respect of our US group after 2 September 2013, whereas the adjustment for the year ended 31 March 2013 includes the removal of both profit contributions and tax for the period from 2 September 2012 to 31 March 2013.

Section 219 SEC filings of interest

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

### Roaming and interconnect

Vodafone has wholesale roaming and interconnect arrangements with mobile and fixed line operators in Iran. Vodafone has, or has had, relationships with telecommunications operators in Iran in connection with such roaming and interconnect arrangements, some of which it believes are or may be government controlled entities. The approximate total gross revenues attributable to the arrangements mentioned above for the financial year ended 31 March 2014 were £992,000.

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

VGE, a Vodafone division which serves multi-national corporate customers, had a contract with DHL to provide DHL with a managed Multi-Protocol Label Switching data network in a total of 67 countries across Eastern Europe, Africa and the Middle East. On 31 January 2013, Vodafone terminated all telecommunications commitments towards DHL in respect of Iran under this contract and there were no further revenues or profits attributable to this contract for the financial year ended 31 March 2014.

### EPEG Project

On 27 July 2012, Vodafone acquired Cable & Wireless Worldwide Plc (‘CWW’), which (through a subsidiary) is member of a consortium made up of Telecommunication Infrastructure Company of Iran (‘TIC’) (an entity controlled by the government of Iran), Rostelecom and Omantel that is building a high speed cable network from a landing point in Oman, to Germany. Each member of the consortium is responsible for the segment from the UK to the Middle East. On 31 January 2013, Vodafone terminated all telecommunications commitments towards CWW in respect of Iran under this contract and there were no further revenues or profits attributable to this contract for the financial year ended 31 March 2014.

### Intellectual Property

Vodafone, through one of its subsidiaries, also makes some insignificant payments to Iran in order to register certain domain names, register and renew certain trademarks, and protect its brand globally. Vodafone paid annual registration fees of £48 to IRNIC for the registration of three domain names. Vodafone did not make any payments to Iran in order to register or renew any of its trade marks during the fiscal year ended 31 March 2014.

### Intellectual Property

Vodafone, through one of its subsidiaries, also makes some insignificant payments to Iran in order to register certain domain names, register and renew certain trademarks, and protect its brand globally. Vodafone paid annual registration fees of £48 to IRNIC for the registration of three domain names. Vodafone did not make any payments to Iran in order to register or renew any of its trade marks during the fiscal year ended 31 March 2014.
References to “Q4” are to the quarter ended 31 March 2014 unless otherwise stated. References to the “second half of the year” are to the six months ended 31 March 2014 unless otherwise stated. References to the “year” or “financial year” are to the financial year ended 31 March 2014 and references to the “prior financial year” are to the financial year ended 31 March 2013 unless otherwise stated. References to the “2014 financial year”, “2015 financial year”, “2016 financial year”, “2017 financial year” and the “2019 financial year” are to the financial years ending 31 March 2014, 2015, 2016, 2017 and 2019, respectively. References to “calendar Q3 2014” are to the quarter ended 30 September 2014, unless otherwise stated.
Identifying and managing our risks

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environments in which we operate.
Key risks

Network or IT systems failure
Major failure or malicious attack on our network or IT systems may result in service interruption and consequential customer and revenue loss.

Failure to protect customer information
We host increasing quantities and types of customer data in both enterprise and consumer segments and any failure to protect data adequately could affect our reputation and lead to legal action.

Competition
We face intensifying competition where all operators are looking to secure a share of the potential customer base, leading to lower future revenues and profitability.

Regulation
We need to comply with an extensive range of regulatory requirements including the licensing, construction and operation of our networks and services that can lead to adverse impacts on our business.

Converged and over-the-top “OTT” services
Some competitors offer converged services which we cannot either replicate or provide at a similar price point. Furthermore, advances in smartphone technology place more focus on applications, operating systems and devices rather than the services provided by operators, which could erode revenues.

Weak economic conditions
Economic conditions in many markets, especially in Europe, continue to stagnate or show nominal levels of growth and remain impacted by austerity measures which could affect disposable incomes. This may result in customers moving to lower price plans or giving up their phones.

Health risks
Concerns have been expressed that the electromagnetic signals emitted by mobile handsets and base stations may pose health risks. Authorities including the World Health Organization (WHO) agree there is no evidence that convinces experts that exposure to radiofrequency fields from mobile devices and base stations operated within guideline limits has any adverse health effects.

Integration of acquired businesses
The price paid for acquired businesses is based upon current and future expected cash flows that are expected to be generated from benefits and synergies that being part of the Vodafone Group will generate.

Key suppliers
We depend on a limited number of suppliers for strategically important network and IT infrastructure and associated support services to operate and upgrade our networks and provide key services to our customers.

Tax disputes
We operate in many jurisdictions around the world and from time to time have disputes on the amount of tax due, including an ongoing tax case in India where the Indian Government has introduced retrospective legislation that overturns a positive India Supreme Court decision.

**Impairment assumptions**

Revisions to the assumptions used in assessing the recoverability of goodwill, including discount rates, estimated future cash flows or anticipated changes in operations, could lead to the impairment of certain Group assets.
Governance

- Chairman’s overview
- Board of directors and Group management
- Corporate governance
- Directors’ remuneration
Chairman’s overview

Dear shareholder

Effective corporate governance is integral to the successful delivery of business goals: for our many and diverse stakeholders, how we work is as important as what we do. Vodafone operates under a well-developed governance framework designed to foster transparency, honesty and an informed approach to risk management across our worldwide business. We have clear standards of behaviour we expect from everyone who works for Vodafone: further details of our mandatory Code of Conduct are set out on page 67.

The Board’s role is to set the strategy for the Group, appoint the right leadership and ensure consistent implementation whilst monitoring business performance and ensuring the timely and effective assessment and management of business risk. Our goal is to build an enduring and profitable Vodafone business admired by customers and other stakeholders, whilst achieving strong returns for our shareholders. As I explain in my statement on page 2, this was a significant year for Vodafone, and your Board played a leading role in the conduct of the major transactions described in the Chief Executive’s review on page 12. As the Group’s strategy continues to evolve, the Board is focused on maintaining a strong alignment of the interests of management with long-term value creation. Central to this is our remuneration policy (explained on page 71) which for the first time will be put to a shareholder vote at our annual general meeting this year, in line with new regulations.

There were a number of changes to the Board during the year. Andy Halford has retired from the role of Group Chief Financial Officer after eight years, during which period he developed a track record of value creation for shareholders which few, if any, CFOs could hope to match. Andy has been succeeded by the Chief Executive of the AMAP region, Nick Read, under whose leadership our emerging markets businesses have achieved strong rates of growth. In March 2014, it was announced that Anne Lauvergeon intended to stand down from the Board; Alan Jebson and Anthony Watson have also informed the Board they will not seek re-election at the annual general meeting. On behalf of the Board, I would like to express our gratitude to Andy, Anne, Alan and Tony for their contribution to Vodafone and wish them well for the future. Valerie Gooding joined the Board as a non-executive director in February 2014, and in May 2014 we announced that Sir Crispin Davis will join the Board on 28 July and Dame Clara Furse on 1 September, both as non-executive directors. I am delighted to welcome Valerie, Sir Crispin and Dame Clara to the Board.

I am fortunate as Chairman to be able to call on a broad and diverse range of skills and perspectives around the boardroom table. In their new composition, our Board consists of 13 Directors, drawn from six different nationalities with international leadership experience across more than ten different industrial sectors. With three female directors, I am pleased to say that from September we will be well on our way to achieving our intention that women will hold 25% of Board roles by the end of 2015. The recruitment of further female directors will continue to be a priority in future.

Whilst your Board is confident that Vodafone is well-placed to continue to reward shareholders for their support for our strategy, we expect operating conditions to remain challenging in a number of our key markets over the year ahead. We will remain focused on ensuring the Group maintains a rigorous and analytical approach to the management of risk whilst seeking to encourage the innovation and entrepreneurship necessary to drive growth across the portfolio.

/s/ Gerard Kleisterlee
Gerard Kleisterlee

“Businesses must ensure absolute integrity in their business activities and decision-making processes if they are to earn and retain public trust.”
How have we complied with the UK Corporate Governance Code?
Throughout the year ended 31 March 2014 and to the date of this document, we complied with the provisions and applied the Main Principles of the UK Corporate Governance Code (the ‘Code’), published in September 2012. The Code can be found on the FRC website (frc.org.uk). We describe how we have applied those Main Principles in this section of the annual report which includes our statement of internal control and risk management, together with the “Directors’ remuneration” section on pages 69 to 85.

How have we complied with the corporate governance statement requirements?
We comply with the corporate governance statement requirements pursuant to the FCA’s Disclosure and Transparency Rules by virtue of the information included in this “Governance” section of the annual report together with information contained in the “Shareholder information” section on pages 182 to 189.
Board of directors and Group management

Who are the directors and senior management?
Our business is managed by our Board of Directors (the “Board”). Biographical details of the directors and senior management as at 20May 2024 are as follows (with further information available at voicophone.com/Board):

Gerard Meisterlee
Chairman
Age: 67
Tenure: 3 years
Nationality: Dutch

Skills and experience:
- Chairman of four public companies
- Board experience in diverse industries, including technology and consumer
- Previous role as CEO of Kingfisher PLC (UK)

Other current appointments:
- Non-executive director of the Company

Vittoria Colao
Chief Executive Officer
Age: 52
Tenure: 7 years
Nationality: Italian

Skills and experience:
- Non-executive director, Elektronix; senior executive in various telecommunications roles in France and Europe
- Previous role as CEO of Orange in Italy

Other current appointments:
- Non-executive director of the Company

Nicola Redd
Chief Financial Officer – Executive Director
Age: 54
Tenure: 1 year
Nationality: Irish

Skills and experience:
- Head of Technology at the National Grid
- Previous roles in technology and finance at BT Group

Other current appointments:
- Non-executive director of the Company

Valerie Gooding
Non-executive director
Age: 54
Tenure: 1 year
Nationality: British

Skills and experience:
- 25 years in the telecommunications industry, including at British Telecommunications Plc
- Non-executive director of the National Grid

Other current appointments:
- Non-executive director of the Company

Renee James
Non-executive director
Age: 52
Tenure: 7 years
Nationality: American

Skills and experience:
- 25 years in the technology sector, including at Intel and Microsoft

Other current appointments:
- Non-executive director of the Company

Alan Jones
Non-executive director
Age: 54
Tenure: 5 years
Nationality: British

Skills and experience:
- 30 years in the technology sector, including at Microsoft

Other current appointments:
- Non-executive director of the Company

Samuel Jordan
Non-executive director
Age: 54
Tenure: 7 years
Nationality: Ghanaian

Skills and experience:
- 25 years in the technology sector, including at Microsoft

Other current appointments:
- Non-executive director of the Company

Skills and experience:
- Non-executive director of Vodafone PLC

Other current appointments:
- Non-executive director of the Company

Brian Thomas
Non-executive director
Age: 54
Tenure: 7 years
Nationality: British

Skills and experience:
- 25 years in the technology sector, including at Microsoft

Other current appointments:
- Non-executive director of the Company

Board Committees:
- None
Omid Kerdastani
Non-executive
director
Age: 56
Tenure: 3 years
Nationality: American

Skills and experience:
- Master of Business Administration and Information Management (International Business Management, Information Management and Information Technology)
- Master of Business Administration (International Business Management and Information Technology)
- Executive MBA (Global Strategy and Business Development)
- Bachelor of Business Administration (International Business Management and Information Technology)
- Bachelor of Business Administration (International Business Management and Information Technology)
- Director of Business Development (2010–2014)
- President of Business Development (2009–2014)
- Managing Director in the Office of the President (2013–2014)
- Director of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- President of the Board of Directors (2003–2014)

Other current appointments:
- Board of Directors: AstraZeneca

Board Committees:
- Nominations

Nick Land
Non-executive
director
Age: 66
Tenure: 3 years
Nationality: British

Skills and experience:
- Master of Business Administration (International Business Management and Information Technology)
- Executive MBA (Global Strategy and Business Development)
- Bachelor of Business Administration (International Business Management and Information Technology)
- President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- President of the Board of Directors (2003–2014)

Other current appointments:
- Governor of the Board: BMA
- Chairman of the Board: BMA

Board Committees:
- Audit and Risk Committee

Luis Vander Velden
Senior Independent
director
Age: 55
Tenure: 5 years
Nationality: Belgian

Skills and experience:
- Bachelor of Business Administration (International Business Management and Information Technology)
- Executive MBA (Global Strategy and Business Development)
- Bachelor of Business Administration (International Business Management and Information Technology)
- President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- President of the Board of Directors (2003–2014)

Other current appointments:
- Chairman of the Board: BMA
- Governor of the Board: BMA

Board Committees:
- Audit and Risk Committee

Anthony Johnson
Non-executive
director
Age: 55
Tenure: 5 years
Nationality: British

Skills and experience:
- Bachelor of Business Administration (International Business Management and Information Technology)
- Executive MBA (Global Strategy and Business Development)
- Bachelor of Business Administration (International Business Management and Information Technology)
- President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- President of the Board of Directors (2003–2014)

Other current appointments:
- Non-executive director: AstraZeneca

Board Committees:
- Nominations

Philip Jeavon
Non-executive
director
Age: 59
Tenure: 9 years
Nationality: British

Skills and experience:
- Bachelor of Business Administration (International Business Management and Information Technology)
- Executive MBA (Global Strategy and Business Development)
- Bachelor of Business Administration (International Business Management and Information Technology)
- President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- Co-founder, President of Business Development (2009–2014)
- Founder, President of Business Development (2009–2014)
- President of the Board of Directors (2003–2014)

Other current appointments:
- Non-executive director: AstraZeneca

Board Committees:
- Nominations

Board diversity
The Board has a duty to act in the best interests of the Company and to promote the smooth running of the Company. We expect all directors to contribute to the Board’s success by using their skills and experience to help the Board carry out its duty. The Board has established a framework of policies to ensure that the Company complies with all applicable laws and regulations. The Board has established a framework of policies to ensure that the Company complies with all applicable laws and regulations. The Board has established a framework of policies to ensure that the Company complies with all applicable laws and regulations.

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Male/female</th>
<th>White</th>
<th>Asian</th>
<th>Executive/non-executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 yrs</td>
<td>21%</td>
<td>19%</td>
<td>32%</td>
<td>21%</td>
</tr>
<tr>
<td>3-5 yrs</td>
<td>78%</td>
<td>71%</td>
<td>32%</td>
<td>78%</td>
</tr>
<tr>
<td>6-10 yrs</td>
<td>56%</td>
<td>56%</td>
<td>32%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Geographic representation
The Board has a duty to act in the best interests of the Company and to promote the smooth running of the Company. We expect all directors to contribute to the Board’s success by using their skills and experience to help the Board carry out its duty. The Board has established a framework of policies to ensure that the Company complies with all applicable laws and regulations. The Board has established a framework of policies to ensure that the Company complies with all applicable laws and regulations. The Board has established a framework of policies to ensure that the Company complies with all applicable laws and regulations.
Who is on the Executive Committee?

Chaired by Vittorio Colao, the Committee focuses on our strategy, financial structure and planning, financial and competitive performance, succession planning, organisational development and Group-wide policies. The Executive Committee includes the executive directors, details of whom are shown on page 50, and the senior managers who are listed below. Further information on the Executive Committee can be found on page 65.

From left to right:
- Svegil Timurzy, Nick JEFFERY, Warren Finnegold, Matthew Fox
- Nick Read, Stephen Pooley, Paolo Bertoluzzo, Vittorio Colao
- Philipp Humm, Ronald Schellibock, Rosemary Martin

Senior management

Members of the Executive Committee whose not executive directors are regarded as senior managers of the Company.

Paolo Bertoluzzo
Group Chief
Commercial and Operations Officer
Age: 55
Tenure: 1 year
Nationality: Italian

Warren Finnegold
Group Strategy and Business Development Director
Age: 57
Tenure: 5 years
Nationality: Irish

Nick JEFFERY
Group Enterprise Director
Age: 56
Tenure: 5 years
Nationality: British

Philipp Humm
Regional CEO
Europe
Age: 54
Tenure: 1 year
Nationality: German

Career histories:
- Paolo Bertoluzzo: *Vodafone’s Chief Commercial and Operations Officer* (2010–15)
- Nick JEFFERY: *Group Enterprise Director* (2015–20)
- rosemary Martin: *Corporate Financial Officer* (2019–20)
- Ronald Schellibock: *Corporate Communications* (2019–20)

Career history:
- Paolo Bertoluzzo: *Vodafone’s Chief Commercial and Operations Officer* (2010–15)
- Nick JEFFERY: *Group Enterprise Director* (2015–20)
- rosemary Martin: *Corporate Financial Officer* (2019–20)
- Ronald Schellibock: *Corporate Communications* (2019–20)
Corporate governance

What is our governance framework?
Responsibility for good governance lies with your Board. There is a strong and effective governance system in place throughout the Group.

How does the Board operate?
The Board is responsible for the overall conduct of the Group’s business and has the power and duties set out in the relevant laws of England and Wales and our articles of association. The Board:
- is responsible for setting the Group’s strategy and for the management, direction and performance of our business;
- is accountable to shareholders for the proper conduct of the business;
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

The Board has a formal schedule of matters reserved for its decision and these include:
- Group strategy and long-term plans;
- major capital projects, acquisitions or divestments;
- annual budget and operating budget;
- Group financial structure, including tax and treasury;
- annual and half-year financial results and shareholder communications; and
- system of internal control and risk management.

The schedule is reviewed annually. It was last reviewed in March 2014 when it was decided to add a requirement for Board approval for additional fees in excess of £10 million on corporate acquisitions and disposals. Other specific responsibilities are delegated to Board committees, details of which are given on pages 59 to 65.
Key roles and responsibilities

The Chairman
Gerard Kleisterlee
The role of the Chairman is set out in writing and agreed by the Board. He is responsible for:

→ the effective leadership, operation and governance of the Board;
→ ensuring the effectiveness of the Board;
→ setting the agenda, style and tone of Board discussions; and
→ ensuring the directors receive accurate, timely and clear information.

The Senior Independent Director
Luc Vandevelde
The Senior Independent Director is responsible for:

→ acting as a sounding board for the Chairman;
→ serving as an intermediary for the other directors;
→ being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, Chief Executive or other executive directors or for which such contact is inappropriate; and

The Chief Executive
Vittorio Colao
The role of the Chief Executive is set out in writing and agreed by the Board. He is responsible for:

→ management of the Group’s business;
→ implementation of the Company’s strategy and policies;
→ maintaining a close working relationship with the Chairman; and
→ chairing the Executive Committee.

The Company Secretary
Rosemary Martin
The Company Secretary acts as Secretary to the Board. In doing so she:

→ assists the Chairman in ensuring that all directors have full and timely access to all relevant information;
→ assists the Chairman by organising induction and training programmes;
→ is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and
→ administers the procedure under which directors can, where appropriate, obtain
Biographical details of the Chairman, Chief Executive and Senior Independent Director can be found on pages 50 and 51 or at vodafone.com/board. Biographical details of the Company Secretary can be found on page 53 or at vodafone.com/exco. The appointment or removal of the Company Secretary is a matter for the Board as a whole.
Corporate governance (continued)

Board activities in the 2014 financial year
Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group’s strategy within a transparent governance framework.

The diagram below shows the key areas of focus for the Board which appear as items on the Board’s agenda at relevant times throughout the year. Concentrated discussion of these items assists the Board in making the right decisions based on the long-term opportunities for the business and its stakeholders.

Conflicts of interest
The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. The process for monitoring conflicts is as follows:

- changes to the commitments of all directors are reported to the Board;
- the directors are required to complete a conflicts questionnaire initially on appointment and annually thereafter;
- any conflicts identified would be submitted to the Board (excluding the director to whom the potential conflict related) for consideration and, as appropriate, authorisation in accordance with the Companies Act 2006 and the articles of association;
- where authorisation is granted, it would be recorded in a register of potential conflicts and reviewed periodically; and
- directors are responsible for notifying the Company Secretary if they become aware of actual or potential conflict situations or a change in circumstances relating to an existing authorisation.

No conflicts of interest have been identified during the year.

Board meetings
Matters considered at all Board meetings include:

- the Chief Executive’s report on strategic and business developments;
- the Chief Financial Officer’s report which includes the latest available management accounts;
- an operations update (covering commercial, technology and operational matters);
- a report on potential changes to the Group’s portfolio of corporate assets; and
- where applicable, reports from the Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee.

In addition to the standing agenda items, topics covered by the Board during the year included the disposal of the Company’s interest in Verizon Wireless, the acquisition of the remaining interest in Vodafone Italy, the acquisition of Kabel Deutschland and the audit tender.

Board effectiveness
Board effectiveness is reviewed every year. After last year’s external performance evaluation the Board agreed:

- to develop further its approach to strategic planning and involve the directors earlier in the process of strategy development;
- to provide more opportunities for the directors to meet with executives to assist in succession planning; and
- to ensure the induction of new directors enables them rapidly to contribute fully to the Board.
Since then, the Chairman has introduced a number of improvements including: informing the Board regularly about possible Board appointments, trying to speed up the director appointment process, organising for senior executives to brief directors on various aspects of our business and increasing the number of opportunities available for senior executives to meet with the Board, e.g. through informal meetings or mentoring, and improving the induction programme for new directors.

**Performance evaluation**

Board effectiveness is reviewed by an external performance evaluation every three years. As an external evaluation was conducted last year, this year the Board performed an internal performance evaluation.
What is the performance evaluation process?

→ This year the Chairman met with each director and with executives and advisors who interact with the Board. Interviewees were asked to consider and comment on the performance of the Board as a whole.

→ The directors were also asked for their views on, amongst other things: Company strategy, key challenges for the business, the mix of skills, experience, independence, knowledge and diversity on the Board (including gender), effectiveness of the Board’s engagement with shareholders and how well the Board operates.

→ The Chairman reviewed the directors’ contributions and the Senior Independent Director led the review of the performance of the Chairman.

→ Each Board committee undertook a detailed self-assessment questionnaire.

Output of the performance evaluation

→ The Chairman of each Board committee gave feedback on the evaluation of their committee to the Board at its March meeting.

→ The Chairman prepared a report on the performance evaluation which was distributed to the directors, reviewed by the Nominations and Governance Committee, and discussed with the Board at the March Board meeting.

→ This year’s findings were that the Board was reasonably well balanced. Diversity had improved and it should continue on that path. The process for appointing directors needed to be speeded up. Board arrangements and information flows were generally satisfactory, but more focus could be given on market information and the changing regulatory and competitive environment. Some further refinement of the presentation of performance metrics was agreed. The Board was comfortable with the strong value system and control framework in the Company. Directors observed that executive succession planning had improved. Overall, the directors considered the right balance is struck between operational, strategic and governance matters and directors were positive about the open atmosphere around the boardroom table allowing for a robust and constructive dialogue.

The Board will continue to review its procedures, its effectiveness and development in the financial year ahead.

Board induction

The Chairman is responsible for ensuring that each director receives an induction on joining the Board and receives the training he or she requires. The Company Secretary organises the induction.

Director induction

On appointment, directors receive a personalised induction programme covering amongst other things:

→ the business of the Group;
→ their legal and regulatory responsibilities as

Information and professional development

Keeping up-to-date with key business developments is essential for the directors to maintain and enhance their effectiveness. This is achieved as follows:

→ from time to time the Board receives presentations from executives in our business on matters of significance. This year there were presentations on our Enterprise business, retail distribution, new products and the regional chief executives delivered presentations on their region’s businesses, the Chief Commercial Officer and Chief Brand Director presented on brand status and evolution and the Group HR Director delivered a presentation on planned actions for improving talent, capability and effectiveness within the Company;

→ financial plans, including budgets and forecasts, are regularly discussed at Board meetings;

→ the directors have the opportunity to learn the views of major investors at planned events throughout the year (see “How do we engage with our shareholders?” on page 68);

→ our directors periodically visit different parts of the Group. In September 2013 the Board met with senior management in the Netherlands and in March 2014 the Board met with senior management in Portugal;

→ the non-executive directors are provided with briefings and information to assist them in performing their duties; and

→ the directors are regularly updated on the Group’s businesses and the regulatory and industry specific environments in which we operate. Updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

As part of their annual performance evaluation, directors are given the opportunity to discuss training and development needs. Directors are expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company. The Board recognises that there may be occasions when one or more of the directors feels it is necessary to take independent legal and/or financial advice at the Company’s expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary. No such independent advice was sought in the 2014 financial year.

Re-election of directors

All the directors submit themselves for re-election at the AGM to be held on 29 July 2014 with the exception of Valerie Gooding, Dame Clara Furse, Nick Read and Sir Crispin Davis who will seek election for the first time in accordance with our articles of association and Anne Lauvergeon, Alan Jebson and Anthony Watson who will resign from the Board at the AGM. The Nominations and Governance Committee confirmed to the Board that the contributions made by the
The induction programme is tailored to each new director, depending on his or her experience and background, and reviewed by the Nominations and Governance Committee.

- briefings and presentations from relevant executives; and
- opportunities to visit business operations.

The induction programme is tailored to each new director, depending on his or her experience and background, and reviewed by the Nominations and Governance Committee.

Directors offering themselves for re-election at the AGM in July 2014 continue to be effective and that the Company should support their re-election.

**Indemnification of directors**

In accordance with our articles of association and to the extent permitted by the laws of England and Wales, directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In addition, we maintained a directors’ and officers’ liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.
Corporate governance (continued)

Board committees

The Board has a Nominations and Governance Committee, an Audit and Risk Committee and a Remuneration Committee. Further details of these committees can be found in their reports on pages 58 to 65. The terms of reference of each of these committees can be found on our website at vodafone.com/governance.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. The Company Secretary or her delegate acts as secretary to the committees. The minutes of committee meetings are circulated to all directors.

The calendar for meetings of the Board and its committees is shown below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Nominations and Governance Committee</th>
<th>Audit and Risk Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>7/7</td>
<td>3/9</td>
<td></td>
</tr>
<tr>
<td>Gerard Kleisterlee</td>
<td>7/7</td>
<td>3/9</td>
<td></td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td>7/7</td>
<td>3/9</td>
<td>5/5</td>
</tr>
<tr>
<td>Luc Vandevelde</td>
<td>7/7</td>
<td>3/9</td>
<td></td>
</tr>
<tr>
<td>Chief Executive</td>
<td>7/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vittorio Colao</td>
<td>7/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive directors</td>
<td>7/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andy Halford</td>
<td>7/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stephen Pusey</td>
<td>7/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-executive directors</td>
<td>7/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valerie Gooding</td>
<td>1/1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renee James</td>
<td>7/7</td>
<td>4/5</td>
<td></td>
</tr>
<tr>
<td>Alan Jelson</td>
<td>7/7</td>
<td>4/5</td>
<td></td>
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<tr>
<td>Samuel Jonah</td>
<td>7/7</td>
<td>4/5</td>
<td></td>
</tr>
<tr>
<td>Onird Kordestani</td>
<td>7/7</td>
<td>4/5</td>
<td></td>
</tr>
<tr>
<td>Nick Land</td>
<td>7/7</td>
<td>4/5</td>
<td></td>
</tr>
<tr>
<td>Anne Lauvergeon</td>
<td>7/7</td>
<td>4/5</td>
<td></td>
</tr>
<tr>
<td>Anthony Watson</td>
<td>7/7</td>
<td>3/3</td>
<td>4/4</td>
</tr>
<tr>
<td>Philip Yea</td>
<td>7/7</td>
<td>3/3</td>
<td>5/5</td>
</tr>
</tbody>
</table>

Notes:
1. Chairman of the Nominations and Governance Committee.
2. Senior Independent Director and Chairman of the Remuneration Committee.
3. Appointed to the Board with effect from 1 February 2014.

Key objective:
- to make sure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to have oversight of all matters relating to corporate governance.

Responsibilities:
- leads the process for identifying and making recommendations to the Board regarding candidates for appointment as directors, giving full consideration to succession planning and the leadership needs of the Group;
- makes recommendations to the Board on the composition of the Board’s committees;
- regularly reviews and makes recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the non-executive directors;
- oversees the performance evaluation of the Board, its committees and individual directors (see pages 56 and 57);
- reviews the tenure of each of the non-executive directors; and
- is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.
Committee meetings
No one other than a member of the Committee is entitled to be present at its meetings; however, other non-executive directors, the Chief Executive and external advisors may be invited to attend. In the event of matters arising concerning my membership of the Board, I would absent myself from the meeting as required and the Board’s Senior Independent Director would take the chair.

Main activities of the Committee during the year
The Committee met four times during the year and considered executive and non-executive succession planning, refreshment of skills of the Board and the Board effectiveness review.

The Committee leads the process for appointments to the Board. There is a formal, rigorous and transparent procedure for the appointment of new directors. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

Four external searches were commissioned during the year, using independent executive search firms, Korn Ferry and Egon Zehnder, neither of which has any other connection to the Company. The first search related to identification of non-executive director candidates with relevant City and/or marketing experience and was undertaken by Korn Ferry. Valerie Gooding was identified as a potential candidate and subsequently recommended to the Board by the Committee based on his international business experience. The search identified Sir Crispin Davis as a potential candidate and he was subsequently recommended to the Board by the Committee on the basis that she met the desired criteria having previously been leader of a branded consumer business.

Korn Ferry also undertook a search to identify a non-executive director with international business experience and chief executive officer experience. The search identified Sir Crispin Davis as a potential candidate and he was subsequently recommended to the Board by the Committee based on his international business experience as a former CEO of a global publishing company. A search was also conducted, again by Korn Ferry, to identify a non-executive director with international banking and finance experience as well as chief executive officer experience. This search identified Dame Clara Furse who was recommended by the Committee for appointment by the Board based on her significant banking and finance experience as former CEO of a number of financial institutions.

Egon Zehnder undertook an external search in respect of the role of Group Chief Financial Officer. Concurrent to this external search, an internal search was undertaken for this role and, following an external review of candidates, a preferred internal candidate was chosen with Nick Read being recommended for appointment by the Committee.

The Committee recognises that with the changes in Board composition, changes will be required on the Board’s committees. The first of these changes will be to invite Omid Kordestani to join the Committee with effect from 28 July 2014. Changes will also take place to the Remuneration Committee and Audit and Risk Committee. With effect from 28 July 2014, Philip Yea will resign The Board acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation. It endorses the Company’s policy to attract and develop a highly qualified and diverse workforce; to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. The boardroom diversity policy was introduced in February 2012 and reviewed by the Committee in March 2013 and March 2014. It acknowledges the importance of diversity, including gender, to the effective functioning of the Board and focuses on our aspiration to have a minimum of 25% female representation on the Board by 2015.

With the appointment of Valerie Gooding on 1 February 2014 the Board has 21% female representation which will increase to 23% on the appointment of Dame Clara Furse on 1 September 2014. Subject to securing suitable candidates, when making appointments we will seek directors who fit the skills criteria and gender balance that is in line with the Board’s aspiration. We continue to focus on encouraging diversity of business skills and experience, recognising that directors with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board. Further information, including the proportions of women in senior management, is shown in “Our people” on page 36 and within the organisation overall, is contained in our 2013-14 sustainability report, available at vodafone.com/sustainability/report2014.

This year, when reviewing the re-election of directors at the AGM in July, the Committee took account of the fact that Luc Vandevelden will have served 11 years as of 31 August 2014 and Philip Yea will have served nine years as of 1 September 2014. The Board has considered the matter carefully and believes that both these non-executive directors continue to demonstrate the qualities of independence and judgement in carrying out their roles, supporting the executive directors and senior management in an objective manner. Their length of service and resulting experience and knowledge of the Company is of great benefit to the Board and both directors will stand for re-election at the AGM. The subject of their independence will be kept under review.

In the year ahead the Committee will continue to assess what enhancements should be made to the Board’s and committees’ composition and will continue to monitor developments in corporate governance to ensure the Company remains at the forefront of good governance practices.

/s/ Gerard Kleisterlee
Gerard Kleisterlee
On behalf of the Nominations and Governance Committee
20 May 2014
from the Remuneration Committee and Valerie Gooding will join the Remuneration Committee. Also on 28 July 2014, Sir Crispin Davis, who will be appointed to the Board on this date, and Philip Yea will join the Audit and Risk Committee. Dame Clara Furse will also join the Audit and Risk Committee on her appointment to the Board on 1 September 2014.
Corporate governance (continued)

**Audit and Risk Committee**

Our work continued to focus on the appropriateness of the Group’s financial reporting, the rigour of the external audit process and the Group’s systems and controls. We also conducted a tender for the Group’s statutory audit, which resulted in the appointment of PricewaterhouseCoopers LLP as the Group auditors for the 2015 financial year.

**Membership**

- Chairman and Financial Expert: Nick Land (independent non-executive director)
- Anthony Watson (independent non-executive director)
- Aivar Järvinen (independent non-executive director)
- Anne LeVasseur (independent non-executive director)

**Key objective:**

The provision of effective governance over the appropriateness of the Group’s financial reporting, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor and oversight over the Group’s systems of internal control, business risk and related compliance activities.

**Responsibilities:**

- reviewing our financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of our accounting policies and practices including those identified as critical and requiring further disclosure;
- advising the Board on whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy;
- overseeing the relationship with the external auditor;
- reviewing the scope, resources, results and effectiveness of the activity of the Group internal audit department;
- monitoring our compliance efforts in respect of section 404 and section 302 of the US Sarbanes-Oxley Act;
- considering and making recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives;
- overseeing the Group’s compliance processes; and
- performing in-depth reviews of specific areas of financial reporting, risk and internal controls.

**The Committee and its work**

The membership of the Committee has been selected with the aim of providing the wide range of financial and commercial expertise necessary to meet its responsibilities. Given my recent and relevant financial experience, the Board has designated me as its financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. There were no changes to the membership of the Committee during the year, all of whom are non-executive directors of the Company.

The Committee meets at least four times during the year as part of its standard processes, supplemented by additional meetings as necessary. The external auditor, Deloitte LLP, is also invited to each meeting together with the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Group Financial Reporting Director and the Group Audit Director.

The work of the Committee is structured around its responsibilities set out above and its detailed terms of reference which are available at vodafone.com/governance. In addition to these activities the Committee conducts a rolling programme of “in-depth review” sessions where the Group’s senior management provide briefings on key issues and developments particularly in relation to aspects of risk management. A summary of the reviews undertaken during the year are set out within “Risk management” below.

The Committee also regularly meets separately with Deloitte LLP, the Chief Financial Officer and the Group Audit Director without others being present.

Meetings of the Committee generally take place just prior to a Board meeting to maximise the efficiency of interaction with the Board and I report to the Board, as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

Following the external review of the Committee’s effectiveness in the previous year, I, together with the Committee’s secretary, conducted an internal review of effectiveness involving the members of the Committee, Company management and the external auditor. This confirmed the Committee remained effective at meeting its objectives.
Main activities of the Committee during the year

I have set out below a summary of the major activities of the Committee in the year categorised between; financial reporting and the related statutory audit; risk management; and the assessment of internal controls. In addition, the Committee conducted a tender for the statutory audit through the process summarised on page 63.

Financial reporting and the related statutory audit

The Committee’s primary responsibility in relation to the Group’s financial reporting is to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- any correspondence from regulators in relation to our financial reporting;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor; and
- whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy. As part of the Committee’s assessment of the annual report, it draws on the work of the Group’s disclosure committee and also has discussions with senior management. The Committee’s overall assessment forms the basis of the advice given to the Board to assist them in making the statement required by the UK Corporate Governance Code.

The Committee is committed to the continuous improvement in the effectiveness and clarity of the Group’s corporate reporting and has encouraged management to support and adopt initiatives by regulatory bodies which would enhance our reporting.

External audit

At the start of the audit cycle for the new financial year we received from Deloitte LLP a detailed audit plan identifying their audit scope, planning materiality and their assessment of key risks, which were discussed and agreed with the Committee. Planning materiality was lower this year, primarily driven by the disposal of our interest in Verizon Wireless. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process. For the 2014 financial year, the key risks identified were a combination of those identified in the 2013 financial year, being those in relation to goodwill impairment, provisioning for current tax liabilities and deferred tax asset recognition, and revenue recognition as these areas continue to require inherent management judgement, and three new specific risks identified in relation to (i) the accounting for the disposal of our interest in Verizon Wireless and the related

We hold private meetings with the external auditor at each Committee meeting to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the external auditor’s assessment of business risks and management activity therein, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner outside the formal Committee process throughout the year.

External audit process effectiveness

We use an audit quality framework to assess the effectiveness of the external audit process. This involves detailed questioning of management at an operating company and Group level and also the members of the Committee. We also considered the firm-wide audit quality inspection report issued by the FRC in May 2013 and Deloitte LLP’s response to the findings. The observations from this assessment for the 2014 financial year were presented and discussed at the May 2014 meeting. Management concluded that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory. The Committee concurred with this view. The Committee has identified the 2015 financial year as a potential period of increased risk given the transition of the statutory auditor and will focus closely on this matter throughout the year.

Risk management

The Group’s risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our work here was driven primarily by the Group’s assessment of its principal risks and uncertainties, as set out on pages 196 to 200. We receive reports from the Group Audit Director on the Group’s risk evaluation process and review changes to significant risks identified at both operating entity and Group levels.

In addition, the Committee also conducts a rolling programme of in-depth reviews into specific financial, operational and regulatory areas of the business. During the 2014 financial year, in-depth reviews were undertaken in the areas of:

- corporate treasury management;
- legal intercept and related data management;
- competition law and anti-bribery law compliance;
- the management of risk within the supply chain;
- information security;
- risk management within the IT platform standardisation programme in Vodafone UK; and
- the control environment in Vodafone Ghana.

In addition, the Committee received an update on Group legal compliance matters. These reviews are critical to the role of the
acquisition of the remaining 23% interest in Vodafone Italy, (ii) the accounting for our acquisition of Kabel Deutschland and (iii) provisioning for legal and regulatory claims. The latter risk factor was added specifically in response to the reduction in audit materiality.

At each meeting of the Committee, these risks are reviewed and both management’s primary areas of judgement and the external auditor’s key areas of audit focus, are challenged. As a Committee, we support the professional scepticism, particularly in the areas of key judgement and accounting disclosure, displayed by Deloitte LLP.
### Significant issues

The Committee discussed with management the critical accounting judgements and key sources of estimation uncertainty outlined in note 1 “Basis of preparation”. The significant areas of focus considered by the Committee in relation to the 2014 accounts, and how these were addressed, are outlined below:

<table>
<thead>
<tr>
<th>Matter considered</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill impairment testing</td>
<td>The Committee received detailed reporting from management on the appropriateness of the assumptions made. Areas of focus were the achievability of the business plans, assumptions in relation to terminal growth in the businesses at the end of the plan period, particularly in Europe where adverse trends in financial performance have been experienced, and discount rates, which have been subject to volatility given the current macroeconomic conditions. This remains a prime area of audit focus and Deloitte LLP provided detailed reporting on these matters to the Committee including sensitivity testing.</td>
</tr>
<tr>
<td>Taxation</td>
<td>The Group Tax Director presented management’s view of the provisioning and disclosure of tax contingencies and deferred tax asset recognition at the May 2014 meeting of the Committee. In respect of tax contingencies, including the India case noted opposite, this involved a discussion of the extent and strength of professional advice received from external legal and advisory firms. In relation to the recognition of the deferred tax assets, management’s plans and expectations for future taxable profits were critically reviewed. This is also an area of higher audit risk and accordingly, the Committee received detailed oral and written reporting from Deloitte LLP on these matters.</td>
</tr>
<tr>
<td>Liability provisioning</td>
<td>The Committee received a presentation from the Group’s General Counsel and Company Secretary in May 2014 on management’s assessment of the most material claims, including relevant legal advice received and the level of provision held against each. Deloitte LLP also reviews these matters, forming an independent view that is discussed with the Committee.</td>
</tr>
<tr>
<td>Revenue recognition</td>
<td>Deloitte LLP outlined to the Committee their approach to the audit of revenue, as part of their presentation of the detailed audit plan. The Committee also considered any observations made by the auditors as part of their reporting to the Committee.</td>
</tr>
<tr>
<td>Acquisitions and disposals</td>
<td>Management outlined the key accounting and disclosure impacts in relation to these transactions. The Committee requested and received detailed reporting from Deloitte LLP on their assessment of the accounting and disclosures made by management in both the half-year and annual financial statements.</td>
</tr>
<tr>
<td>IT controls in relation to privileged user access</td>
<td>Management outlined tested alternative controls in place which provided assurance over the completeness and accuracy of the information derived from the impacted financial reporting related applications. Deloitte LLP extended their controls and substantive testing to obtain assurance over both the compensating controls and the completeness and accuracy of the management information derived from these applications.</td>
</tr>
</tbody>
</table>
Assessment of internal control
We reviewed the process by which the Group evaluated its control environment. Our work here was driven primarily by the Group Audit Director’s reports on the effectiveness of internal controls, significant identified frauds and any identified fraud that involved management or employees with a significant role in internal controls. I meet privately with the Group’s Audit and Compliance Directors outside the formal committee process as necessary.

Oversight of the Group’s compliance activities in relation to section 404 of the Sarbanes-Oxley Act also falls within the Committee’s remit.

Internal audit
Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. Reports from the Group Audit Director usually include updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the Internal Audit department. I play a major role in setting the Group Audit Director’s annual objectives.

Fraud and ‘whistle-blowing’
We review the channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues such as breaches of the Code of Conduct and for those matters to be investigated. Further, we receive summaries of investigations into known or suspected fraudulent activities by both third parties and employees.

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Audit tender process
In November 2013, having considered the changes to the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council, the Audit and Risk Committee decided to put the audit for the 2013 financial year out to tender. The tender process and the Committee’s involvement in the process are outlined below.

Audit and Risk Committee involvement:
- Monitoring the auditor’s transition plan
- Outreach to shareholders post the decision
- Recommendation to the Board of the evaluation by the firm
- Attendance at the firm’s presentation
- Review of the written proposals
- Chairman attended the ‘Working with Vodafone’ meetings
- Expectation setting with the tender participants
- Outreach to shareholders post the announcement
- Approval of the tender participants process, timetable and assessment criteria
- Board decision
- Recommendation to the Board by the Committee
- Oral
- Written proposal
- ‘Working with Vodafone’ meeting
- Information gathering meetings with Vodafone senior management
- Data room access
- Audit approach presentation and a question-and-answer session
- Written proposal outlining the audit team, geographic footprint alignment, audit approach, transition approach, challenges, independence considerations and fee proposal
- Meeting with the Chairman of the Committee, the Chief Financial Officer and Vodafone senior management to discuss how the firm would structure their audit at an operational level and work with our management team
- 14 meetings with senior management to gather information and insight into how the Group operates
- Contained documentation to allow the firm to gain a better understanding of how the Group is structured and operated
Governance of the External Audit relationship

The Committee considers the reappointment of the external auditor and also assesses their independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and the year ended 31 March 2014 will be the current lead audit partner’s fifth year. Accordingly, and in compliance with the provisions outlined in the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council in July 2013, the Committee decided to put the audit for the 2015 financial year out to tender in November 2013.

The tender process and the Committee’s involvement in that process is outlined in the diagram on page 63. All of the ‘big 4’ audit firms were invited to participate in the tender. Deloitte LLP withdrew at a preliminary stage noting the longevity of their appointment, having been the Group’s auditors since its stock market listing in 1988. Having concluded the process in February 2014, the Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as the Group’s statutory auditor for the 2015 financial year. Accordingly, a resolution proposing the appointment of PricewaterhouseCoopers LLP as our auditor will be put to the shareholders at the 2014 AGM.

Accordingly, and in compliance with the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council in July 2013, the Committee decided to put the audit for the 2015 financial year out to tender in November 2013.

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Having concluded the process in February 2014, the Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as the Group’s statutory auditor for the 2015 financial year. Accordingly, a resolution proposing the appointment of PricewaterhouseCoopers LLP as our auditor will be put to the shareholders at the 2014 AGM. There are no contractual obligations restricting the Committee’s choice of external auditor and we do not indemnify our external auditor.

The Committee will continue to review the auditor appointment and the need to tender the audit, ensuring the Group’s compliance with the UK Corporate Governance Code and any reforms of the audit market by the UK Competition Commission and the European Union.

In its assessment of the independence of the auditor and in accordance with the US Public Company Accounting Oversight Board’s standard on independence, the Committee receives details of any relationships between the Company and Deloitte LLP that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the US Securities & Exchange Commission (‘SEC’).

During the year, Deloitte LLP and related member firms charged the Group £9 million (2013: £8 million, 2012: £7 million) for statutory audit services. The Committee approved these fees following review of audit scope changes for the 2014 financial year, including the impact of business acquisitions and disposals which were primarily in relation to Kabel Deutschland, the disposal of Verizon Wireless and the acquisition of the remaining 23% interest in Vodafone Italy. The Committee also received assurance from Deloitte LLP that the fees were appropriate for the scope of the work required.

Non-audit services

As a further measure to protect the objectivity and independence of the external auditor, the Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes Deloitte LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Deloitte should only be engaged for non-audit services where there is no legal or practical alternative supplier. No material changes have been made to this policy during the financial year.

For certain specific permitted services, the Committee has pre-approved that Deloitte LLP can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits, for each type of specific service. For all other services or those permitted services that exceed the specified fee limits, I, as Chairman, or in my absence another member, can pre-approve permitted services.

In addition to the statutory audit fee, Deloitte LLP and related member firms charged the Group £4 million (2013: £1 million) for audit-related and other assurance services. These fees were materially higher than in prior years as Deloitte acted as the Reporting Accountant in relation to a number of shareholder and regulatory filings in connection with the disposal of our interest in Verizon Wireless and the related acquisition of the remaining 23% interest in Vodafone Italy. Further details of the fees paid, for both audit and non-audit services, can be found in note 3 to the consolidated financial statements.

For a number of years, PricewaterhouseCoopers LLP has provided the Group with a wide range of consulting and assurance services. Following the decision to appoint them as auditors for the 2015 financial year, it was agreed by the Committee that any existing permitted non-audit service engagements which were not in line with the Group’s non-audit services policy should cease by 30 June 2014. This decision was made to allow a timely transition of these services and minimise the impact on the business. From 1 April 2014, PricewaterhouseCoopers LLP will only be engaged for non-audit services which are in line with the Group’s non-audit services policy.

/s/ Nick Land
Nick Land
On behalf of the Audit and Risk Committee
20 May 2014
With effect from 28 July 2014, Philip Yea will step down from the Remuneration Committee and Valerie Gooding will be appointed to the Committee.

Key objective:

- to assess and make recommendations to the Board on the policies for executive remuneration and packages for the individual executive directors.

Responsibilities:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman of the Board, the executive directors and the senior management team;
- determining the total remuneration packages for these individuals, including any compensation on termination of office;
- operating within recognised principles of good governance and
- preparing an annual report on directors’ remuneration.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings. The Chairman of the Board and Chief Executive may attend the Committee meetings by invitation but they do not attend when their individual remuneration is discussed. No director is included (including the Chairman and the Chief Executive) when the Committee meets during the year.

Work activities of the Committee during the year

A detailed report to shareholders on behalf of the Board covering, amongst other things, these included a description of the Committee’s activities during the year, is contained in “Directors’ remuneration” on pages 69 to 85.

Executive Committee

The Committee meets 11 times a year under the chairmanship of the Chief Executive. Topics covered by the Committee include:

- Chief Executive update on the business and business environment;
- regional chief executive updates;
- Group function head updates;
- substantial business developments and projects;
- talent;
- presentations from various function heads, for example, the Group Financial Controller, the Group Audit Director and the Group Compliance Director;
- competitor analysis and
- strategy.

Annually, the Executive Committee, together with the chief executives of the major operating companies, conduct a strategy review to identify any strategic issues to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three-year operating plans.

The Committee members’ biographical details are set out on pages 52 and 53 and on vodafone.com/exco.

Policy and Compliance Committee

This is a sub-committee of the Executive Committee comprising three Executive Committee members. It is supported by the Executive Committee’s Director, who is accountable with regard to policy compliance. In particular, the Committee approves changes to policies which do not fall into particular policies to assess whether they are effective and maintain an overall view of the status of compliance throughout Vodafone. It also provides advice as appropriate.

The Committee’s remit is to: consider the effectiveness of the Company’s compliance with the Board’s Code of Conduct for Directors; the Company’s code of business ethics; the policies concerning: whistle-blowing; corporate social responsibility; health and safety; and financial disclosure.

Executive Committee

The Directors, who are appointed by the Chief Executive and Chief Financial Officer to ensure the accuracy and timeliness of Company disclosures, oversee and approve controls and procedures in relation to the public disclosure of financial information and related information material to shareholders. Its composition is comprised of the Group General Counsel and Company Secretary, the Chief Financial Officer, the Group Financial Controller, the Group Investor Relations Director, the Group Strategy and Business Development Director and the Group External Affairs Director.

Disclosure Committee

The Directors, who are appointed by the Chief Executive and Chief Financial Officer to ensure the accuracy and timeliness of Company disclosures, oversee and approve controls and procedures in relation to the public disclosure of financial information and related information material to shareholders. Its composition is comprised of the Group General Counsel and Company Secretary, the Chief Financial Officer, the Group Financial Controller, the Group Investor Relations Director, the Group Strategy and Business Development Director and the Group External Affairs Director.
How do we engage with our shareholders?

We are committed to communicating our strategy and activities clearly to our shareholders and, to that end, we maintain an active dialogue with investors through a planned programme of investor relations activities.

**Investor relations programme**

The programme includes:

- formal presentations of full-year and half-year results, and interim management statements (see vodafone.com/investor for more information);
- briefing meetings with major institutional shareholders in the UK, the United States and Europe after the full-year and half-year results; (a graph showing the geographical analysis of investors is shown on this page);
- regular investor relations meetings with investors in other geographies;
- formal presentations around significant acquisitions and disposals, e.g. the acquisition of Kabel Deutschland and the Verizon Wireless transaction;
- regular meetings between institutional investors and analysts, and the Chief Executive and Chief Financial Officer, to discuss business performance, growth strategy and address any issues of concern;
- meetings between major shareholders and the Chairman on an ongoing basis including roadshows in London and Edinburgh to obtain feedback and consider corporate governance issues;
- analysing and approaching new geographies to actively market the business to new investors;
- dialogue between the Remuneration Committee and shareholders. Go to pages 70 and 71 for more information;
- hosting investors and analysts sessions at which senior management from relevant operating companies are present;
- attendance by senior executives across the business at relevant meetings and conferences throughout the year;
- responding daily to enquiries from shareholders and analysts through our Investor Relations team;
- hosting webinars to highlight key areas of the business such as M-Pesa and money payment services, Vodafone Turkey, Vodafone Netherlands and 4G; and
- a section dedicated to shareholders and analysts on our website at vodafone.com/investor, including specific sections for any material transactions or shareholder events, e.g. the Verizon Wireless transaction.

The Chairman has overall responsibility for ensuring that there is effective communication with investors, and that the Board understands the views of major shareholders on matters such as governance and strategy. The Chairman makes himself available to meet shareholders for this purpose. The Senior Independent Director and other members of the Board are also available to meet major investors on request. The Board receives a regular report from the Investor Relations team and feedback from meetings held between executive management, or the Investor Relations team and institutional shareholders, is also communicated to the Board.

**What happens at our AGM?**

**Who attends?**

- All of our directors.
- Executive Committee members.
- Our shareholders.

**What is the format?**

- A summary presentation of results is given before the Chairman deals with the formal business.
- All shareholders present can question the Chairman, the Chairmen of the Committees and the rest of the Board both during the meeting and informally afterwards.
- The Board encourages participation of investors, including individual investors, at the AGM.

**AGM broadcast**

- The AGM is broadcast live on our website at vodafone.com/agm.
- A recording can subsequently be viewed on our website.
### Key shareholder engagements

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<td>Interim management statement</td>
<td>Annual report</td>
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<td>May</td>
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<td>Preliminary results/Full-year results</td>
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</tbody>
</table>
How do we deal with internal control and risk management?

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established procedures that implement in full the Turnbull Guidance “Internal Control: Revised Guidance for Directors on the Combined Code” for the year under review and to the date of this annual report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks we face. See page 89 for management’s report on internal control over financial reporting.

Monitoring and review activities

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action. These include:

* the local Chief Executive and Chief Financial Officer of each operating business formally certifying the operation of their control systems each year and highlighting any weaknesses. These results are reviewed by regional management, the Audit and Risk Committee, and the Board;
* local Chief Executives certifying compliance with high risk policies in their companies, with Group Compliance reviewing evidence of compliance;
* the Group’s Disclosure Committee reviewing the appropriateness of disclosures and providing an annual report to the Group’s Chief Executive and the Chief Financial Officer on the effectiveness of the Group’s disclosure controls and procedures;
* maintaining “disclosure controls and procedures”, as such term is defined in Rule 13a-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarised and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure; and
* the Group Internal Audit department periodically examining business processes on a risk basis throughout the Group and reporting to the Audit and Risk Committee.

In addition, the Board reviews any reports from the external auditor presented to the Audit and Risk Committee and management in relation to internal financial controls.

* evaluating the risks we face in achieving our objectives;
* determining the risks that are considered acceptable to bear;
* assessing the likelihood of the risks concerned materialising;
* identifying our ability to reduce the incidence and impact on the business of risks that do materialise; and
* ensuring that the costs of operating particular controls are proportionate to the benefit.

Risk management

Although many risks remain outside of our direct control, a range of activities are in place to mitigate the primary risks identified including those set out on pages 196 to 200. The framework for identifying and managing our risks is set out on page 46. A range of mitigations for risks faced by the Group are included on page 90.

Review of effectiveness

The Board and the Audit and Risk Committee have reviewed the effectiveness of the internal control system including financial, operational and compliance controls, and risk management in accordance with the Code for the period from 1 April 2013 to 20 May 2014 (the date of this annual report). No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

The directors, the Chief Executive and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures and, based on that evaluation, have concluded that the disclosure controls and procedures were effective at the end of the period covered by this report.

What is our approach to other governance matters?

Group policy compliance

Each Group policy is owned by a member of the Executive Committee so that there is clear accountability and authority for ensuring the associated business risk is adequately managed. Regional chief executives and the senior leadership team member responsible for each Group function have primary accountability for ensuring compliance with all Group policies by all our markets and entities. Our Group Compliance team and policy champions support the policy owners and local markets in implementing policies and monitoring compliance.

Code of Conduct

All of our key Group policies have been consolidated into the Vodafone Code of Conduct. This is a central ethical and policy document applicable to all employees and those who work for or on behalf of Vodafone. It sets out the standards of behaviour expected in relation to areas such as insider dealing, bribery and raising concerns through the whistle-blowing process (known internally as ‘Speak Up’).
What are our US listing requirements?
As Vodafone’s American depositary shares are listed on the NASDAQ Stock Market LLC ("NASDAQ"), we are required to disclose a summary of any material differences between the corporate governance practices we follow and those of US companies listed on NASDAQ. Vodafone’s corporate governance practices are primarily based on UK requirements but substantially conform to those required of US companies listed on NASDAQ. The material differences are as follows:

Independence
Different tests of independence for Board members are applied under the Code and the NASDAQ listing rules. The Board is not required to take into consideration NASDAQ’s detailed definitions of independence as set out in the NASDAQ listing rules. In accordance with the Code, the Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, all of Vodafone’s non-executive directors (who make up the majority of the Board) are independent within the meaning of those requirements.

Committees
The NASDAQ listing rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee’s purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisors.

Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent non-executive directors. Our Remuneration Committee is composed entirely of independent non-executive directors.

The Audit and Risk Committee is composed entirely of non-executive directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Exchange Act. We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website (vodafone.com/governance). These terms of reference are generally responsive to the relevant NASDAQ listing rules but may not address all aspects of these rules.

Code of Conduct
Under the NASDAQ listing rules, US companies must adopt a code of conduct applicable to all directors, officers and employees that complies with the definition of a ‘code of ethics’ set out in section 406 of the Sarbanes-Oxley Act. We have adopted a Code of Ethics that complies with section 406 which is applicable only to the senior financial and principal executive officers, and which is available on our website (vodafone.com/governance). We have also adopted a separate Code of Conduct which applies to all employees.

Quorum
The quorum required for shareholder meetings, in accordance with our articles of association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ listing rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.

Related party transactions
In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ listing rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the ‘Listing Rules’), the Companies Act 2006 and our articles of association.

Further, we use the definition of a ‘transaction with a related party’ as set out in the Listing Rules, which differs in certain respects from the definition of ‘related party transaction’ in the NASDAQ listing rules.

Shareholder approval
We comply with the NASDAQ listing rules and the Listing Rules, when determining whether shareholder approval is required for a proposed transaction.

Under the NASDAQ listing rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.
Dear fellow shareholder

I am pleased to present you with Vodafone’s remuneration report for 2014.

This year will be the first time we will ask shareholders to vote on our remuneration policy in addition to the rest of the remuneration report. With the new remuneration disclosure regulations in mind we have changed the structure of our report to present first our policy and then detail its implementation. Apart from some changes which I outline below, our policy and practice remain essentially unchanged.

As always we have tried to ensure that the remuneration policy and practice at Vodafone drive behaviours that are in the long-term interests of the Company and its shareholders. The Remuneration Committee continues to be mindful of the considerable interest that exists in executive compensation and we are very conscious of the many and varied concerns.

Our remuneration principles

Our remuneration principles, which our detailed policy supports, are as follows:

- we offer competitive and fair rates of pay and benefits to attract and retain the best people;
- our policy and practices aim to drive behaviours that support our Company strategy and business objectives;
- our ‘pay for performance’ approach means that our incentive plans only deliver significant rewards if and when they are justified by performance; and
- our approach to share ownership is designed to help maintain commitment over the long-term, and to ensure that the interests of our senior management team are aligned with those of shareholders.

Pay for performance

Pay for performance continues to be an important principle for Vodafone when setting remuneration policy.

A high proportion of total reward is awarded through short-term and long-term performance related remuneration. At target around 70% of the package is delivered in the form of variable pay, which rises to around 85% if maximum payout is achieved.

We ensure our incentive plans only deliver significant rewards if and when they are justified by performance. For the Remuneration Committee this means two things:

- ensuring the targets we set for incentive plans are suitably challenging (as can be seen by the historic levels of achievement for both short-and long-term incentive plans shown on page 82); and
- if needed, exercising discretion. The Committee reviews all incentive plans before any payments are made to executives and has full discretion to adjust payments downwards if it believes circumstances warrant it.

Company performance and the link to incentives

During the 2014 year our emerging markets businesses have delivered strong organic revenue growth along with good cash flow and adjusted EBITDA performance. However, this has been offset by significant ongoing competitive, regulatory and macroeconomic pressures in our European operations where revenue has declined. Taken in the round this led to slightly below target performance which is reflected in our annual bonus payout of 88.5% of target. More details can be found on page 78.

Over the last three years our adjusted free cash flow performance, although strong in our emerging markets, has been below our target levels in Europe for similar reasons to those described above. However, we have taken significant strategic steps which have led to strong growth in the share price and Total Shareholder Return (‘TSR’) which, when combined with adjusted free cash flow, result in a payout for the executive directors’ long-term incentive awards of 37.2% of maximum. More details can be found on page 79. Strategic initiatives include:

- the sale of our 45% stake in Verizon Wireless;
- the record US$85 billion return to shareholders;
- the announcement of Project Spring – the acceleration of our capital investment to strengthen further our network and customer experience;
- the acquisition of a leading cable operator in Germany as well as fixed line businesses such as CWW and TelstraClear;
- launching Vodafone Red which is now available in 20 markets; and
- developing our M-Pesa footprint.

Letter from the Remuneration Committee Chairman

Luc Vandevelde
Chairman of the Remuneration Committee

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- launching Vodafone Red which is now available in 20 markets; and
- developing our M-Pesa footprint.
Key decisions on executive remuneration

The Remuneration Committee considers every decision around executive director remuneration very carefully. Some of the major decisions made this year were as follows:

→ Nick Read was promoted to Chief Financial Officer during the year and we determined his new remuneration package. Our decision to give Nick a base salary of £675,000 was made in the context of the existing executive directors’ remuneration levels and reviewed against the external market;

→ the Remuneration Committee considered the impact of the Verizon Wireless transaction and Project Spring on executive remuneration and decided to remove the impact of Project Spring on pre-existing long-term incentive awards to ensure an appropriate comparison to the original targets that were set. Please see page 84 for more details;

→ we decided to reduce the maximum vesting level of our long-term incentive opportunity for our Executive Committee. For the 2015 long-term incentive awards, the maximum vesting level will reduce from three times to two and a half times the target vesting level. We have also introduced a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary;

→ following a review of the pension levels in the context of pension provision for our broader employee population, from November 2015 pension levels for our Executive Committee will reduce from 30% of salary to 24% of salary. This brings our Executive Committee pension level in line with our UK senior management; and

→ the Remuneration Committee took account of business performance, salary increases for other UK employees and external market information when deciding to increase the annual base salaries of the Chief Executive (Vittorio Colao) and the Chief Technology Officer (Stephen Pusey) by 3.6% and 4.3% respectively from 1 July 2014. This is the first salary increase that either individual has received for three years.

Assessment of risk

One of the activities of the Remuneration Committee is to continually be aware and mindful of any potential risk associated with our reward programmes. Vodafone seeks to provide a structure of rewards that encourages acceptable risk taking and high performance through optimal pay mix, performance metrics and calibration, and timing. With that said, it is prudent practice to ensure that our reward programmes achieve this and do not encourage excessive or inappropriate risk taking. The Committee has considered the risk involved in the incentive schemes and is satisfied that the design elements and governance procedures mitigate the principal risks.

Share ownership

For many years Vodafone has had demanding share ownership goals for our executive directors. These goals, and our achievement against the goals, are set out on page 80. We are delighted that, collectively, our Executive Committee own shares with a value of over £50 million. We are proud that the high level of shareholding by our Executive Committee has been maintained despite the Verizon Wireless transaction and the associated share consolidation. After the transaction our Executive Committee members individually elected to reinvest the vast majority of their post-tax proceeds from the transaction back into Vodafone shares. Owning shares is part of our culture and each year we expect the number of shares owned by our Executive Committee members to grow. This level of ownership by management clearly shows their alignment with shareholders but also indicates their belief in the long-term value creation opportunities of our shares.

Consultation with shareholders

The Remuneration Committee continues to have dialogue with our shareholders. The views of all shareholders are taken seriously, and letters and emails are replied to promptly. In addition, during the year we invited our largest shareholders to meet with me in person and the resulting meetings were very helpful for us to better understand our shareholders’ viewpoint. We were delighted that last year the remuneration report received a 96.36% vote in favour. This compares with 96.44% support in the prior year. We sincerely hope to receive your continued support at the AGM on 29 July 2014.

/s/ Luc Vandevelde
Luc Vandevelde
Chairman of the Remuneration Committee
20 May 2014

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Remuneration policy

In this forward-looking section we describe our remuneration policy for the Board. This includes our considerations when determining policy, a description of the elements of the reward package and an indication of the potential future value of this package for each of the executive directors. In addition we describe our policy applied to the Chairman and non-executive directors.

We will be seeking shareholder approval for our remuneration policy at the 2014 AGM and we intend to implement at that point. We do not envisage making any changes to our policy over the next three years, however, we will review it each year to ensure that it continues to support our Company strategy. If we feel it is necessary to make a change to our policy within the next three years, we will seek shareholder approval.

Considerations when determining remuneration policy

Our remuneration principles which are outlined on page 69 are the context for our policy. Our principal consideration when determining remuneration policy is to ensure that it supports our Company strategy and business objectives.

The views of our shareholders are also taken into account when determining executive pay. In advance of asking for approval for the remuneration policy we have consulted with our major shareholders. We invited our top 20 shareholders to comment on remuneration at Vodafone and several meetings between shareholders and the Remuneration Committee Chairman took place. The main topics of consultation were as follows:

→ new share plan rules for which we will seek shareholder approval at the 2014 AGM;
→ changes to executive remuneration arrangements (reduction of maximum long-term incentive vesting levels and pension provision); and
→ impact of Project Spring on Free Cash Flow performance under the global long-term incentive plan (‘GLTI’).

We have not consulted with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for executive directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 74.

Performance measures and targets

Our Company strategy and business objectives are the primary consideration when we are selecting performance measures for our incentive plans. The targets within our incentive plans that are related to internal financial measures (such as revenue, profit and cash flow) are typically determined based on our budgets. Targets for strategic and external measures (such as competitive performance and Total Shareholder Return (‘TSR’)) are set based on Company objectives and in light of the competitive marketplace. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum.

As in previous remuneration reports we will disclose the details of our performance targets for our short and long-term incentive plans. However, our annual bonus targets are commercially sensitive and therefore we will only disclose our targets in the remuneration report following the completion of the financial year. We will disclose the targets for each long-term award in the remuneration report for the financial year preceding the start of the performance period.

At the end of each performance period we review performance against the targets, using judgement to account for items such as (but not limited to) mergers, acquisitions, disposals, foreign exchange rate movements, changes in accounting treatment, material one-off tax settlements etc. The application of judgement is important to ensure that the final assessments of performance are fair and appropriate.

In addition, the Remuneration Committee reviews the incentive plan results before any payments are made to executives or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe circumstances warrant it. In particular, the Committee may use discretion to clawback any unvested share award (or vested but unexercised options) as it sees appropriate, in which case the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested or vesting may be delayed.
## Remuneration policy (continued)

### The remuneration policy table

The table below summarises the main components of the reward package for executive directors.

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
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</thead>
<tbody>
<tr>
<td><strong>Base salary</strong></td>
<td>- To attract and retain the best talent.</td>
</tr>
<tr>
<td></td>
<td>- Salaries are usually reviewed annually and fixed for 12 months commencing 1 July. Decision is influenced by:</td>
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<td>- level of skill, experience and scope of responsibilities of individual;</td>
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<td></td>
<td>- business performance, scarcity of talent, economic climate and market conditions;</td>
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<td>- increases elsewhere within the Group; and</td>
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<td></td>
<td>- external comparator groups (which are used for reference purposes only) made up of companies of similar size and complexity to Vodafone.</td>
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<tr>
<td><strong>Pension</strong></td>
<td>- To remain competitive within the marketplace.</td>
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<td></td>
<td>- Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension.</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>- To aid retention and remain competitive within the marketplace.</td>
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<tr>
<td></td>
<td>- Travel related benefits. This may include (but is not limited to) company car or cash allowance, fuel and access to a driver where appropriate.</td>
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<td></td>
<td>- Private medical, death and disability insurance and annual health checks.</td>
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<td></td>
<td>- In the event that we ask an individual to relocate we would offer them support in line with Vodafone’s relocation or international assignment policies. This may cover (but is not limited to) relocation, cost of living allowance, housing, home leave, education support, tax equalisation and advice.</td>
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<td></td>
<td>- Legal fees if appropriate.</td>
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<td></td>
<td>- Other benefits are also offered in line with the benefits offered to other employees for example, all-employee share plans, mobile phone discounts, maternity/paternity benefits, sick leave, paid holiday, etc.</td>
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<tr>
<td><strong>Annual Bonus – Global Short-Term Incentive Plan (‘GSTIP’)</strong></td>
<td>- To drive behaviour and communicate the key priorities for the year.</td>
</tr>
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<td></td>
<td>- To motivate employees and incentivise delivery of performance over the one year operating cycle.</td>
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<td></td>
<td>- The financial metrics are designed to both drive our growth strategies whilst also focusing on improving operating efficiencies. Measuring competitive performance with its heavy reliance on net promoter score (‘NPS’) means providing a great customer experience remains at the heart of what we do.</td>
</tr>
<tr>
<td></td>
<td>- Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy.</td>
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<td></td>
<td>- Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year.</td>
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<tr>
<td></td>
<td>- The annual bonus is usually paid in cash in June each year for performance over the previous financial year.</td>
</tr>
<tr>
<td><strong>Long-Term Incentive – Global Long-Term Incentive Plan (‘GLTI’) base awards and co-investment awards</strong> (further details can be found in the notes that follow this table)</td>
<td>- To motivate and incentivise delivery of sustained performance over the long term.</td>
</tr>
<tr>
<td></td>
<td>- To support and encourage greater shareholder alignment through a high level of personal financial commitment.</td>
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<td></td>
<td>- The use of free cash flow as the principal performance measure ensures we apply prudent cash management and rigorous capital discipline to our investment decisions, whilst the use of TSR along with a performance period of not less than three years means that we are focused on the long-term interests of our shareholders.</td>
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<td></td>
<td>- Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy.</td>
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<tr>
<td></td>
<td>- Long-term incentive base awards consist of performance shares which are granted each year.</td>
</tr>
<tr>
<td></td>
<td>- Individuals must co-invest in Vodafone shares and hold them in trust for at least three years in order to receive the full target award.</td>
</tr>
<tr>
<td></td>
<td>- All awards vest not less than three years after the award based on Group operational and external performance.</td>
</tr>
<tr>
<td></td>
<td>- Dividend equivalents are paid in cash after the vesting date.</td>
</tr>
</tbody>
</table>
Opportunity

→ Average salary increases for existing Executive Committee members (including executive directors) will not normally exceed average increases for employees in other appropriate parts of the Group. Increases above this level may be made in specific situations. These situations could include (but are not limited to) internal promotions, changes to role, material changes to the business and exceptional company performance.

→ The pension contribution or cash payment is equal to 30% of annual gross salary. In light of pension levels elsewhere in the Group we have decided to reduce the pension benefits level from 30% to no more than 24% from November 2015.

→ Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment.

→ We expect to maintain benefits at the current level but the value of benefit may fluctuate depending on, amongst other things, personal situation, insurance premiums and other external factors.

→ Bonuses can range from 0–200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance.

Performance metrics

None.

None.

None.

Performance over each financial year is measured against stretching targets set at the beginning of the year.

The performance measures normally comprise of a mix of financial and strategic measures. Financial measures may include (but are not limited to) profit, revenue and cash flow with a weighting of no less than 50%. Strategic measures may include (but are not limited to) competitive performance metrics such as net promoter score and market share.

The basic target award level is 137.5% of base salary for the Chief Executive (110% for other executive directors).

The target award level may increase up to 237.5% of base salary for the Chief Executive (or 210% for others) if the individual commits to a co-investment in shares equal in value to their base salary.

Minimum vesting is 0% of target award level, threshold vesting is 50% and maximum vesting is 250% of the target award level.

Maximum long-term incentive face value at award of 594% of base salary for the Chief Executive (237.5% x 250%) and 525% for others.

The awards that vest accrue cash dividend equivalents over the three year vesting period.

Awards vest to the extent performance conditions are satisfied. There is a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary.

Performance is measured against stretching targets set at the beginning of the performance period.

Vesting is determined based on a matrix of two measures:

→ adjusted free cash flow as our operational performance measure; and

→ relative TSR against a peer group of companies as our external performance measure.
Notes to the remuneration policy table
Existing arrangements
We will honour existing awards to executive directors, and incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

Long-Term Incentive (‘GLTI’)
When referring to our long-term incentive awards we use the financial year end in which the award was made. For example, the 2013 award was made in the financial year ending 31 March 2013. The awards are usually made in the first half of the financial year (the 2013 award was made in July 2012).

The extent to which awards vest depends on two performance conditions:

- underlying operational performance as measured by adjusted free cash flow; and
- relative Total Shareholder Return (‘TSR’) against a peer group median.

**Adjusted free cash flow**
The free cash flow performance is based on the cumulative adjusted free cash flow figure over the performance period. The detailed targets and the definition of adjusted free cash flow are determined each year as appropriate. The target adjusted free cash flow level is set by reference to our long-range plan and market expectations. We consider the targets to be critical to the Company’s long-term success and its ability to maximise shareholder value, and to be in line with the strategic goals of the Company. The Remuneration Committee sets these targets to be sufficiently demanding with significant stretch where only outstanding performance will be rewarded with a maximum payout.

The cumulative adjusted free cash flow vesting levels as a percentage of target are shown in the table below (with linear interpolation between points):

<table>
<thead>
<tr>
<th>Performance</th>
<th>Vesting percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below threshold</td>
<td>0%</td>
</tr>
<tr>
<td>Threshold</td>
<td>50%</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum</td>
<td>125%</td>
</tr>
</tbody>
</table>

**TSR outperformance of a peer group median**
We have a limited number of appropriate peers and this makes the measurement of a relative ranking system volatile. As such, the outperformance of the median of a peer group is felt to be the most appropriate TSR measure. The peer group for the performance condition is reviewed each year and amended as appropriate.

The relative TSR position determines the performance multiplier. This will be applied to the adjusted free cash flow vesting percentage. There will be no multiplier until TSR performance exceeds median. Above median, the following table will apply (with linear interpolation between points):

<table>
<thead>
<tr>
<th>Multiplier</th>
<th>Median</th>
<th>Percentage outperformance of the peer group median equivalent to 65th percentile</th>
<th>Percentage outperformance of the peer group median equivalent to 80th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to median</td>
<td>No increase</td>
<td>1.5 times</td>
<td>2.0 times</td>
</tr>
<tr>
<td>Above median</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In order to determine the percentages for the equivalent outperformance levels above median, the Remuneration Committee seeks independent external advice.

**Combined vesting matrix**
The combination of the two performance measures gives a combined vesting matrix as follows (with linear interpolation between points):

<table>
<thead>
<tr>
<th>Adjusted free cash flow measure</th>
<th>TSR outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to median</td>
</tr>
<tr>
<td>Below threshold</td>
<td>0%</td>
</tr>
<tr>
<td>Threshold</td>
<td>50%</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum</td>
<td>125%</td>
</tr>
</tbody>
</table>

The combined vesting percentages are applied to the target number of shares granted.

**Outstanding awards**
For the awards made in the 2013 and 2014 financial years (vesting in July 2015 and June 2016 respectively) the award structure is as set out above, except that the maximum vesting percentage for cumulative adjusted free cash flow was 150% leading to an overall maximum of 300% of target award.

**Remuneration policy for other employees**
While our remuneration policy follows the same fundamental principles across the Group, packages offered to employees reflect differences in market practice in the different countries, role and seniority.

For example, the remuneration package elements for our executive directors are essentially the same as for the other Executive Committee members, with some small differences, for example higher levels of share awards. The remuneration for the next level of management, our senior leadership team, again follows the same principles but with differences such as local and individual performance aspects in the annual bonus targets and performance share awards. They also receive lower levels of share awards which are partly delivered in restricted shares.
Estimates of total future potential remuneration from 2015 pay packages

The tables below provide estimates of the potential future remuneration for each of the executive directors based on the remuneration opportunity granted in the 2015 financial year. Potential outcomes based on different performance scenarios are provided for each executive director.

The assumptions underlying each scenario are described below.

Fixed
Consists of base salary, benefits and pension.
Base salary is at 1 July 2014.
Benefits are valued using the figures in the total remuneration for the 2014 financial year table on page 78 (of the 2014 report) and on a similar basis for Nick Read (promoted to the Board on 1 April 2014).
Pensions are valued by applying cash allowance rate of 30% of base salary at 1 July 2014.

<table>
<thead>
<tr>
<th>Executive</th>
<th>Base (£'000)</th>
<th>Benefits (£'000)</th>
<th>Pension (£'000)</th>
<th>Total (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>1,150</td>
<td>38</td>
<td>345</td>
<td>1,533</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>675</td>
<td>23</td>
<td>203</td>
<td>901</td>
</tr>
<tr>
<td>Chief Technology Officer</td>
<td>600</td>
<td>21</td>
<td>180</td>
<td>801</td>
</tr>
</tbody>
</table>

On target
Based on what a director would receive if performance was in line with plan.
The target award opportunity for the annual bonus (‘GSTIP’) is 100% of base salary.
The target award opportunity for the long-term incentive (‘GLTI’) is 237.5% of base salary for the Chief Executive and 210% for others. We assumed that TSR performance was at median.

Maximum
Two times the target award opportunity is payable under the annual bonus (‘GSTIP’).
The maximum levels of performance for the long-term incentive (‘GLTI’) are 250% of target award opportunity. We assumed that TSR performance was at or above the 80th percentile equivalent.

All scenarios
Each executive is assumed to co-invest the maximum allowed under the long-term incentive (‘GLTI’), 100% of salary, and the long-term incentive (‘GLTI’) award reflects this.

Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for increase in share price or cash dividend equivalents payable.

Recruitment remuneration
Our approach to recruitment remuneration is to pay no more than is necessary and appropriate to attract the right talent to the role.

The remuneration policy table (pages 72 and 73) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an executive director. Any new director’s remuneration package would include the same elements, and be subject to the same constraints, as those of the existing directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 594% of base salary.

When considering the remuneration arrangements of individuals recruited from external roles to the Board, we will take into account the remuneration package of that individual in their prior role. We only provide additional compensation to individuals for awards foregone. If necessary we will seek to replicate, as far as practicable, the level and timing of such remuneration, taking into account also any remaining performance requirements applying to it. This will be achieved by granting awards of cash or shares that vest over a timeframe similar to those forfeited and if appropriate based on performance conditions. A commensurate reduction in quantum will be applied where it is determined that the new awards are either not subject to performance conditions or subject to performance conditions that are not as stretching as those of the awards forfeited.
Service contracts of executive directors
After an initial term of up to two years executive directors’ contracts have rolling terms and are terminable on no more than 12 months’ notice.

The key elements of the service contract for executives relate to remuneration, payments on loss of office (see below), and restrictions during active employment (and for 12 months thereafter). These restrictions include non-competition, non-solicitation of customers and employees etc.

Additionally, all of the Company’s share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied and pro-rated to reflect the acceleration of vesting.

Payments for departing executives
In the table below we summarise the key elements of our policy on payment for loss of office. We will of course, always comply both with the relevant plan rules and local employment legislation.

In exceptional circumstances, an arrangement may be established specifically to facilitate the exit of a particular individual albeit that any such arrangement would be made within the context of minimising the cost to the Group. We will only take such a course of action in exceptional circumstances and where it is considered to be in the best interests of shareholders.

Chairman and non-executive directors’ remuneration
Our policy is for the Chairman to review the remuneration of non-executive directors annually following consultation with the Remuneration Committee Chairman. Fees for the Chairman are set by the Remuneration Committee.

<table>
<thead>
<tr>
<th>Provision</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notice period and compensation for loss of office in service contracts</td>
<td>→ 12 months’ notice from the Company to the executive director. → Up to 12 months’ base salary (in line with the notice period). Notice period payments will either be made as normal (if the executive continues to work during the notice period or is on gardening leave) or they will be made as monthly payments in lieu of notice (subject to mitigation if alternative employment is obtained).</td>
</tr>
<tr>
<td>Treatment of annual bonus (‘GSTIP’) on termination under plan rules</td>
<td>→ The annual bonus will be pro-rated for the period of service during the financial year and will reflect the extent to which Company performance has been achieved. → The Remuneration Committee has discretion to reduce the entitlement to an annual bonus to reflect the individual’s performance and the circumstances of the termination.</td>
</tr>
<tr>
<td>Treatment of unvested long-term incentive awards (‘GLTI’) and co-investment awards on termination under plan rules</td>
<td>→ An executive director’s award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period, with the award pro-rated for the proportion of the vesting period that had elapsed at the date of cessation of employment. → The Remuneration Committee has discretion to vary the level of vesting as deemed appropriate, and in particular to determine that awards should not vest in the case of a ‘bad leaver’ which may include, at their absolute discretion, departure in case of poor performance, departure without the agreement of the Board, or detrimental competitive activity.</td>
</tr>
<tr>
<td>Pension and benefits</td>
<td>→ Generally pension and benefit provisions will continue to apply until the termination date. → Where appropriate other benefits may be receivable, such as (but not limited to) payments in lieu of accrued holiday and legal fees or tax advice costs in relation to the termination. → Benefits of relative small value may continue after termination where appropriate, such as (but not limited to) mobile phone provision.</td>
</tr>
</tbody>
</table>

In exceptional circumstances, an arrangement may be established specifically to facilitate the exit of a particular individual albeit that any such arrangement would be made within the context of minimising the cost to the Group. We will only take such a course of action in exceptional circumstances and where it is considered to be in the best interests of shareholders.
arrangements. The Chairman is entitled to the use of a car and a driver whenever and wherever he is providing his services to or representing the Company. We have been advised that for non-executive directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit therefore we also cover the tax liability for these expenses.

Non-executive director service contracts
Non-executive directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation. Non-executive directors are generally not expected to serve for a period exceeding nine years. For further information refer to the “Nomination and Governance Committee” section of the annual report (page 59).
Annual report on remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken over the 2014 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent non-executive directors:

Chairman: Luc Vandevelde
Committee members: Renee James; Samuel Jonah; Philip Yea

The Committee regularly consults with Vittorio Colao, the Chief Executive, and Ronald Schellekens, the Group HR Director, on various matters relating to the appropriateness of awards for executive directors and senior executives, though they are not present when their own compensation is discussed. In addition, Adrian Jackson, the Group Reward and Policy Director, provides a perspective on information provided to the Committee, and requests information and analyses from external advisors as required. Rosemary Martin, the Group General Counsel and Company Secretary, advises the Committee on corporate governance guidelines and acts as secretary to the Committee.

External advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate. The two appointed advisors were selected through a thorough process led by the Chairman of the Remuneration Committee and were appointed by the Committee. The Chairman of the Remuneration Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management in support of the Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee advisor. Advisors attend Committee meetings occasionally, as and when required by the Committee.

Pricewaterhouse Coopers LLP ("PwC") and Towers Watson are both members of the Remuneration Consultants’ Group and, as such, voluntarily operate under the Remuneration Consultants’ Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. PwC and Towers Watson have confirmed that they adhered to that Code of Conduct throughout the year for all remuneration services provided to Vodafone and therefore the Committee are satisfied that they are independent and objective. The Remuneration Consultants’ Group Code of Conduct is available at remunerationconsultantsgroup.com.

<table>
<thead>
<tr>
<th>Advisor</th>
<th>Appointed by</th>
<th>Services provided to the Committee</th>
<th>Fees for services provided to the Committee (£000)</th>
<th>Other services provided to the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>PwC</td>
<td>Remuneration Committee in 2007</td>
<td>Advice on market practice; Governance; Plan design</td>
<td>£85</td>
<td>International mobility; Finance; Technology; Tax; Operations; Compliance</td>
</tr>
<tr>
<td>Towers Watson</td>
<td>Remuneration Committee in 2007</td>
<td>Market data on executive and non-executive reward; Reward consultancy; Performance analysis</td>
<td>£25</td>
<td>Pension and benefit administration; Reward consultancy</td>
</tr>
</tbody>
</table>

Note: Fees are determined on a time spent basis

PwC have been appointed as our auditors from April 2014 and therefore no longer advise the Remuneration Committee. Towers Watson continue to act as independent remuneration advisors.

Philip Yea sat on an advisory board for PwC until 14th January 2014. In light of PwC’s role as advisor to the Remuneration Committee on remuneration matters up until April 2014, the Remuneration Committee considered his position and determined that there was no conflict or potential conflict arising.

2013 AGM

The 2013 remuneration report received a 96.36% vote in favour of a total of 31,950,649,494 votes cast (3.64% votes against and 436,513,724 votes were withheld).

Meetings

The Remuneration Committee had six formal meetings during the year. Outside these meetings there are frequent discussions usually by conference call. The principal agenda items at the formal meetings were as follows:

- May 2013
  - 2013 annual bonus achievement and 2014 targets and ranges
  - 2011 long-term incentive award vesting and 2014 targets and ranges

- July 2013
  - 2014 long-term incentive awards
  - Large local market CEO remuneration

- September 2013
  - Impact of the Verizon Wireless transaction on reward arrangements

- November 2013
  - 2015 reward strategy
  - 2014 long-term incentive awards, share ownership levels, accounting costs and dilution levels
  - Reduction of maximum leverage on future long-term incentive awards from 300% to 250% of target
  - Reduction of pension levels from November 2015 from 30% to 24% of base salary

- January 2014
  - 2015 annual bonus framework
  - New executive director fee levels
  - New share plan rules
  - New remuneration reporting regulations
  - Remuneration package for Nick Read and departure arrangements for Andy Haford

- March 2014
  - 2015 reward packages for the Executive Committee and Chairman’s fees
  - Risk assessment
  - 2014 directors’ remuneration report
  - 2015 long-term incentive awards
  - Committee’s effectiveness and terms of reference
Directors’ remuneration (continued)

2014 remuneration

In this section we summarise the pay packages awarded to our executive directors for performance in the 2014 financial year versus 2013. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the annual bonus (‘GSTIP’) was earned during the year but will be paid out in cash in the following year and the value of the long-term incentive (‘GLTI’) shows the share awards which will vest in June 2014 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2014.

The Remuneration Committee reviews all incentive awards prior to payment and has full discretion to reduce awards if it believes this is appropriate. The decision need not be on objective grounds. It should be noted that the Remuneration Committee did not exercise discretion in determining the annual bonus (‘GSTIP’) payout for this year or in deciding the final vesting level of the long-term incentive awards (‘GLTI’).

Total remuneration for the 2014 financial year

<table>
<thead>
<tr>
<th></th>
<th>Vittorio Colao</th>
<th>Andy Halford</th>
<th>Stephen Pusey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary/fees</td>
<td>£872,000</td>
<td>£1,110,700</td>
<td>£620,000</td>
</tr>
<tr>
<td>Taxable benefits1,2</td>
<td>£14,968</td>
<td>£14,347</td>
<td>£12,400</td>
</tr>
<tr>
<td>Total long-term incentive:3</td>
<td>£58,148</td>
<td>£32,000</td>
<td>£2,400</td>
</tr>
<tr>
<td>GLTI vesting during the year4</td>
<td>£5,573</td>
<td>£1,000</td>
<td>£1,000</td>
</tr>
<tr>
<td>Cash in lieu of GLTI dividends5</td>
<td>£509</td>
<td>£620</td>
<td>£59</td>
</tr>
<tr>
<td>Cash in lieu of pension</td>
<td>£279</td>
<td>£173</td>
<td>£173</td>
</tr>
<tr>
<td>Total</td>
<td>£8,397,109</td>
<td>£11,099,400</td>
<td>£6,580,346</td>
</tr>
</tbody>
</table>

Notes:
1 Andy Halford retired on 31 March 2014.
2 Taxable benefits include amounts in respect of: – Private healthcare (2014: £1,734, 2013: £1,500); – Cash car allowance (£5,080 p.a.); – Travel (2014: £5,000); – Payment in lieu of holidays at retirement (2014: Andy Halford £1,900).
3 Excludes shares acquired under Vodafone’s Share Incentive Plan (‘SIP’). Andy Halford is the only director who participated and the annual value of the matching shares is £1,500.
4 The value shown in the 2013 column is the award which vested on 28 June 2013 and is valued using the execution share price on 28 June 2013 of 188.03 pence. Please note that the values disclosed in this table in 2013 are slightly different as the value was based on a share price at 31 March 2013 of 186.60 pence. The value shown in the 2014 column is the award which vests on 28 June 2014 and is valued using an average of the closing share price over the last quarter of the 2014 financial year of 234.23 pence. More details are included below.
5 Participants also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest. The cash in lieu of dividend value shown in 2013 relates to the award which vested on 28 June 2013, and the value for 2014 relates to the award which vests on 28 June 2014.

2014 annual bonus (‘GSTIP’) payout

In the table below we disclose our achievement against each of the performance measures and targets in our annual bonus (‘GSTIP’) and the resulting total annual bonus payout level for the year ended 31 March 2014 of 88.5%. This is applied to the target bonus level of 100% of base salary for each executive.

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Payout at target performance 100%</th>
<th>Payout at maximum performance 200%</th>
<th>Actual payout</th>
<th>Target performance level £'000</th>
<th>Actual performance level £'000</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service revenue on a management basis</td>
<td>25%</td>
<td>50%</td>
<td>15.6%</td>
<td>39.4</td>
<td>38.7</td>
<td>Below target performance in Europe (offset by AMAP)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>25%</td>
<td>50%</td>
<td>12.4%</td>
<td>12.7</td>
<td>12.3</td>
<td>Below target performance in Europe partially offset by AMAP</td>
</tr>
<tr>
<td>Adjusted free cash flow</td>
<td>25%</td>
<td>50%</td>
<td>45.1%</td>
<td>4.2</td>
<td>4.7</td>
<td>Strong performance in AMAP</td>
</tr>
<tr>
<td>Competitive performance assessment</td>
<td>25%</td>
<td>50%</td>
<td>15.4%</td>
<td>Compilation of market-by-market assessment</td>
<td>Consolidated performance below target although the number of markets where net promoter score (‘NPS’) ranks #1 increased</td>
<td></td>
</tr>
</tbody>
</table>

Total annual bonus payout level

100% = 200% = 88.5%

Note: 1 These figures are adjusted to include the removal of the impact of M&A, foreign exchange movements and any changes in accounting treatment.

| Vodafone Colao | £1,100,000 | 100% | 88.5% | £990,000 |
| Andy Halford | £700,000 | 100% | 88.5% | £620,000 |
| Stephen Pusey | £575,000 | 100% | 88.5% | £509,000 |
Long-term incentive ('GLTI') award vesting in June 2014

The 2012 long-term incentive ('GLTI') awards which were made in June 2011 will partially vest in June 2014. The performance conditions for the three year period ending in the 2014 financial year are as follows:

<table>
<thead>
<tr>
<th>Adjusted free cash flow measure</th>
<th>TSR outperformance 9%</th>
<th>4.5% (65th percentile equivalent)</th>
<th>0% (Up to median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below threshold</td>
<td>0%</td>
<td>0%</td>
<td>&lt;16.7</td>
</tr>
<tr>
<td>Threshold</td>
<td>16.7%</td>
<td>75%</td>
<td>200%</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
<td>150%</td>
<td>200%</td>
</tr>
<tr>
<td>Maximum</td>
<td>200%</td>
<td>300%</td>
<td>400%</td>
</tr>
</tbody>
</table>

Adjusted free cash flow for the three-year period ended on 31 March 2014 was £17.9 billion which compares with a threshold of £16.7 billion and a target of £19.2 billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 22.3% a year.

Using the combined payout matrix above, this performance resulted in a payout of 148.8% of target (57.2% of the maximum).

The combined vesting percentages are applied to the target number of shares granted as shown below.

**2012 GLTI performance share awards:**

<table>
<thead>
<tr>
<th>Executive</th>
<th>Maximum number of shares</th>
<th>Target number of shares</th>
<th>Adjusted free cash flow performance payout % of target</th>
<th>TSR multiplier</th>
<th>Overall vesting % of target</th>
<th>Number of shares vesting</th>
<th>Value of shares vesting (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vittorio Colao</td>
<td>6,461,396</td>
<td>1,615,349</td>
<td>74.4%</td>
<td>2 times</td>
<td>148.8%</td>
<td>2,403,638</td>
<td>£5,830</td>
</tr>
<tr>
<td>Andy Halford</td>
<td>2,243,290</td>
<td>660,822</td>
<td>74.4%</td>
<td>2 times</td>
<td>136.4%</td>
<td>901,361</td>
<td>£2,111</td>
</tr>
<tr>
<td>Stephen Pusey</td>
<td>2,162,990</td>
<td>540,747</td>
<td>74.4%</td>
<td>2 times</td>
<td>148.8%</td>
<td>804,852</td>
<td>£1,685</td>
</tr>
</tbody>
</table>

Notes:
1. Andy Halford retired on 31 March 2014. His award has been prorated for the 33 months he served during the 36 month vesting period.
2. Valued using an average of the closing share prices over the last quarter of the 2014 financial year of 234.23 pence.

These shares will vest on 28 June 2014. The adjusted free cash flow performance is audited by Deloitte LLP and approved by the Remuneration Committee. The performance assessment in respect of the TSR outperformance of the peer group median is undertaken by Towers Watson. Dividend equivalents will also be paid in cash after the vesting date as shown on page 78. Details of how the plan works can be found on pages 72 to 74.

Long-term incentive ('GLTI') awarded during the year

The 2014 long-term incentive awards made in July 2013 under the Global Long-Term Incentive Plan ('GLTI') were made in line with the 2014 policy as disclosed in our 2013 remuneration report. The performance conditions are a combination of adjusted free cash flow and TSR performance as follows:

<table>
<thead>
<tr>
<th>Adjusted free cash flow measure</th>
<th>TSR outperformance 9%</th>
<th>4.5% (65th percentile equivalent)</th>
<th>0% (Up to median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below threshold</td>
<td>0%</td>
<td>0%</td>
<td>&lt;12.4</td>
</tr>
<tr>
<td>Threshold</td>
<td>12.4%</td>
<td>75%</td>
<td>200%</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
<td>150%</td>
<td>200%</td>
</tr>
<tr>
<td>Maximum</td>
<td>150%</td>
<td>225%</td>
<td>300%</td>
</tr>
</tbody>
</table>

The combined vesting percentages are applied to the target number of shares granted.

In order to participate fully in this award, executives had to co-invest personal shares worth 100% of salary. The resulting awards to executive directors were as follows:

<table>
<thead>
<tr>
<th>Executive</th>
<th>Number of shares awarded</th>
<th>Face value of shares awarded</th>
<th>Proportion of salary</th>
<th>Target vesting level</th>
<th>Maximum vesting level</th>
<th>Performance period end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vittorio Colao</td>
<td>1,389,123</td>
<td>£2,636,249</td>
<td>1/6th</td>
<td>Maximum</td>
<td>Maximum</td>
<td>31 Mar 2016</td>
</tr>
<tr>
<td>Andy Halford</td>
<td>772,981</td>
<td>£1,469,998</td>
<td>1/6th</td>
<td>Maximum</td>
<td>Maximum</td>
<td>31 Mar 2016</td>
</tr>
<tr>
<td>Stephen Pusey</td>
<td>634,948</td>
<td>£1,207,497</td>
<td>1/6th</td>
<td>Minimum</td>
<td>Maximum</td>
<td>31 Mar 2016</td>
</tr>
</tbody>
</table>

Dividend equivalents on the shares that vest are paid in cash after the vesting date.

Notes:
1. Face value calculated based on the share prices at the dates of grant of 190.2 pence and 202.5 pence.
Directors’ remuneration (continued)

All-employee share plans

The executive directors are also eligible to participate in the UK all-employee plans.

Summary of plans

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs (‘HMRC’) approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive directors’ participation is included in the option table on page 81.

Share Incentive Plan

The Vodafone Share Incentive Plan (‘SIP’) is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month (or 5% of salary if less) which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK-based executive directors are eligible to participate.

Pensions

Vittorio Colao, Andy Halford and Stephen Pusey received a cash allowance of 30% of base salary in lieu of pension contributions during the 2014 financial year. No executive directors accrued benefits under any defined contribution pension plans during the year.

The executive directors are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date (aged 60).

Andy Halford retired on 31 March 2014 aged 55. Until 2010, he participated in a legacy defined benefit pension plan into which no additional contributions were payable in 2014. On 31 March 2010 he took the opportunity to take early retirement from this pension scheme due to the closure of the scheme (aged 51 years). In accordance with the scheme rules, his accrued pension at this date was reduced with an early retirement factor for four years to reflect the fact that his pension is being paid before age 55 and is therefore expected to be paid out for a longer period of time. In addition, he exchanged part of his early retirement pension at 31 March 2010 for a tax-free cash lump sum of £18,660. The pension in payment at 31 March 2010 was £17,800 per year. The pension increased on 1 April 2011, 1 April 2012 and 1 April 2013 by 5%, in line with the scheme rules, to £20,605 per year from 1 April 2013.

Alignment to shareholder interests

All of our executive directors have shareholdings in excess of their goals. Current levels of ownership by the executive directors, and the date by which the goal should be or should have been achieved, are shown below. The values are calculated using an average share price over the six months to 31 March 2014 of 229.32 pence. These values do not include the value of the shares that will vest in June 2014.

<table>
<thead>
<tr>
<th></th>
<th>Goal as a % of salary</th>
<th>Current % of salary held</th>
<th>% of goal achieved</th>
<th>Number of shares</th>
<th>Value of shareholding (£m)</th>
<th>Date for goal to be achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vittorio Colao</td>
<td>400%</td>
<td>1,875%</td>
<td>469%</td>
<td>9,077,302</td>
<td>20.8</td>
<td>July 2012</td>
</tr>
<tr>
<td>Andy Halford (ownership position at retirement on 31 March 2014)</td>
<td>300%</td>
<td>755%</td>
<td>252%</td>
<td>2,305,059</td>
<td>5.3</td>
<td>July 2010</td>
</tr>
<tr>
<td>Stephen Pusey</td>
<td>300%</td>
<td>630%</td>
<td>210%</td>
<td>1,579,543</td>
<td>3.6</td>
<td>June 2014</td>
</tr>
</tbody>
</table>

Note:
1. During the year the Verizon transaction and a share consolidation took place.

Collectively the Executive Committee including the executive directors own more than 22 million Vodafone shares, with a value of over £50 million.

Directors’ interests in the shares of the Company

A summary of interests in shares and scheme interests of the directors who served during the year is given below. More details of the performance shares and options follows.

<table>
<thead>
<tr>
<th></th>
<th>Total number of interests in share1</th>
<th>Unvested GLTI Shares (with performance conditions)</th>
<th>Share Incentive Plan (without performance conditions)</th>
<th>SAYE (unvested without performance conditions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vittorio Colao</td>
<td>24,251,716</td>
<td>15,157,846</td>
<td>–</td>
<td>16,568</td>
</tr>
<tr>
<td>Andy Halford (position at retirement on 31 March 2014)</td>
<td>8,561,152</td>
<td>6,249,860</td>
<td>17,014</td>
<td>6,233</td>
</tr>
<tr>
<td>Stephen Pusey</td>
<td>7,719,776</td>
<td>6,140,233</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>40,532,644</td>
<td>27,547,939</td>
<td>17,014</td>
<td>22,801</td>
</tr>
</tbody>
</table>

Note:
1. Includes shares in the share incentive plan (SIP), interests of connected persons, unvested share awards and share options. During the year the Verizon transaction and a share consolidation took place.
During the period from 1 April 2014 to 20 May 2014, the directors’ total number of interests in shares did not change.

Performance shares

The maximum number of outstanding shares that have been awarded to directors under the long-term incentive (‘GLTI’) plan are currently as follows:

Note: For details of the performance conditions please see page 74.

Share options

No share options have been granted to directors during the year. The following information summarises the executive directors’ options under the Vodafone Group 2008 Sharesave Plan (‘SAYE’) and the Vodafone Group Incentive Plan (‘GIP’). HMRC approved awards may be made under both of the schemes mentioned. No other directors have options under any schemes.

Options under the Vodafone Group 2008 Sharesave Plan were granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

Notes:
1. During the year the Verizon transaction and a share consolidation took place.
2. The performance condition on the options granted in June 2013 and September 2013 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in July 2016.
3. The performance condition on the options granted in September 2006 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in September 2009.

At 31 March 2014

<table>
<thead>
<tr>
<th>Directors</th>
<th>Total number of interests in shares1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valerie Gooding</td>
<td>4,038</td>
</tr>
<tr>
<td>Renee James</td>
<td>27,272</td>
</tr>
<tr>
<td>Alan Jebson</td>
<td>44,912</td>
</tr>
<tr>
<td>Samuel Jonah</td>
<td>30,190</td>
</tr>
<tr>
<td>Gerard Kleisterlee</td>
<td>59,755</td>
</tr>
<tr>
<td>Omid Kordestani</td>
<td>–</td>
</tr>
<tr>
<td>Nick Land</td>
<td>32,080</td>
</tr>
<tr>
<td>Anne Lauvergeon</td>
<td>17,151</td>
</tr>
<tr>
<td>Luc Vandevelde</td>
<td>54,880</td>
</tr>
<tr>
<td>Anthony Watson</td>
<td>62,727</td>
</tr>
<tr>
<td>Philip Yea</td>
<td>33,408</td>
</tr>
</tbody>
</table>

1. During the year the Verizon transaction and a share consolidation took place.

<table>
<thead>
<tr>
<th>Directors</th>
<th>Options granted during the 2014 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vittorio Colao</td>
<td>6,411,396</td>
</tr>
<tr>
<td>Andy Halford</td>
<td>4,185,370</td>
</tr>
<tr>
<td>Stephen Pusey</td>
<td>2,318,945</td>
</tr>
</tbody>
</table>

1. The closing trade share price on 31 March 2014 was 220.25 pence. The highest trade share price during the year was 252.3 pence and the lowest price was 180.23 pence.
2. The performance condition on the options granted in July 2007 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in July 2016.
3. The performance condition on the options granted in September 2006 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in September 2009.
Loss of office payments
Andy Halford retired on 31 March 2014. As per his contract Andy had a 12 month notice period which commenced on 1 October 2013. He worked six months of his notice period – until the end of the financial year. We will be making payments in lieu of notice each month for the remainder of Andy’s notice period (1 April 2014–30 September 2014). The total of these payments will be a maximum of £350,000 (six months’ salary) subject to mitigation if Andy were to start a new executive role at another organisation.

Andy has worked for the full 2014 financial year and so he will receive his annual bonus payment in June 2014 (as detailed on page 78).

The 2012, 2013 and 2014 GLTI awards (made in June 2011, July 2012, June 2013 and September 2013) will be pro-rated on a time worked basis. These awards will vest, subject to performance, at their normal vesting date, in accordance with the good leaver provisions in our share plan rules. The 2013 and 2014 GLTI awards will lapse if Andy starts a new executive role at another organisation.

Andy will receive no further benefits aside from the provision of a SIM card for his personal use at the Company’s expense for a period of three years commencing 1 April 2014.

Payments to past directors
During the 2014 financial year, no payments were made, or benefits given, to past directors with value of greater than our de minimis threshold (£5,000 p.a.).

Fees retained for external non-executive directorships
Executive directors may hold positions in other companies as non-executive directors and retain the fees. Andy Halford is a non-executive director of Marks and Spencer Group plc and in accordance with Group policy he retained fees for the year of £81,250.

Assessing pay and performance
In the table below we summarise the Chief Executive’s single figure remuneration over the past five years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period. The chart below shows the performance of the Company relative to the STOXX Europe 600 Index over a five year period. The STOXX Europe 600 Index was selected as this is a broad-based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the chart on page 79 and not this chart.

Note:
1 The single figure reflects share awards which were granted in 2006 and 2007, prior to his appointment to Chief Executive in 2008.

Change in the Chief Executive’s remuneration
In the table below we show the percentage change in the Chief Executive’s remuneration (salary, taxable benefits and annual bonus payment) between the 2013 and 2014 financial years compared to the average for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2013 (per capita). Vodafone has employees based all around the world and some of these individuals work in countries with very high inflation therefore a comparison to Vodafone’s UK based Group employees is more appropriate than to all employees.
Relative spend on pay

The chart below shows both the dividends distributed in the year and the total cost of remuneration in the Group.

For more details on dividends and expenditure on remuneration for all employees, please see pages 124 and 152 respectively.

2014 remuneration for the Chairman and non-executive directors

| Notes: | 1 We have been advised that for non-executive directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit. The table above includes these travel expenses and the corresponding tax contribution (restated for 2013).  
2 Salary/fees include an additional allowance of £6,000 per meeting for directors based outside of Europe. |

<table>
<thead>
<tr>
<th>Salary/fees</th>
<th>Benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Chairman</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gerard Kleisterlee</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luc Vandevelde</td>
<td>160</td>
<td>154</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valerie Gooding (appointed 1 February 2014)</td>
<td>19</td>
<td>–</td>
</tr>
<tr>
<td>Renee James</td>
<td>139</td>
<td>151</td>
</tr>
<tr>
<td>Alan Jebson</td>
<td>151</td>
<td>151</td>
</tr>
<tr>
<td>Samuel Jonahi</td>
<td>151</td>
<td>157</td>
</tr>
<tr>
<td>Omid Kordestani</td>
<td>151</td>
<td>10</td>
</tr>
<tr>
<td>Nick Land</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Anne Lauvergeon</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>Anthony Watson</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>Philip Yea</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>Former non-executive directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sir John Buchanan (retired 24 July 2012)</td>
<td>–</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>1,856</td>
<td>1,766</td>
</tr>
</tbody>
</table>
 Directors’ remuneration (continued)

2015 remuneration

Subject to shareholder approval at the 2014 AGM, we intend to implement the remuneration policy as set out on pages 71 to 76.

For the 2015 financial year the details are as follows:

2015 base salaries
The Remuneration Committee considered business performance, salary increases for other UK employees and external market information and decided to increase the annual base salaries of the Chief Executive (Vittorio Colao) and the Chief Technology Officer (Stephen Pusey) by 3.6% and 4.3% respectively from 1 July 2014. The last salary increase that was received by these individuals was three years ago in July 2011. The average salary increase for Executive Committee members will be 1.7%; this compares to the salary increase budget in the UK of 2%.

The annual salaries for 2015 (effective 1 July 2014) are as follows:
- Chief Executive: Vittorio Colao £1,150,000;
- Chief Financial Officer: Nick Read (from 1 April 2014) £675,000; and
- Chief Technology Officer: Stephen Pusey £600,000.

2015 annual bonus (‘GSTIP’)
The performance measures and weightings for 2015 are as follows:
- Service revenue (25%);
- adjusted EBITDA (25%);
- adjusted free cash flow (25%); and
- competitive performance assessment (25%). This is an assessment encompassing both net promoter score (‘NPS’) and market share against the competitors in each of our markets.

Annual bonus targets are commercially sensitive and therefore will be disclosed in the 2015 remuneration report following the completion of the financial year.

Long-term incentive (‘GLTI’) awards for 2015
As described in our policy on pages 72 to 74 the performance conditions are a combination of adjusted free cash flow and TSR performance. The details for the 2015 award will be as follows (with linear interpolation between points):

<table>
<thead>
<tr>
<th>Adjusted free cash flow measure</th>
<th>TSR out performance</th>
<th>TSR peer group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
<td>Bharti BT Group Deutsche Telekom MTN</td>
</tr>
<tr>
<td>Below threshold</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>Threshold</td>
<td>3.4</td>
<td>55%</td>
</tr>
<tr>
<td>Target</td>
<td>5.1</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum</td>
<td>6.8</td>
<td>187.5%</td>
</tr>
</tbody>
</table>

Note:
1 When considered on a like-for-like basis with targets for previous years (e.g. excluding the impact of Project Spring) the adjusted cash flow target is £12.3 billion.

The combined vesting percentages are applied to the target number of shares granted.

We have made the following changes to the long-term incentive since the last award:
- the maximum vesting level has reduced from three times to two and a half times the target vesting level;
- a mandatory holding period has been introduced where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary; and
- AT&T has been removed from the peer group, Bharti and MTN have been added as stand alone comparators and the remaining emerging market proxy company (Turkcell) has also been removed.

Long-term incentive (‘GLTI’) awards vesting
As discussed elsewhere in the annual report, Project Spring involves significant organic investment over the next two years to enhance network and service leadership further. This investment will have a significant impact on adjusted Free Cash Flow (‘FCF’), which is the primary performance condition for the GLTI and we expect an initial drop in FCF that will then build again as the investment pays off over the longer term. The impact is predicted as follows:

<table>
<thead>
<tr>
<th>Financial year of award</th>
<th>Performance period end</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>March 2015</td>
<td>Targets for the 2013 and 2014 awards were set prior to the announcement of Project Spring therefore we will remove the impact on FCF when calculating the vesting results following the end of each performance period.</td>
</tr>
<tr>
<td>2014</td>
<td>March 2016</td>
<td>The 2015 awards (and all future years) will have the full impact of Project Spring included in the targets and no further adjustments will be necessary.</td>
</tr>
<tr>
<td>2015 onwards</td>
<td>March 2017 onwards</td>
<td></td>
</tr>
</tbody>
</table>

For the 2015 review, the fees for our Chairman and non-executives have been benchmarked against a comparator group of the FTSE 30 companies. Following the review there will be no increases to the fees of non-executive directors. The Chairman’s fees will be increased by 4.2% to £625,000 from 1 July 2014.

Note:
For 2015, the allowance payable each time a non-Europe-based non-executive director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved is £6,000.

Further remuneration information

Dilution
All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Association of British Insurers. The current estimated dilution from subsisting executive awards is approximately 3.2% of the Company’s share capital at 31 March 2014 (2.0% at 31 March 2013), whilst from all-employee share awards it is approximately 0.6% (0.3% at 31 March 2013). This gives a total dilution of 3.8% (2.3% at 31 March 2013).

Service contracts
The terms and conditions of appointment of our directors are available for inspection at the Company’s registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting). The executive directors have notice periods in their service contracts of 12 months. The non-executive directors’ letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated.

The executive directors will be proposed for election or re-election at the 2014 AGM.

/s/ Luc Vandevelde
Luc Vandevelde
On behalf of the Board
20 May 2014
Directors’ report

The Directors of your Company present their report together with the consolidated financial statements for the year ended 31 March 2014.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under DTR4. Certain information that fulfils the requirements of the directors’ report can be found elsewhere in this document and is referred to below. This information is incorporated into this directors’ report by reference.

Responsibility statement

As required under the Disclosure and Transparency Rules a statement made by the Board regarding the preparation of the financial statements is set out on page 88. This statement also provides details regarding the disclosure of information to the Company’s auditors and management’s report on internal control over financial information.

Going concern

The going concern statement required by the Listing Rules and the Code is set out in the “Directors’ statement of responsibility” on page 89.

Strategic report

The strategic report is set out in pages 1 to 47 and is incorporated into this directors’ report by reference.

Directors and their interests

A full list of the individuals who were directors of the Company during the financial year ended 31 March 2014 is set out below.


Details of each director’s interests in the Company’s ordinary shares, options held over ordinary shares, interests in share options and long term incentive plans are set out in full on pages 69 to 85.

Directors’ conflicts of interest

Established within the Company is a procedure for managing and monitoring conflicts of interest for directors. Full details of this procedure is set out on page 56.

Directors’ indemnities

Details of qualifying third party indemnity provisions for the benefit of the Company’s directors can be found on page 57.

Corporate governance statement

Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the corporate governance statement to be outlined in the directors’ report. This information is laid out in the corporate governance statement, on pages 48 to 85.

Capital structure and rights attaching to shares

All information relating to the Company’s capital structure, rights attaching to shares, dividends, the policy to repurchase the Company’s own shares and other shareholder information is contained on pages 182 to 189 and incorporated into this directors’ report by reference.

Dividends

Full details of the Company’s dividend policy and proposed final dividend payment for the year ended 31 March 2014, are set out on page 124.

Sustainability

Information about the Company’s approach to sustainability risks and opportunities is set out on pages 34 and 35. Also included on these pages are details of our greenhouse gas emissions.

Political donations

No political donations under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made or political expenditure incurred.

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 23 to the consolidated financial statements.

Exposure to price, credit, liquidity and cash flow risks

Our disclosures relating to exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 23 to the consolidated financial statements.

Important events since the end of the financial year

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in the strategic report and note 34 to the consolidated financial statements.

Future developments within the Group

The strategic report contains details of likely future developments within the Group.
Research and development
Details of the Group’s activities relating to research and development are contained in note 3 to the consolidated financial statements.

Branches
As the Group is a global business there are activities operated through many jurisdictions.

Employee disclosures
Our disclosures relating to the employment of disabled persons, the number of women in senior management roles, employee engagement and policies are included in “Our people” on pages 36 and 37.

By Order of the Board
/s/ Rosemary Martin
Rosemary Martin
Company Secretary
20 May 2014
The “Consolidated financial statements” are presented on a statutory basis which, under IFRS accounting principles, includes the financial results of the Group’s joint ventures using the equity accounting basis.

### Reporting our financial performance

We continue to review the format of our consolidated financial statements with the aim of making them clear and easier to follow. This year, in addition to continuing with the integrated financial review which combines commentary on certain items within the primary financial statements, we have changed the order and grouping of the notes to the financial statements to help with the flow of information and focus on areas that we feel are key to understanding our business. We have also placed accounting policies within the notes to the accounts to which they best relate. We hope this format makes it easier for you to navigate to the information that is important to you.
The directors are responsible for preparing the financial statements in accordance with applicable law and regulations and keeping proper accounting records. Detailed below are statements made by the directors in relation to their responsibilities, disclosure of information to the Company's auditors, going concern and management's report on internal control over financial reporting.

Financial statements and accounting records
Company law of England and Wales requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU and Article 4 of the EU IAS Regulations. The directors also ensure that the consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB');
- state for the Company financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and for the consolidated financial statements, Article 4 of the EU IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors’ responsibility statement
The Board confirms to the best of its knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the directors’ report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Board considers the report and accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

Neither the Company nor the directors accept any liability to any person in relation to the annual report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Disclosure of information to the auditor
Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company’s auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.
Going concern

The Group’s business activities, performance, position and principal risks and uncertainties and how these are managed are set out in the strategic report on pages 1 to 47. A range of mitigations for risks faced by the Group are included on page 90.

In addition, the financial position of the Group is included within “Commentary on the consolidated statement of cash flows” on page 103, “Borrowings”, “Liquidity and capital resources” and “Capital and financial risk management” in notes 21, 22 and 23 respectively to the consolidated financial statements, which include disclosure in relation to the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources, and the directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Further discussion on the basis of the going concern assessment by the directors is set out on page 200.

Management’s report on internal control over financial reporting

As required by section 404 of the Sarbanes-Oxley Act, management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. The Group’s internal control over financial reporting includes policies and procedures that:

→ pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;

→ are designed to provide reasonable assurance that transactions are recorded as necessary to allow the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and

→ provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group’s assets that could have a material effect on the financial statements.

Any internal control framework, no matter how well designed, has inherent limitations including the possibility of human error and the circumvention or overriding of the controls and procedures, and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2014 based on the original Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’) in 1992. Based on management’s assessment, management has concluded that internal control over financial reporting was effective at 31 March 2014.

In 2013, COSO published an updated Internal Control – Integrated Framework which will supersede the original framework from 15 December 2014. Accordingly, the new framework will be implemented during the year ending 31 March 2015. The Group’s existing controls will be mapped to the five components and 17 principles in the updated Internal Control – Integrated Framework. Any gaps will be evaluated and, where required, additional controls identified, or existing controls enhanced.

The assessment excluded the internal controls over financial reporting relating to Kabel Deutschland Holding AG (‘KDG’) because it became a subsidiary during the year, as described in note 28 “Acquisitions and disposals”. KDG will be included in the Group’s assessment at 31 March 2015. Key amounts consolidated for KDG at 31 March 2014 are total assets of £9,741 million, net assets of £4,709 million and revenue and loss for the financial year of £735 million and £242 million, respectively.

During the period covered by this document, there were no changes in the Group’s internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group’s internal control over financial reporting at 31 March 2014 has been audited by Deloitte LLP, an independent registered public accounting firm who also audit the Group’s consolidated financial statements. Their audit report on internal control over financial reporting is on page 91.

By Order of the Board

/s/ Rosemary Martin
Rosemary Martin
Company Secretary
20 May 2014
Risk mitigation

→ Specific back-up and resilience requirements are built into our networks. We monitor our ability to replace strategic equipment quickly in event of failure, and for high risk components, we maintain dedicated back-up equipment ready for use. Dedicated access network equipment is installed on trucks ready to be moved on site if required.

Our critical infrastructure has been enhanced to prevent unauthorised access and reduce the likelihood and impact of a successful attack. Network contingency plans are linked with our business continuity and disaster recovery plans which are in place to cover the residual risks that cannot be mitigated. A crisis management team and escalation processes are in place both nationally and internationally, and crisis simulations are conducted annually.

We also manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 monitoring of our network in many countries.

→ Both the hardware and software applications which hold or transmit confidential personal and business voice and data traffic include security features. Security related reviews are conducted according to our policies and security standards. Security governance and compliance is managed and monitored through software tools that are deployed to all local markets and selected partner markets. Our data centres are managed to international information security standards. Third party data security reviews are conducted jointly with our technology security and corporate security functions.

→ We will continue to promote our differentiated propositions by focusing on our points of strength such as network quality, capacity and coverage, quality of customer service and the value of our products and services. We are enhancing distribution channels to get closer to customers and using targeted promotions where appropriate to attract and retain specific customers. We closely monitor and model competitor behaviour, network builds and product offerings to understand future intentions so that we are able to react in a timely manner.

→ We monitor political developments in our existing and potential markets closely, identifying risks in our current and proposed commercial propositions. Regular reports are made to our Executive Committee on current political and regulatory risks. These risks are considered in our business planning process, including the importance of competitive commercial pricing and appropriate product strategies. Authoritative and timely intervention is made at both national and international level in respect of legislative, fiscal and regulatory proposals which we feel are not in the interests of the Group. We have regular dialogue with trade groups that represent network operators and other industry bodies to understand underlying political pressures.

→ In some markets we are already providing fixed line telecommunication services (voice and broadband). In other existing markets we are closely monitoring international economic and currency situations. Executive Committee briefings have been provided with specific actions identified to reduce the impact of the risk. We have developed a detailed business continuity plan in the event of a country economic crisis leading to a banking system freeze and a need to transition to a “cash based” operating system for a number of months.

→ We have a global health and safety policy that includes standards for electromagnetic fields ("EMF") that are mandated in all our operating companies. We have a Group EMF Board that appropriately manages and monitors, potential risks through cross sector initiatives and which oversees a coordinated global programme to respond to public concern, and develop appropriate advocacy related to possible precautionary legislation. We monitor scientific developments and engage with relevant bodies to support the delivery and transparent communication of the scientific research agenda set by the WHO.

→ We have experience of acquiring and integrating businesses into the Group and for all significant transactions we develop and implement a structured integration plan, led by a senior business leader. Integration plans are systematically implemented and executed to ensure that revenue benefits and cost synergies are delivered and that the acquired businesses are successfully integrated through the alignment of policies, processes and systems. The progress against acquisition business cases and the status of integration plans is monitored and reviewed as part of the Group’s governance and performance management procedures.

→ We regularly review the performance of key suppliers, both operationally and financially, across individual markets and from the Group perspective. Other processes are in place to regularly identify and manage “suppliers at risk”. Most supplier categories have business continuity plans in place in the event of single supplier failure.

→ We maintain constructive but robust engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. Where appropriate we engage advisors and legal counsel to obtain opinions on tax legislation and principles.

→ We review the carrying value of the Group’s property, plant and equipment, goodwill and other intangible assets at least annually, or more frequently where the circumstances require, to assess whether carrying values can be supported by the net present value of future cash flows derived from such assets. This review considers the continued appropriateness of the assumptions used in assessing for impairment, including an assessment of discount rates and long-term growth rates, future technological developments, and the timing and amount of future capital expenditure. Other factors which
actively look for opportunities to provide services beyond mobile through acquisition, partnerships, or joint ventures.

We have also developed strategies which strengthen our relationships with customers by accelerating the introduction of integrated voice, messaging and data price plans to avoid customers reducing their out of bundle usage through internet/Wi-Fi based substitution.

may affect revenue and profitability (for example intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services) are also considered. Discount rates are in part derived from yields on government bonds, the level of which may change substantially period to period and which may be affected by political, economic and legal developments which are beyond our control. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.
We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint ventures (the "Group") as of 31 March 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in management’s report on internal control over financial reporting, management excluded from its assessment the internal control over financial reporting at Kabel Deutschland Holding AG, which became a subsidiary during the year and which accounted for £9,741 million of total assets, £4,709 million of net assets, £735 million of revenue and £242 million of loss for the financial year of the consolidated financial statement amounts as of and for the year ended 31 March 2014. Accordingly our audit did not include the internal control over financial reporting at Kabel Deutschland Holding AG.

The Group’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management’s report on internal control over financial reporting. Our responsibility is to express an opinion on the Group’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2014, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended 31 March 2014 prepared in conformity with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. Our report dated 20 May 2014 expressed an unqualified opinion on those financial statements.
Report of Independent Registered Public Accounting Firm to the members of Vodafone Group Plc

We have audited the accompanying consolidated statements of financial position of Vodafone Group Plc and subsidiaries (the “Group”) as of 31 March 2014 and 2013, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended 31 March 2014. These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2014 and 2013, and the results of its operations and cash flows for each of the three years in the period ended 31 March 2014, in conformity with International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board.

As discussed in note 1, the 2013 and 2012 financial statements have been restated for the adoption of IFRS 11, Joint Arrangements and amendments to IAS 19, Employee Benefits. Our opinion is not modified with respect to this matter.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group’s internal control over financial reporting as of 31 March 2014, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 20 May 2014 expressed an unqualified opinion on the Group’s internal control over financial reporting.

/S/ DELOITE LLP

Deloitte LLP
London
United Kingdom
20 May 2014
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## Consolidated income statement
for the years ended 31 March

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>Restated*</th>
<th>Restated*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Revenue</td>
<td>38,346</td>
<td>38,041</td>
<td>38,821</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(27,942)</td>
<td>(26,567)</td>
<td>(27,201)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>10,404</td>
<td>11,474</td>
<td>11,620</td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td>(3,033)</td>
<td>(2,860)</td>
<td>(2,755)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(4,245)</td>
<td>(4,159)</td>
<td>(4,031)</td>
</tr>
<tr>
<td>Share of results of equity accounted associates and joint ventures</td>
<td>278</td>
<td>575</td>
<td>1,129</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>4</td>
<td>(6,600)</td>
<td>(7,700)</td>
</tr>
<tr>
<td>Other income and expense</td>
<td>(717)</td>
<td>468</td>
<td>3,705</td>
</tr>
<tr>
<td>Investment income</td>
<td>(2,106)</td>
<td>(1,402)</td>
<td>(1,179)</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(1,554)</td>
<td>(1,770)</td>
<td>(1,496)</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>3</td>
<td>(3,913)</td>
<td>(2,202)</td>
</tr>
<tr>
<td>Non-operating income and expense</td>
<td>(149)</td>
<td>10</td>
<td>162</td>
</tr>
<tr>
<td>Investment income</td>
<td>5</td>
<td>346</td>
<td>305</td>
</tr>
<tr>
<td>Financing costs</td>
<td>5</td>
<td>(1,554)</td>
<td>(1,770)</td>
</tr>
<tr>
<td>(Loss)/profit before taxation</td>
<td>6</td>
<td>(5,270)</td>
<td>(3,483)</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>1</td>
<td>16,582</td>
<td>(476)</td>
</tr>
<tr>
<td>Profit/(loss) for the financial year from continuing operations</td>
<td>11,312</td>
<td>(3,959)</td>
<td>3,439</td>
</tr>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>48,108</td>
<td>4,616</td>
<td>3,555</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>657</td>
<td>6,994</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Equity shareholders</td>
<td>59,254</td>
<td>413</td>
<td>6,848</td>
</tr>
<tr>
<td>– Non-controlling interests</td>
<td>166</td>
<td>244</td>
<td>46</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>657</td>
<td>6,994</td>
</tr>
</tbody>
</table>

### Earnings/(loss) per share

From continuing operations:

- Basic: 42.10p (15.66p) 12.28p
- Diluted: 41.77p (15.66p) 12.14p

Total Group:

- Basic: 223.84p 1.54p 25.15p
- Diluted: 222.07p 1.54p 24.87p

Notes:

1. Restated to show the results of our US Group in discontinued operations, adoption of IFRS 11 and amendments to IAS 19. See note 1 “Basis of preparation” for further details.

2. Profit attributable to non-controlling interests solely derives from continuing operations.

## Consolidated statement of comprehensive income
for the years ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Restated*</th>
<th>Restated*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>657</td>
<td>6,994</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified to profit or loss in subsequent periods:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses on revaluation of available-for-sale investments, net of tax</td>
<td>(119)</td>
<td>(73)</td>
<td>(17)</td>
</tr>
<tr>
<td>Foreign exchange translation differences, net of tax</td>
<td>(4,104)</td>
<td>362</td>
<td>(3,673)</td>
</tr>
<tr>
<td>Foreign exchange losses/(gains) transferred to the income statement</td>
<td>1,493</td>
<td>1</td>
<td>(681)</td>
</tr>
<tr>
<td>Fair value gains transferred to the income statement</td>
<td>(25)</td>
<td>(12)</td>
<td>–</td>
</tr>
<tr>
<td>Other, net of tax</td>
<td>–</td>
<td>(4)</td>
<td>(10)</td>
</tr>
<tr>
<td>Total items that may be reclassified to profit or loss in subsequent years</td>
<td>(2,755)</td>
<td>274</td>
<td>(4,381)</td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss in subsequent years:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net actuarial gains/(losses) on defined benefit pension schemes, net of tax</td>
<td>37</td>
<td>(182)</td>
<td>(263)</td>
</tr>
<tr>
<td>Total items that will not be reclassified to profit or loss in subsequent years</td>
<td>37</td>
<td>(182)</td>
<td>(263)</td>
</tr>
<tr>
<td>Other comprehensive (expense)/income</td>
<td>(2,718)</td>
<td>92</td>
<td>(4,644)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>56,702</td>
<td>749</td>
<td>2,350</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Equity shareholders</td>
<td>56,711</td>
<td>604</td>
<td>2,383</td>
</tr>
<tr>
<td>– Non-controlling interests</td>
<td>166</td>
<td>145</td>
<td>(33)</td>
</tr>
<tr>
<td>56,702</td>
<td>749</td>
<td>2,350</td>
<td></td>
</tr>
</tbody>
</table>

Note:

1. Restated to show the results of our US Group in discontinued operations, adoption of IFRS 11 and amendments to IAS 19. See note 1 “Basis of preparation” for further details.
Commentary on the consolidated income statement and statement of comprehensive income

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the consolidated statement of comprehensive income.

Further details on the major movements in the year are set out below:

Revenue
Revenue increased by 0.8% to £38.3 billion. The increase is driven by revenue growth in our AMAP region and business acquisitions, partially offset by revenue declines in Europe due to challenging trading conditions and by unfavourable exchange rate movements. Our operating results discussion on pages 40 to 45 provides further detail on our revenue performance.

Operating loss
Our operating loss increased to £3.9 billion from £2.2 billion as lower impairment charges were offset by lower revenue, higher customer costs and higher amortisation. During the year we recorded goodwill impairment charges of £6.6 billion relating to our businesses in Germany, Spain, Portugal, Czech Republic and Romania (see note 4 “Impairment losses”).

Income tax expense
We recorded an income tax credit on continuing operations of £16.6 billion compared with a £0.5 billion charge in 2013. The credit primarily arises from the recognition of £19.3 billion of deferred tax assets for tax losses in Germany and Luxembourg partly offset by taxes arising from the disposal of the Group’s investment in Verizon Wireless (see note 6 “Taxation”). Our effective tax rate decreased to -33.4% from 77.2%. Further information on how our effective tax rate is determined is provided within the operating results discussion on page 44.

Profit for the year from discontinued operations
Discontinued operations includes the £45.0 billion profit arising on the disposal of the Group’s investment in Verizon Wireless, £1.7 billion of dividends receivable since the disposal and the post-tax profits of the Group’s share of Verizon Wireless and entities in the US Group sold to Verizon Communications as part of the overall disposal transaction up until 2 September 2013 when the proposed disposal was announced. The profit from discontinued operations for the year ended 31 March 2014 has increased to £48.1 billion from £4.6 billion, primarily due to the profit arising from the disposal of the Group’s investment in Verizon Wireless. Further information is provided in note 7 “Discontinued operations” and note 28 “Acquisitions and disposals”.

Earnings per share
Basic earnings per share from continuing operations was 42.10 pence, an increase of 57.76 pence, driven by the recognition of £19.3 billion of deferred tax assets for losses in Germany and Luxembourg. Total Group basic earnings per share, which includes profits from discontinued operations, increased by 222.30 pence to 223.84 pence primarily as a result of

The consolidated statement of comprehensive income records all of the income and losses generated for the year.

Further details on the major movements in the year are set out below:

Profit for the financial year
Profit for the financial year of £59.4 billion is recognised in the consolidated income statement and the reasons underlying the £58.8 billion increase are provided above.

Foreign exchange differences, net of tax
Foreign exchange translation differences arise when we translate the results and net assets of our operating companies, joint arrangements and associates, which transact their operations in foreign currencies including the euro, South African rand and Indian rupee, into our presentation currency of sterling. The net movements in foreign exchange rates resulted in a loss of £4.1 billion for the year compared with a gain in the previous year of £0.4 billion.

Foreign exchange losses/(gains) transferred to the income statement
The foreign exchange losses transferred to the income statement in the year ended 31 March 2014 relate to the recycling of amounts in relation to our investment in Verizon Wireless and Vodafone Italy which were triggered, respectively, by the disposal and the acquisition of a controlling stake.

Net actuarial gains/(losses) on defined benefit schemes, net of tax
We realised a £37 million post-tax gain from the revaluation of the Group’s defined benefit pension schemes after updating actuarial assumptions and revaluing scheme assets.
the £45.0 billion gain recognised on the
disposal of the US Group.

Adjusted earnings per share, which is a non-
GAAP measure used by management and
which excludes items that we do not view as
being reflective of our performance, was 17.54
pence, a decrease of 12.8% compared to the
prior year. The reduction was primarily due to
lower adjusted operating profits, partially offset
by a reduction in the number of the Group’s
shares due to the Group’s share buyback
programme.

Our calculation of the adjusted earnings on
which we base our adjusted earnings per share
calculation is set out within the operating results
on page 45. Note 8 “Earnings per share”
provides information on the number of shares
used for determining earnings per share.

The financial commentary on this page is unaudited.
## Consolidated statement of financial position

at 31 March

<table>
<thead>
<tr>
<th>Note</th>
<th>31 March 2014</th>
<th>Restated 31 March 2013</th>
<th>Restated 1 April 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
</tbody>
</table>

### Non-current assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>23,315</td>
<td>24,390</td>
<td>27,816</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>23,373</td>
<td>19,749</td>
<td>18,762</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>22,851</td>
<td>17,584</td>
<td>16,008</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>114</td>
<td>46,447</td>
<td>47,682</td>
</tr>
<tr>
<td>Other investments</td>
<td>3,553</td>
<td>773</td>
<td>790</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>20,607</td>
<td>2,848</td>
<td>1,894</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>35</td>
<td>52</td>
<td>31</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,270</td>
<td>4,835</td>
<td>3,436</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>97,118</td>
<td>116,675</td>
<td>116,419</td>
</tr>
</tbody>
</table>

### Current assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>441</td>
<td>353</td>
<td>375</td>
</tr>
<tr>
<td>Taxation recoverable</td>
<td>808</td>
<td>397</td>
<td>275</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>8,886</td>
<td>8,018</td>
<td>10,007</td>
</tr>
<tr>
<td>Other investments</td>
<td>4,419</td>
<td>5,350</td>
<td>1,323</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,134</td>
<td>7,531</td>
<td>7,051</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>34</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,722</td>
<td>21,649</td>
<td>19,031</td>
</tr>
</tbody>
</table>

### Total assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>121,840</td>
<td>138,324</td>
<td>135,450</td>
</tr>
</tbody>
</table>

### Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Called up share capital</td>
<td>3,792</td>
<td>3,866</td>
<td>3,866</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>116,973</td>
<td>154,279</td>
<td>154,123</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(7,187)</td>
<td>(9,029)</td>
<td>(7,841)</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(51,428)</td>
<td>(88,834)</td>
<td>(84,217)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>6,652</td>
<td>11,195</td>
<td>11,004</td>
</tr>
<tr>
<td><strong>Total equity shareholders' funds</strong></td>
<td>70,802</td>
<td>71,477</td>
<td>76,935</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,733</td>
<td>1,890</td>
<td>2,090</td>
</tr>
<tr>
<td>Put options over non-controlling interests</td>
<td>(754)</td>
<td>(879)</td>
<td>(823)</td>
</tr>
<tr>
<td><strong>Total non-controlling interests</strong></td>
<td>979</td>
<td>1,011</td>
<td>1,267</td>
</tr>
</tbody>
</table>

### Total equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total equity</strong></td>
<td>71,781</td>
<td>72,488</td>
<td>78,202</td>
</tr>
</tbody>
</table>

### Non-current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term borrowings</td>
<td>21,454</td>
<td>27,904</td>
<td>26,882</td>
</tr>
<tr>
<td>Taxation liabilities</td>
<td>50</td>
<td>150</td>
<td>250</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>747</td>
<td>6,671</td>
<td>6,572</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>584</td>
<td>580</td>
<td>292</td>
</tr>
<tr>
<td>Provisions</td>
<td>846</td>
<td>855</td>
<td>448</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,339</td>
<td>1,307</td>
<td>1,181</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,020</td>
<td>37,467</td>
<td>35,825</td>
</tr>
</tbody>
</table>

### Current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowings</td>
<td>7,747</td>
<td>11,800</td>
<td>6,232</td>
</tr>
<tr>
<td>Taxation liabilities</td>
<td>873</td>
<td>1,922</td>
<td>1,888</td>
</tr>
<tr>
<td>Provisions</td>
<td>963</td>
<td>715</td>
<td>571</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>15,456</td>
<td>13,932</td>
<td>12,932</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,039</td>
<td>28,369</td>
<td>21,623</td>
</tr>
</tbody>
</table>

### Total equity and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>121,840</td>
<td>138,324</td>
<td>135,450</td>
</tr>
</tbody>
</table>

Note:
1. Restated for the adoption of IFRS 11 and amendments to IAS 19. See note 1 "Basis of preparation" for further details.

The consolidated financial statements were approved by the Board of directors and authorised for issue on 20 May 2014 and were signed on its behalf by:

/s/ Vittorio Colao  /s/ Nick Read
Vittorio Colao  Nick Read
Chief Executive  Chief Financial Officer
The consolidated statement of financial position shows all of our assets and liabilities at 31 March.

Further details on the major movements of both our assets and liabilities in the year are set out below. Our statement of financial position has been materially impacted in the year by the sale of our interest in Verizon Wireless, the acquisition of Kabel Deutschland and the assumption of control over Vodafone Italy (jointly the ‘Group’s acquisitions’):

**Assets**

**Goodwill and other intangible assets**
Our total intangible assets increased to £46.7 billion from £44.1 billion. The increase primarily arose as a result of £11.5 billion additions as a result of the Group’s acquisitions and other additions of £3.7 billion, including £1.9 billion of spectrum acquired in India, partially offset by £6.6 billion of goodwill impairments, reductions of £2.6 billion as a result of unfavourable movements in foreign exchange rates and £3.5 billion of amortisation.

**Property, plant and equipment**
Our total intangible assets increased to £46.7 billion from £44.1 billion, principally as a result of £6.4 billion additions in the year arising from Group acquisitions and a further £4.9 billion of purchases, partially offset by £4.0 billion of depreciation charges and £1.5 billion of adverse foreign exchange movements.

**Investments in associates and joint ventures**
Investments in associates and joint ventures decreased to £0.1 billion (2013: £46.4 billion), primarily reflecting a reduction of £43.2 billion on the disposal of the Group’s investment in Verizon Wireless and the transition of Vodafone Italy from a joint venture to a fully consolidated subsidiary. Our share of the trading results of associates and joint ventures was £3.5 billion, including £3.2 billion from Verizon Wireless classified within discontinued operations.

**Other non-current assets**
Other non-current assets increased by £19.0 billion to £27.5 billion, mainly due to a £17.8 billion increase in recognised deferred tax assets, primarily in respect of additional tax losses in Germany and Luxembourg (see note 6 “Taxation” for further details), and an increase of £2.8 billion in other investments as a result of loan notes received in respect of the disposal of the Group’s investment in Verizon Wireless, partly offset by a £1.6 billion reduction in receivables, which was primarily due to a reduction in amounts due from associates.

**Total equity and liabilities**

**Total equity**
Total equity decreased by £0.7 billion to £71.8 billion. Total comprehensive income for the year of £56.7 billion was offset by the return of value to shareholders of £51.0 billion and other dividends paid to equity shareholders and non-controlling interests of £1.5 billion.

**Borrowings**
Total borrowings decreased to £29.2 billion from £39.7 billion, primarily as the result of the

**Other current liabilities**
Other current liabilities increased to £16.4 billion (2013: £14.6 billion). Trade payables at 31 March 2014 were equivalent to 40 days (2013:37 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

**Contractual obligations and contingencies**
A summary of our principal contractual financial obligations is shown below and details of the Group’s contingent liabilities are included in note 30 “Contingent liabilities”.

### Payments due by period (£m)

<table>
<thead>
<tr>
<th>Contractual obligations</th>
<th>&lt;1 year</th>
<th>1–3 years</th>
<th>3–5 years</th>
<th>&gt;5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings1</td>
<td>35,721</td>
<td>8,642</td>
<td>5,506</td>
<td>9,825</td>
</tr>
<tr>
<td>Operating lease commitments2</td>
<td>5,732</td>
<td>1,128</td>
<td>1,519</td>
<td>1,034</td>
</tr>
<tr>
<td>Capital commitments3,4</td>
<td>2,335</td>
<td>2,093</td>
<td>215</td>
<td>20</td>
</tr>
<tr>
<td>Purchase commitments</td>
<td>4,420</td>
<td>3,426</td>
<td>578</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48,208</strong></td>
<td><strong>15,289</strong></td>
<td><strong>7,818</strong></td>
<td><strong>11,070</strong></td>
</tr>
</tbody>
</table>

Notes:
1. This table includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see “Potential cash outflows from option agreements and similar arrangements” on page 145) and obligations to pay dividends to non-controlling shareholders (see “Dividends from associates and to non-controlling shareholders” on page 146). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 “Taxation” and 26 “Post employment benefits” respectively. The table excludes the contractual obligations of associates and joint ventures.
2. See note 21 “Borrowings”.
3. See note 29 “Commitments”.
4. Primarily related to network infrastructure.
redemption of US$5.65 billion of bonds following the sale of our interest in Verizon Wireless and also due to £2.7 billion favourable foreign exchange movements. A net debt reconciliation is provided on page 103.

Deferred taxation liabilities
Deferred tax liabilities reduced to £0.7 billion from £6.7 billion mainly due to the disposal of the US Group that held substantial deferred tax liabilities to Verizon Communications.

The financial commentary on this page is unaudited.
Consolidated statement of changes in equity
for the years ended 31 March

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Additional paid-in capital</th>
<th>Treasury shares</th>
<th>Retained earnings</th>
<th>Currency reserve</th>
<th>Pension reserves</th>
<th>Investment reserves</th>
<th>Revaluation reserves</th>
<th>Equity share funds</th>
<th>Non-controlling interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>31 March 2013 restated a</td>
<td>3,886</td>
<td>154,729</td>
<td>(9,029)</td>
<td>86,834</td>
<td>10,020</td>
<td>(548)</td>
<td>135</td>
<td>1,040</td>
<td>86</td>
<td>71,477</td>
</tr>
<tr>
<td>Issue or reissue of shares</td>
<td>2</td>
<td>207</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Redemption or cancellation of shares (74)</td>
<td>74</td>
<td>1,648</td>
<td>(1,648)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Capital reduction and creation of B and C shares 16,613</td>
<td>16,613</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Cancellation of B shares 15,613</td>
<td>15,613</td>
<td>-</td>
<td>-</td>
<td>1,115</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share-based payment 88</td>
<td>88</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transactions with non-controlling interests in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>(1,451)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share-based payment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transactions with non-controlling interests in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>31 March 2014</td>
<td>3,792</td>
<td>116,373</td>
<td>(7,187)</td>
<td>97,428</td>
<td>8,164</td>
<td>(61)</td>
<td>16</td>
<td>1,040</td>
<td>43</td>
<td>70,802</td>
</tr>
</tbody>
</table>

Notes:
1. Restated for the adoption of IFRS 11 and amendments to IAS 19. Retained losses have increased and the pensions reserve losses have reduced by £49 million for the year ended 31 March 2013 and by £53 million for the year ended 31 March 2012. See note 1 “Basis of preparation” for further details.
2. Includes share premium, capital redemption reserve and merger reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.
3. Includes £12 million tax charge (2013: £18 million credit; 2012: £2 million credit).
4. Amount for 2013 includes a commitment for the purchase of own shares of £1,026 million; 2012: £1,091 million).
Commentary on the consolidated statement of changes in equity

The consolidated statement of changes in equity shows the movements in equity shareholders’ funds and non-controlling interests. Equity shareholders’ funds decreased by £0.7 billion as the profits on the sale of our investment in Verizon Wireless (‘VZW’) and from the recognition of a large deferred tax asset were offset by the return of value to shareholders, regular ordinary dividends and goodwill impairment charges.

The major movements in the year are described below:

**Redemption and cancellation of shares**
We cancelled 1 billion ordinary shares that had been repurchased by the Company and held as treasury shares.

**Purchase of own shares**
We initiated a £1.5 billion share buyback programme following the receipt of a US$3.8 billion (£2.4 billion) income dividend from VZW in December 2012. Under this programme, which was completed in June 2013, the Group placed irrevocable purchase instructions with a third party in the prior year to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market. This led to a total of 552,050 purchased shares being settled in the current year at an average price per share, including transaction costs, of 189 pence.

The movement in treasury shares during the year is shown below:

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Million</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 2013</td>
<td>4,902</td>
<td>9,029</td>
<td></td>
</tr>
<tr>
<td>Reissue of shares</td>
<td>(104)</td>
<td>(194)</td>
<td></td>
</tr>
<tr>
<td>Receipt of shares re-purchased in prior year</td>
<td>552</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Cancellation of shares</td>
<td>(1,000)</td>
<td>(1,648)</td>
<td></td>
</tr>
<tr>
<td>Share consolidation</td>
<td>(1,978)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>31 March 2014</strong></td>
<td>2,372</td>
<td>7,187</td>
<td></td>
</tr>
</tbody>
</table>

The reissue of shares in the year was to satisfy obligations under employee share schemes.

**Issue of B and C shares**
On 2 September 2013 Vodafone announced that it had reached agreement to dispose of its US Group whose principal asset was its 45% interest in Verizon Wireless for a total consideration of US$130 billion (£79 billion).

Following completion on 21 February 2014, Vodafone shareholders received all of the Verizon shares and US$23.9 billion (£14.3 billion) of cash (the ‘Return of Value’) totalling US$85.2 billion (£51.0 billion).

The Return of Value was carried out through a B share and C share scheme. Eligible shareholders were able to elect between receiving one B share or one C share for each ordinary share that they held.

The B shares were cancelled by Vodafone in transactions with non-controlling stakeholders in subsidiaries
During the year we acquired further non-controlling interests in Vodafone India Limited and commenced the legal process of acquiring the remaining shares in Kabel Deutschland.

**Comprehensive income**
The Group generated £56.7 billion of total comprehensive income in the year, primarily a result of the profit for the year attributable to equity shareholders of £59.3 billion. Total comprehensive income increased by £56.0 billion compared to the previous year; the primary reason underlying the increase being the profit realised on the disposal of our investment in VZW of £45.0 billion and the profit arising from the recognition of significant deferred tax assets of £19.3 billion in relation to losses incurred in Germany and Luxembourg (further details are provided in note 6 “Taxation” to the consolidated financial statements).

**Dividends**
Dividends of £40.6 billion include the special £35.5 billion B share distribution and C share dividends distributed as part of the Return of Value to shareholders and £5.1 billion of equity dividends.

We provide returns to shareholders through equity dividends and historically have generally paid dividends in February and August in each year. The directors expect that we will continue to pay dividends semi-annually.

The £5.1 billion equity dividend in the current year comprises £3.4 billion in relation to the final dividend for the year ended 31 March 2013 and £1.7 billion for the interim dividend for the year ended 31 March 2014. This has increased from total dividends of £4.8 billion in the prior year, with increases in the dividend per share more than offsetting reductions in the number of shares in issue.

The interim dividend of 3.53 pence per share announced by the directors in November 2013 represented an 8% increase over last year’s interim dividend. The directors are proposing a final dividend of 7.47 pence per share. Total dividends for the year, excluding the Return of Value in relation to the VZW disposal increased by 8% to 11.00 pence per share.
return for cash and Verizon shares with a value no greater than the aggregate nominal value of the B shares.

Holders of the C shares received a special dividend on their C shares, consisting of cash and Verizon shares with an aggregate value, for each C share, equal to the aggregate value of cash payable and Verizon shares receivable on the cancellation of each B share. The special B share distribution and C share dividend of £35.5 billion is included within the £40.6 billion of dividends described paid to equity shareholders in the year.

The financial commentary on this page is unaudited.
## Consolidated statement of cash flows

for the years ended 31 March

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>Restated* 2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>19</td>
<td>6,227</td>
<td>8,824</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of interests in subsidiaries, net of cash acquired</td>
<td>28</td>
<td>(4,279)</td>
<td>(1,432)</td>
</tr>
<tr>
<td>Other investing activities in relation to purchase of subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of interests in associates and joint ventures</td>
<td>(11)</td>
<td>(6)</td>
<td>(5)</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(2,327)</td>
<td>(3,758)</td>
<td>(1,876)</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(4,396)</td>
<td>(3,958)</td>
<td>(4,071)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(214)</td>
<td>(4,249)</td>
<td>(417)</td>
</tr>
<tr>
<td>Disposal of interests in subsidiaries, net of cash disposed</td>
<td>-</td>
<td>27</td>
<td>784</td>
</tr>
<tr>
<td>Disposal of property, plant and equipment</td>
<td>34,919</td>
<td>-</td>
<td>6,799</td>
</tr>
<tr>
<td>Disposal of interests in associates and joint ventures</td>
<td>79</td>
<td>105</td>
<td>91</td>
</tr>
<tr>
<td>Disposal of investments</td>
<td>1,483</td>
<td>1,523</td>
<td>66</td>
</tr>
<tr>
<td>Dividends received from associates and joint ventures</td>
<td>4,897</td>
<td>5,539</td>
<td>4,916</td>
</tr>
<tr>
<td>Interest received</td>
<td>582</td>
<td>461</td>
<td>336</td>
</tr>
<tr>
<td><strong>Taxation on investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from investing activities</strong></td>
<td></td>
<td>30,743</td>
<td>(5,746)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of ordinary share capital and reissue of treasury shares</td>
<td>38</td>
<td>69</td>
<td>91</td>
</tr>
<tr>
<td>Net movement in short-term borrowings</td>
<td>(2,887)</td>
<td>1,581</td>
<td>1,517</td>
</tr>
<tr>
<td>Proceeds from issue of long-term borrowings</td>
<td>1,060</td>
<td>5,422</td>
<td>1,578</td>
</tr>
<tr>
<td>Repayment of borrowing</td>
<td>(9,788)</td>
<td>(1,720)</td>
<td>(3,421)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(1,033)</td>
<td>(1,568)</td>
<td>(3,584)</td>
</tr>
<tr>
<td>B and C share payments</td>
<td>(14,291)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>(5,076)</td>
<td>(4,806)</td>
<td>(6,643)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders in subsidiaries</td>
<td>(264)</td>
<td>(379)</td>
<td>(304)</td>
</tr>
<tr>
<td>Other transactions with non-controlling shareholders in subsidiaries</td>
<td>(111)</td>
<td>15</td>
<td>(2,605)</td>
</tr>
<tr>
<td>Other movements in loans with associates and joint ventures</td>
<td>-</td>
<td>168</td>
<td>(792)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,897)</td>
<td>(1,525)</td>
<td>(1,504)</td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td></td>
<td>(34,249)</td>
<td>(2,743)</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td></td>
<td>2,721</td>
<td>335</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the financial year</td>
<td>20</td>
<td>7,506</td>
<td>7,001</td>
</tr>
<tr>
<td>Exchange (loss)/gain on cash and cash equivalents</td>
<td></td>
<td>(115)</td>
<td>170</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of the financial year</strong></td>
<td>20</td>
<td>10,112</td>
<td>7,506</td>
</tr>
</tbody>
</table>

During the year ended 31 March 2014 there were a number of material non-cash investing and financing activities that arose in relation to both the disposal of our interest in Verizon Wireless, the acquisition of the remaining 23% of Vodafone Italy and the return of value to shareholders. Full details of these material non-cash transactions are included in note 28 to the consolidated financial statements.

Note:
1 Restated for the adoption of IFRS 11 and amendments to IAS 19. See note 1 “Basis of preparation” for further details.
Commentary on the consolidated statement of cash flows

The consolidated statement of cash flows shows the cash flows from operating, investing and financing activities for the year. Closing net debt has reduced to £13.7 billion from £25.4 billion. The reduction has primarily been achieved as the result of cash retained from the sale of our interest in Verizon Wireless after the return of value to shareholders.

Our liquidity and working capital may be affected by a material decrease in cash flow due to a number of factors as outlined in “Principal risk factors and uncertainties” on pages 196 to 200. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

Purchase of interests in subsidiaries, net of cash acquired
During the year we acquired Kabel Deutschland for net cash consideration of £4.3 billion. Further details on the assets and liabilities acquired are outlined in note 28 “Acquisitions and disposals”.

Purchase of intangible assets
Cash payments for the purchase of intangible assets comprise £1.4 billion for purchases of computer software and £0.9 billion for acquired spectrum.

Purchase of investments
The Group purchases short-term investments as part of its treasury strategy. See note 13 “Other investments”.

Disposal of interests in associates and joint ventures
During the year, we disposed of our US Group whose principal asset was its 45% interest in Verizon Wireless for consideration which included net cash proceeds of £34.9 billion. There were no significant disposals in the prior year.

Disposal of investments
In the prior year we received the remaining consideration of £1.5 billion from the disposal of our interests in SoftBank Mobile Corp.

Dividends received from joint ventures and associates
Dividends received from associates reduced by 11.6% to £4.9 billion. Dividends received primarily comprise tax dividends and income dividends from Verizon Wireless of £4.8 billion in both the current and prior financial years.

Movements in borrowings
Funds retained from the sale of our interest in Verizon Wireless, after the return of value to shareholders, has enabled us to reduce the overall amount of the Group’s borrowings.

Purchase of treasury shares
Cash payments of £1.0 billion relate to the completion of a £1.5 billion share buyback programme that commenced following the receipt of a US$3.8 billion (£2.4 billion) income dividend from VZW in December 2012. Further details are provided on page 101.

B and C share payments
B share payments formed part of the return of value to shareholders following the disposal of the Group’s interest in Verizon Wireless. Further details are provided on page 101.

Equity dividends paid
Equity dividends paid during the year increased by 5.6%. A special dividend was paid during the year to 31 March 2012 following the receipt of an income dividend from VZW. Further details on the Group’s dividends are provided on page 101.

Other transactions with non-controlling shareholders in subsidiaries
During the year we acquired the non-controlling interests in Vodafone India Limited and commenced the legal process of acquiring the remaining shares in Kabel Deutschland.

The financial commentary on this page is unaudited.
Notes to the consolidated financial statements

1. Basis of preparation
This section describes the critical accounting judgements that management has identified as having a potentially material impact on the Group’s consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the accounts, the policy is described within that note. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

The consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board and are also prepared in accordance with IFRS adopted by the European Union (‘EU’), the Companies Act 2006 and Article 4 of the EU IAS Regulations. The consolidated financial statements are prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS 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 revenue and expenses during the reporting period. A discussion on the Group’s critical accounting judgements and key sources of estimation uncertainty is detailed below. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the consolidated financial statements are stated in pounds sterling.

Vodafone Group Plc is registered in England and Wales (No. 1833679).

IFRS requires the directors to adopt accounting policies that are the most appropriate to the Group’s circumstances. In determining and applying accounting policies, directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group’s reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

Management has identified accounting estimates and assumptions relating to revenue, taxation, business combinations and goodwill, joint arrangements, finite lived intangible assets, property, plant and equipment, post employment benefits, provisions and contingent liabilities and impairment that it considers to be critical due to their impact on the Group’s financial statements. These critical accounting judgements, assumptions and related disclosures have been discussed with the Company’s Audit and Risk Committee (see page 62).

Critical accounting judgements and key sources of estimation uncertainty

Revenue recognition

Arrangements with multiple deliverables
In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The fair values determined for deliverables may impact the timing of the recognition of revenue. Determining the fair value of each deliverable can require complex estimates. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis after considering volume discounts where appropriate.

Gross versus net presentation
When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

Taxation

The Group’s tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group’s total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

Resolving tax issues can take many years as it is not always within the control of the Group and often depends on the efficiency of legal processes in the relevant tax jurisdiction.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits, which are
estimated using the latest available profit forecasts. Prior to recording deferred tax assets for tax losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses in Luxembourg, Germany, India, and Turkey, capital allowances in the United Kingdom and the tax liability on the rationalisation and re-organisation of the Group prior to the disposal of our US group, whose principal asset was its 45% interest in Verizon Wireless (‘VZW’). See note 6 "Taxation" to the consolidated financial statements.
Business combinations and goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management’s judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the income statement.

Allocation of the purchase price between finite lived assets (discussed below) and indefinite lived assets such as goodwill affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

On transition to IFRS the Group elected not to apply IFRS 3, “Business combinations”, retrospectively as the difficulty in applying these requirements to business combinations completed by the Group from incorporation through to 1 April 2004 exceeded any potential benefits. Goodwill arising before the date of transition to IFRS amounted to £78,753 million.

If the Group had elected to apply the accounting for business combinations retrospectively it may have led to an increase or decrease in goodwill, licences, customer bases, brands and related deferred tax liabilities recognised on acquisition.

Joint arrangements

The Group participates in a number of joint arrangements where control of the arrangement is shared with one or more other parties. A joint arrangement is classified as a joint operation or as a joint venture, depending on management’s assessment of the legal form and substance of the arrangement.

The classification can have a material impact on the consolidated financial statements. The Group’s share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group’s investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively. See note 12 “Investments in associates and joint ventures” to the consolidated financial statements.

Finite lived intangible assets

Other intangible assets include amounts spent by the Group acquiring licences and spectrum, customer bases and brands and the costs of purchasing and developing computer software.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management’s estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the consolidated income statement. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful life for the most significant categories of intangible assets is discussed below.

Licences and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost; this is adjusted if necessary, for example taking into account the impact of any expected changes in technology.

Customer bases

The estimated useful life principally reflects management’s view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Capitalised software

For computer software, the usefulness life is based on management’s view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence.

Property, plant and equipment

Property, plant and equipment represents 18.8% (2013: 12.7%) of the Group’s total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 11 “Property, plant and equipment” for further details.

Estimation of useful life

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset’s expected life or residual value would result in a reduced depreciation charge in the consolidated income statement.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The useful life of network infrastructure is assumed not to exceed the duration of related operating licences unless there is a reasonable expectation of renewal or an alternative future use for the asset.

Post employment benefits

Management judgement is exercised when determining the Group’s liabilities and expenses arising for defined benefit pension schemes. Management is required to make assumptions regarding future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Sensitivity analysis is provided for these assumptions in note 26 “Post employment benefits” to the consolidated financial statements.
Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Provisions and contingent liabilities
The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 30 “Contingent liabilities” to the consolidated financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

Impairment reviews
IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters including management’s expectations of:

- growth in adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and amount of future capital expenditure;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

Management prepares formal five year forecasts for the Group’s operations, which are used to estimate their value in use. In certain developing markets ten year forecasts are used if it is considered that the fifth year of a forecast is not indicative of expected long-term future performance as operations may not have reached maturity.

For operations where five year forecasts are used for the Group’s value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the long-term compound annual growth rate in adjusted EBITDA in years six to ten estimated by management.

For operations where ten year forecasts are used for the Group’s value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the compound annual growth rate in adjusted EBITDA in years nine to ten of the management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group’s impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis is included in note 4 “Impairment losses” to the consolidated financial statements.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Accounting convention
The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company, subsidiaries controlled by the Company (see note 32 “Principal subsidiaries”) and joint operations that are subject to joint control (see note 12 “Investments in associates and joint ventures”).

Foreign currencies
The consolidated financial statements are presented in sterling, which is the parent company’s functional currency and the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities classified as available-for-sale, are reported as part of the fair value gain or loss and are included in equity.
For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised in equity. On disposal of a foreign operation, any amount previously recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

In respect of all foreign operations, any exchange differences that have arisen before 1 April 2004, the date of transition to IFRS, are deemed to be nil and will be excluded from the determination of any subsequent profit or loss on disposal.


New accounting pronouncements adopted

On 1 April 2013 the Group adopted new accounting policies where necessary to comply with amendments to IFRS. Accounting pronouncements considered by the Group as significant on adoption are:

- Amendments to IAS 19, “Employee benefits”, which requires revised accounting and disclosures for defined benefit pension schemes, including a different measurement basis for asset returns, replacing the expected return on plan assets and interest cost currently recorded in the consolidated income statement with net interest. This results in a revised allocation of costs between the income statement and other comprehensive income. The amendments also require a revised definition of short- and long-term benefits to one year and revised criteria for the recognition of termination benefits. The consolidated financial statements have been restated on the adoption of the amendments to IAS 19 (2013: reduced profit for the year by £16 million, 2012: £9 million).

- Changes to the standards governing the accounting for subsidiaries, joint arrangements and associates, including the introduction of IFRS 10, “Consolidated Financial Statements”, IFRS 11, “Joint Arrangements” and IFRS 12, “Disclosure of Interests in Other Entities” and amendments to IAS 28, “Investments in Associates and Joint Ventures”. IFRS 11 generally requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. Under IFRS 11, the Group’s principal joint arrangements, excluding Cornerstone Telecommunications Infrastructure Limited (see note 12 “Investments in associates and joint ventures”, are incorporated into the consolidated financial statements using the equity method of accounting rather than proportionate consolidation. The consolidated financial statements have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint arrangements and associates do not have a material impact on the Group. Adoption on 1 April 2013 is considered to be early adoption for the purposes of complying with IFRS as endorsed by the European Union.

In addition, during the year the Group has early-adopted amendments to IAS 36, “Impairment of Assets”, relating to recoverable amounts disclosures, which corrects a previous amendment.

Other IFRS changes adopted on 1 April 2013, including the adoption of IFRS 13, “Fair Value Measurement”, have no material impact on the consolidated results, financial position or cash flows of the Group.

The previously reported comparative periods have been restated in the consolidated financial statements for the amendments to IAS 19 and IFRS 11. The impact on key financial information is detailed in the following tables; the impact on earnings per share is immaterial.
New accounting pronouncements to be adopted on 1 April 2014

The following pronouncements which are potentially relevant to the Group have been issued by the IASB or the IFRIC, are effective for annual periods beginning on or after 1 January 2014 and have been endorsed for use in the EU unless otherwise stated:

→ Amendment to IAS 32, “Offsetting financial assets and financial liabilities”.
→ Amendments to IAS 39, “Novation of derivatives and continuation of hedge accounting”.
→ “Improvements to IFRS 2010 to 2012 cycle”, elements are effective variously from 1 July 2014 and for annual periods beginning on or after 1 July 2014. All the amendments will be adopted by the Group from 1 April 2014, except an amendment to IFRS 8, “Operating Segments”, which will be adopted on 1 April 2014. These amendments have not yet been endorsed by the EU.

→ IFRIC 21, “Levies”, which has not yet been endorsed by the EU.

For periods commencing on or after 1 April 2014, the Group’s financial reporting will be presented in accordance with the new standards above which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group.

New accounting pronouncements to be adopted on or after 1 April 2015

On 1 April 2015 the Group will adopt Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” and “Improvements to IFRS 2011–2013 Cycle”, which are both effective for annual periods beginning on or after 1 January 2014. “Accounting for Acquisitions of Interests in Joint Operations, Amendments to IFRS 8 and IAS 38”, which are effective for accounting periods on or after 1 January 2016, will be adopted by the Group on 1 April 2016.

Phase I of IFRS 9 “Financial Instruments” was issued in November 2009 and has subsequently been updated and amended. The effective date of the standard is to be confirmed and has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets, removes the restriction on electing to measure certain financial liabilities at fair value through the income statement from initial recognition and requires changes to the presentation of gains and losses relating to fair value changes.

The Group is currently assessing the impact of the above new pronouncements on its results, financial position and cash flows. None of the new pronouncements discussed above have been endorsed for use in the EU.
2. Segmental analysis

The Group’s businesses are managed on a geographical basis. Selected financial data is presented on this basis below.

The Group’s operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm’s length prices.

Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests, with each country in which the Group operates treated as an operating segment. The aggregation of operating segments into the Europe and AMAP regions reflects, in the opinion of management, the similar economic characteristics within each of those regions as well the similar products and services offered and supplied, classes of customers and the regulatory environment. In the case of the Europe region this largely reflects membership of the European Union, whilst for the AMAP region this largely includes emerging and developing economies that are in the process of rapid growth and industrialisation.

This note contains information on a management basis which includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five month contribution from Verizon Wireless which is treated as discontinued operations.

Certain financial information is provided separately within the Europe region for Germany, Italy, the UK and Spain and within the AMAP region for India and Vodacom, as these operating segments are individually material for the Group.

During the year ended 31 March 2014 the Group changed its organisational structure, merging its Northern and Central Europe and Southern Europe regions into one Europe region and moved its Turkish operating company into the AMAP region given its emerging market characteristics. The tables below present segmental information on the revised basis with prior years restated accordingly.

Accounting policies

Revenue

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the sale is considered complete. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing

The Group’s operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm’s length prices.

Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests, with each country in which the Group operates treated as an operating segment. The aggregation of operating segments into the Europe and AMAP regions reflects, in the opinion of management, the similar economic characteristics within each of those regions as well the similar products and services offered and supplied, classes of customers and the regulatory environment. In the case of the Europe region this largely reflects membership of the European Union, whilst for the AMAP region this largely includes emerging and developing economies that are in the process of rapid growth and industrialisation.

This note contains information on a management basis which includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five month contribution from Verizon Wireless which is treated as discontinued operations.

Certain financial information is provided separately within the Europe region for Germany, Italy, the UK and Spain and within the AMAP region for India and Vodacom, as these operating segments are individually material for the Group.

During the year ended 31 March 2014 the Group changed its organisational structure, merging its Northern and Central Europe and Southern Europe regions into one Europe region and moved its Turkish operating company into the AMAP region given its emerging market characteristics. The tables below present segmental information on the revised basis with prior years restated accordingly.

Accounting policies

Revenue

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the sale is considered complete. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing

The Group’s operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm’s length prices.

Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests, with each country in which the Group operates treated as an operating segment. The aggregation of operating segments into the Europe and AMAP regions reflects, in the opinion of management, the similar economic characteristics within each of those regions as well the similar products and services offered and supplied, classes of customers and the regulatory environment. In the case of the Europe region this largely reflects membership of the European Union, whilst for the AMAP region this largely includes emerging and developing economies that are in the process of rapid growth and industrialisation.

This note contains information on a management basis which includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five month contribution from Verizon Wireless which is treated as discontinued operations.

Certain financial information is provided separately within the Europe region for Germany, Italy, the UK and Spain and within the AMAP region for India and Vodacom, as these operating segments are individually material for the Group.

During the year ended 31 March 2014 the Group changed its organisational structure, merging its Northern and Central Europe and Southern Europe regions into one Europe region and moved its Turkish operating company into the AMAP region given its emerging market characteristics. The tables below present segmental information on the revised basis with prior years restated accordingly.

Accounting policies

Revenue

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the sale is considered complete. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing
For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if:

- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- the Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.
### Segmental analysis (continued)

#### Segmental revenue

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<th>Management basis1</th>
<th>Statutory basis2</th>
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<td>Em</td>
<td>Em</td>
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<td>Segment revenue</td>
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**Non-Controlled Interests and Common Functions**

| 686 | 686 (2) | 684 | 684 |

**Group**

| 43,712 (58) | 43,654 (38) | 43,616 | (5,270) | 38,346 |

**Discontinued operations**

**Verizon Wireless3**

| 9,955 |

#### 31 March 2013 restated

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<td>481</td>
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<td>44,466 (51)</td>
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**Discontinued operations**

**Verizon Wireless3**

| 21,972 |

#### 31 March 2012 restated

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<th>Statutory basis2</th>
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<td>4,259</td>
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<td>Group</td>
<td>46,706 (199)</td>
<td>46,507 (90)</td>
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**Discontinued operations**

**Verizon Wireless3**

| 20,187 |

---

1 Management basis includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis.

2 Presentation adjustments relate to the restatement of the Group’s joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.

3 Values shown for Verizon Wireless, which was an associate, are not included in the calculation of Group revenue.
Segmental profit

The reconciliation of management basis adjusted EBITDA to statutory adjusted operating profit is shown below.

### Notes:
1. Management basis includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five-month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five-month contribution from Verizon Wireless which is treated as discontinued operations.
2. The Group’s measure of segment profit, adjusted EBITDA, excludes depreciation, amortisation and loss on disposal of fixed assets and the Group’s share of results in associates and joint ventures. Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs.
3. Discontinued operations comprise our US Group whose principal asset was a 45% interest in Verizon Wireless. We sold our US Group on 21 February 2014. Refer to note 7 “Discontinued operations” for further details.
4. Presentation adjustments relate to the restatement of the Group’s joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.

### Table: Segmentation reconciliation

<table>
<thead>
<tr>
<th></th>
<th>Management basis</th>
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<th>Statutory basis</th>
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<td>Adjusted EBITDA £m</td>
<td>Depreciation, amortisation and loss on disposal of fixed assets £m</td>
<td>Share of results in associates and joint ventures £m</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Verizon Wireless</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 March 2012 restated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>3,034</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2,521</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>1,294</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>1,210</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Europe</td>
<td>2,160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>10,219</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>1,122</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vodacom</td>
<td>1,933</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other AMAP</td>
<td>1,338</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMAP</td>
<td>4,393</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Controlled Interests and Common Functions</td>
<td>(6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>14,606</td>
<td>(7,625)</td>
<td>5,049</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Verizon Wireless</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Notes: 1. Management basis includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five-month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five-month contribution from Verizon Wireless which is treated as discontinued operations. 2. The Group’s measure of segment profit, adjusted EBITDA, excludes depreciation, amortisation and loss on disposal of fixed assets and the Group’s share of results in associates and joint ventures. Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs. 3. Discontinued operations comprise our US Group whose principal asset was a 45% interest in Verizon Wireless. We sold our US Group on 21 February 2014. Refer to note 7 “Discontinued operations” for further details. 4. Presentation adjustments relate to the restatement of the Group’s joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.
2. Segmental analysis (continued)

A reconciliation of adjusted operating profit to operating (loss)/profit is shown below. For a reconciliation of operating (loss)/profit to profit for the financial year, see the consolidated income statement on page 96.

Notes:

2. Segmental analysis (continued)

### Segmental assets

<table>
<thead>
<tr>
<th>Non-current assets £m</th>
<th>Capital expenditure £m</th>
<th>Other expenditure on intangible assets £m</th>
<th>Depreciation and amortisation £m</th>
<th>Impairment loss £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany 22,780</td>
<td>1,312</td>
<td>3</td>
<td>2,036</td>
<td>4,900</td>
</tr>
<tr>
<td>Italy 7,984</td>
<td>180</td>
<td></td>
<td>164</td>
<td></td>
</tr>
<tr>
<td>UK 8,031</td>
<td>932</td>
<td></td>
<td>1,290</td>
<td></td>
</tr>
<tr>
<td>Spain 3,653</td>
<td>511</td>
<td></td>
<td>587</td>
<td>800</td>
</tr>
<tr>
<td>Other Europe 8,736</td>
<td>800</td>
<td>273</td>
<td>1,047</td>
<td>900</td>
</tr>
<tr>
<td>Europe 51,184</td>
<td>3,735</td>
<td>276</td>
<td>5,124</td>
<td>6,600</td>
</tr>
<tr>
<td>India 7,824</td>
<td>633</td>
<td>1,938</td>
<td>828</td>
<td></td>
</tr>
<tr>
<td>Vodacom 4,560</td>
<td>663</td>
<td>3</td>
<td>593</td>
<td></td>
</tr>
<tr>
<td>Other AMAP 4,850</td>
<td>711</td>
<td>11</td>
<td>922</td>
<td></td>
</tr>
<tr>
<td>AMAP 17,234</td>
<td>2,007</td>
<td>1,952</td>
<td>2,353</td>
<td></td>
</tr>
<tr>
<td>Non-Controlled Interests and Common Functions 1,121</td>
<td>571</td>
<td>–</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Group 69,539</td>
<td>6,313</td>
<td>2,228</td>
<td>7,560</td>
<td>6,600</td>
</tr>
<tr>
<td>31 March 2013 restated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany 19,109</td>
<td>1,073</td>
<td>2</td>
<td>1,423</td>
<td></td>
</tr>
<tr>
<td>Italy –</td>
<td>–</td>
<td>–</td>
<td>4,500</td>
<td></td>
</tr>
<tr>
<td>UK 8,365</td>
<td>601</td>
<td>863</td>
<td>888</td>
<td></td>
</tr>
<tr>
<td>Spain 4,599</td>
<td>377</td>
<td>–</td>
<td>590</td>
<td>3,200</td>
</tr>
<tr>
<td>Other Europe 9,786</td>
<td>993</td>
<td>1,325</td>
<td>1,291</td>
<td></td>
</tr>
<tr>
<td>Europe 41,859</td>
<td>3,044</td>
<td>2,200</td>
<td>4,192</td>
<td>7,700</td>
</tr>
<tr>
<td>India 7,388</td>
<td>462</td>
<td>130</td>
<td>914</td>
<td></td>
</tr>
<tr>
<td>Vodacom 5,668</td>
<td>703</td>
<td>10</td>
<td>696</td>
<td></td>
</tr>
<tr>
<td>Other AMAP 5,826</td>
<td>678</td>
<td>90</td>
<td>884</td>
<td></td>
</tr>
<tr>
<td>AMAP 18,882</td>
<td>1,843</td>
<td>230</td>
<td>2,504</td>
<td></td>
</tr>
<tr>
<td>Non-Controlled Interests and Common Functions 982</td>
<td>405</td>
<td>–</td>
<td>(35)</td>
<td></td>
</tr>
<tr>
<td>Group 61,723</td>
<td>5,292</td>
<td>2,430</td>
<td>6,661</td>
<td>7,700</td>
</tr>
<tr>
<td>31 March 2012 restated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany 19,151</td>
<td>880</td>
<td>4</td>
<td>1,469</td>
<td></td>
</tr>
<tr>
<td>Italy –</td>
<td>–</td>
<td>–</td>
<td>2,450</td>
<td></td>
</tr>
<tr>
<td>UK 6,430</td>
<td>575</td>
<td>–</td>
<td>880</td>
<td></td>
</tr>
<tr>
<td>Spain 8,069</td>
<td>429</td>
<td>71</td>
<td>626</td>
<td>900</td>
</tr>
<tr>
<td>Other Europe 8,542</td>
<td>823</td>
<td>313</td>
<td>1,122</td>
<td>700</td>
</tr>
<tr>
<td>Europe 42,193</td>
<td>2,707</td>
<td>388</td>
<td>4,097</td>
<td>4,050</td>
</tr>
<tr>
<td>India 7,847</td>
<td>710</td>
<td>–</td>
<td>967</td>
<td></td>
</tr>
<tr>
<td>Vodacom 6,469</td>
<td>723</td>
<td>–</td>
<td>840</td>
<td></td>
</tr>
<tr>
<td>Other AMAP 5,362</td>
<td>709</td>
<td>–</td>
<td>782</td>
<td></td>
</tr>
<tr>
<td>AMAP 19,678</td>
<td>2,142</td>
<td>–</td>
<td>2,589</td>
<td></td>
</tr>
<tr>
<td>Non-Controlled Interests and Common Functions 715</td>
<td>395</td>
<td>–</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Group 62,586</td>
<td>5,244</td>
<td>388</td>
<td>6,721</td>
<td>4,050</td>
</tr>
</tbody>
</table>

Notes:

1 Comprises goodwill, other intangible assets and property, plant and equipment.
2 Includes additions to property, plant and equipment and computer software, reported within intangibles. Excludes licences and spectrum additions.
Detailed below are the key amounts recognised in arriving at our operating (loss)/profit.

<table>
<thead>
<tr>
<th>Description</th>
<th>2014 Restated</th>
<th>2013 Restated</th>
<th>2012 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net foreign exchange losses</td>
<td>16</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment (note 11):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned assets</td>
<td>3,990</td>
<td>3,600</td>
<td>3,583</td>
</tr>
<tr>
<td>Leased assets</td>
<td>48</td>
<td>37</td>
<td>74</td>
</tr>
<tr>
<td>Amortisation of intangible assets (note 10)</td>
<td>3,522</td>
<td>3,024</td>
<td>3,064</td>
</tr>
<tr>
<td>Impairment of goodwill in subsidiaries, associates and joint arrangements (note 4)</td>
<td>6,600</td>
<td>7,700</td>
<td>3,848</td>
</tr>
<tr>
<td>Impairment of licences and spectrum (note 4)</td>
<td>–</td>
<td>–</td>
<td>121</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment (note 4)</td>
<td>–</td>
<td>–</td>
<td>81</td>
</tr>
<tr>
<td>Negative goodwill (note 26)</td>
<td>–</td>
<td>(473)</td>
<td>–</td>
</tr>
<tr>
<td>Research and development expenditure</td>
<td>214</td>
<td>307</td>
<td>304</td>
</tr>
<tr>
<td>Staff costs (note 25)</td>
<td>3,875</td>
<td>3,620</td>
<td>3,352</td>
</tr>
<tr>
<td>Operating lease rentals payable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>651</td>
<td>506</td>
<td>500</td>
</tr>
<tr>
<td>Other assets including fixed line rentals</td>
<td>1,502</td>
<td>1,297</td>
<td>1,255</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>85</td>
<td>77</td>
<td>51</td>
</tr>
<tr>
<td>Own costs capitalised attributable to the construction or acquisition of property, plant and equipment</td>
<td>(455)</td>
<td>(356)</td>
<td>(312)</td>
</tr>
</tbody>
</table>

The total remuneration of the Group’s auditor, Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited for services provided to the Group is analysed below:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent company</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>8</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Audit fees</td>
<td>9</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Audit-related assurance services 1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other assurance services 2</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Taxation advisory services 3</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other non-audit services 3</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Non-audit fees</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total fees</td>
<td>13</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Notes:
1. Relates to fees for statutory and regulatory filings.
2. Primarily arising from regulatory filings and shareholder documentation requirements in respect of the disposal of Verizon Wireless and the acquisition of the outstanding minority stake in Vodafone Italy.
3. Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited were engaged during the year to provide a number of taxation advisory and other non-audit services. In aggregate, fees for these services amounted to £0.3 million

Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited have also received fees in each of the last three years in respect of audits of charitable foundations associated to the Group.

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in “Corporate governance” on page 64.
4. Impairment losses

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for each country in which we operate at least annually. For further details on our impairment review process see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations. In certain developing markets the fifth year of the management plan is not indicative of the long-term future performance as operations may not have reached maturity. For these operations, the Group extends the plan data for an additional five year period.

Property, plant and equipment and finite lived intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the income statement.

Impairment losses

Following our annual impairment review, the net impairment losses recognised in the consolidated income statement within operating profit, in respect of goodwill, licences and spectrum fees, and property, plant and equipment are stated below. The impairment losses were based on value in use calculations.

<table>
<thead>
<tr>
<th>Cash generating unit</th>
<th>Reportable segment</th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Germany</td>
<td>4,900</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Italy</td>
<td>Italy</td>
<td>–</td>
<td>4,500</td>
<td>2,450</td>
</tr>
<tr>
<td>Spain</td>
<td>Spain</td>
<td>800</td>
<td>3,200</td>
<td>900</td>
</tr>
<tr>
<td>Portugal</td>
<td>Other Europe</td>
<td>500</td>
<td>–</td>
<td>250</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Other Europe</td>
<td>200</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Romania</td>
<td>Other Europe</td>
<td>200</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Greece</td>
<td>Other Europe</td>
<td>–</td>
<td>–</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,600</td>
<td>7,700</td>
<td>4,050</td>
</tr>
</tbody>
</table>

Goodwill

The remaining carrying value of goodwill at 31 March was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>10,306</td>
<td>11,703</td>
</tr>
<tr>
<td>Italy</td>
<td>3,017</td>
<td>–</td>
</tr>
<tr>
<td>Spain</td>
<td>1,662</td>
<td>2,515</td>
</tr>
<tr>
<td>Other</td>
<td>14,985</td>
<td>14,218</td>
</tr>
<tr>
<td></td>
<td>8,390</td>
<td>10,172</td>
</tr>
<tr>
<td></td>
<td>23,315</td>
<td>24,390</td>
</tr>
</tbody>
</table>
Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>How determined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted, adjusted EBITDA</td>
<td>Budgeted, adjusted EBITDA has been based on past experience adjusted for the following:</td>
</tr>
<tr>
<td></td>
<td>→ voice and messaging revenue is expected to benefit from increased usage from new customers, especially in emerging markets, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be offset by increased competitor activity, which may result in price declines, and the trend of falling termination and other regulated rates;</td>
</tr>
<tr>
<td></td>
<td>→ non-messaging data revenue is expected to continue to grow as the penetration of 3G (plus 4G where available) enabled devices and smartphones rise along with higher data bundle attachment rates, and new products and services are introduced; and</td>
</tr>
<tr>
<td></td>
<td>→ margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.</td>
</tr>
<tr>
<td>Budgeted capital expenditure</td>
<td>The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to roll out networks in emerging markets, to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group’s licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.</td>
</tr>
<tr>
<td>Long-term growth rate</td>
<td>For businesses where the five year management plans are used for the Group’s value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:</td>
</tr>
<tr>
<td></td>
<td>→ the nominal GDP rates for the country of operation; and</td>
</tr>
<tr>
<td></td>
<td>→ the long-term compound annual growth rate in adjusted EBITDA in years six to ten estimated by management.</td>
</tr>
<tr>
<td>Pre-tax risk adjusted discount rate</td>
<td>The discount rate applied to the cash flows of each of the Group’s operations is generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high quality local corporate bond rates may be used.</td>
</tr>
<tr>
<td></td>
<td>These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.</td>
</tr>
<tr>
<td></td>
<td>In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group’s operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.</td>
</tr>
</tbody>
</table>

Year ended 31 March 2014

During the year ended 31 March 2014 impairment charges of £4,900 million, £800 million, £500 million, £200 million and £200 million were recorded in respect of the Group’s investments in Germany, Spain, Portugal, Czech Republic and Romania respectively. The impairment charges relate solely to goodwill. The recoverable amount of Germany, Spain, Portugal, Czech Republic and Romania were £23.0 billion, £3.3 billion, £0.6 billion and £1.2 billion respectively.

The impairment charges are driven by lower projected cash flows within the business plans resulting in our reassessment of expected future business performance in the light of current trading and economic conditions.

The table below shows the key assumptions used in the value in use calculations.

<table>
<thead>
<tr>
<th>Assumptions used in value in use calculation</th>
<th>Germany</th>
<th>Italy</th>
<th>Spain</th>
<th>Portugal</th>
<th>Czech Republic</th>
<th>Romania</th>
<th>Greece</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>7.7</td>
<td>10.5</td>
<td>9.9</td>
<td>11.1</td>
<td>8.0</td>
<td>11.0</td>
<td>24.3</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----</td>
<td>------</td>
<td>-----</td>
<td>------</td>
<td>-----</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Pre-tax risk adjusted discount rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term growth rate</td>
<td>0.5</td>
<td>1.0</td>
<td>1.9</td>
<td>1.5</td>
<td>0.8</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Budgeted, adjusted EBITDA</td>
<td>2.8</td>
<td>(2.2)</td>
<td>(0.7)</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>1.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Budgeted capital expenditure</td>
<td>12.5–21.7</td>
<td>11.1–25.5</td>
<td>9.0–23.5</td>
<td>11.0–28.3</td>
<td>15.9–21.2</td>
<td>10.5–17.3</td>
<td>7.6–12.2</td>
</tr>
</tbody>
</table>

Notes:
1 Budgeted, adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.
## Sensitivity analysis
Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

The estimated recoverable amounts of the Group’s operations in Germany, Italy, Spain, Portugal, Czech Republic, Romania and Greece are equal to, or not materially greater than, their carrying values; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2014.

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Spain</th>
<th>Portugal</th>
<th>Czech Republic</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-tax risk adjusted discount rate</strong></td>
<td>Increase by 2pps</td>
<td>£bn</td>
<td>Decrease by 2pps</td>
<td>£bn</td>
<td>Increase by 2pps</td>
</tr>
<tr>
<td></td>
<td>(7.1)</td>
<td>4.9</td>
<td>(0.9)</td>
<td>0.8</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Long-term growth rate</strong></td>
<td>4.9</td>
<td>(5.2)</td>
<td>0.8</td>
<td>(0.6)</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Budgeted, adjusted EBITDA</strong></td>
<td>0.8</td>
<td>(0.8)</td>
<td>0.2</td>
<td>(0.2)</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Budgeted capital expenditure</strong></td>
<td>(2.4)</td>
<td>2.4</td>
<td>(0.8)</td>
<td>0.8</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>

Notes:
1. Budgeted, adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2. Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

### Year ended 31 March 2013
During the year ended 31 March 2013 impairment charges of £4,500 million and £3,200 million were recorded in respect of the Group’s investments in Italy and Spain respectively. The impairment charges relate solely to goodwill. The recoverable amounts of Italy and Spain were £8.9 billion and £4.2 billion respectively. The impairment charges were driven by a combination of lower projected cash flows within business plans, resulting from our reassessment of expected future business performance in light of current trading and economic conditions and adverse movements in discount rates driven by the credit rating and yields on ten year government bonds.

The table below shows the key assumptions used in the value in use calculations.

<table>
<thead>
<tr>
<th></th>
<th>Italy</th>
<th>Spain</th>
<th>Germany</th>
<th>Greece</th>
<th>Portugal</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-tax risk adjusted discount rate</strong></td>
<td>11.3</td>
<td>12.2</td>
<td>9.6</td>
<td>23.9</td>
<td>11.2</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>Long-term growth rate</strong></td>
<td>0.5</td>
<td>1.9</td>
<td>1.4</td>
<td>1.0</td>
<td>0.4</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Budgeted, adjusted EBITDA</strong></td>
<td>(0.2)</td>
<td>1.7</td>
<td>2.5</td>
<td>0.4</td>
<td>(1.5)</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Budgeted capital expenditure</strong></td>
<td>9.9–15.2</td>
<td>11.2–15.2</td>
<td>11.3–15.8</td>
<td>7.8–11.0</td>
<td>10.0–16.9</td>
<td>10.1–12.5</td>
</tr>
</tbody>
</table>

Notes:
1. Budgeted, adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2. Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

The pre-tax adjusted discount rate used for Czech Republic was 5.6%.
Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

The estimated recoverable amounts of the Group's operations in Italy, Spain, Portugal and Greece are equal to, or not materially greater than, their carrying values; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amounts of the Group’s operations in Germany and Romania exceeded their carrying values by approximately £1,034 million and £184 million respectively.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2013:

<table>
<thead>
<tr>
<th>Change required for carrying value to equal the recoverable amount</th>
<th>Germany pps</th>
<th>Romania pps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax risk adjusted discount rate</td>
<td>0.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Long-term growth rate</td>
<td>(0.5)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Budgeted, adjusted EBITDA¹</td>
<td>(0.7)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Budgeted capital expenditure²</td>
<td>1.1</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Notes:
1. Budgeted, adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2. Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Year ended 31 March 2012

During the year ended 31 March 2012 impairment charges of £2,450 million, £900 million, £450 million and £250 million were recorded in respect of the Group’s investments in Italy, Spain, Greece and Portugal, respectively. Of the total charge, £3,848 million related to goodwill, and £202 million was allocated in Greece to licence intangible assets (£121 million) and property, plant and equipment (£81 million). The recoverable amounts of Italy, Spain, Greece and Portugal were £13.5 billion, £7.4 billion, £0.4 billion and £1.8 billion respectively.

The impairment charges were primarily driven by increased discount rates as a result of increases in bond rates, with the exception of Spain where rates reduced marginally compared to 31 March 2011. In addition, business valuations were negatively impacted by lower cash flows within business plans reflecting challenging economic and competitive conditions, and faster than expected regulatory rate cuts, particularly in Italy.

The table below shows the key assumptions used in the value in use calculations.

<table>
<thead>
<tr>
<th>Assumptions used in value in use calculation</th>
<th>Germany</th>
<th>Italy</th>
<th>Spain</th>
<th>Greece</th>
<th>Portugal</th>
<th><em>Italy</em></th>
<th><em>Spain</em></th>
<th><em>Greece</em></th>
<th><em>Portugal</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax risk adjusted discount rate</td>
<td>8.5</td>
<td>12.1</td>
<td>10.6</td>
<td>22.8</td>
<td>16.9</td>
<td>15.1</td>
<td>11.5</td>
<td>11.5</td>
<td>11.5</td>
</tr>
<tr>
<td>Long-term growth rate</td>
<td>1.5</td>
<td>1.2</td>
<td>1.6</td>
<td>1.0</td>
<td>2.3</td>
<td>6.8</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Budgeted, adjusted EBITDA¹</td>
<td>2.3</td>
<td>(1.2)</td>
<td>3.9</td>
<td>(6.1)</td>
<td>0.2</td>
<td>15.0</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Budgeted capital expenditure²</td>
<td>8.5–11.8</td>
<td>10.1–12.3</td>
<td>10.3–11.7</td>
<td>9.3–12.7</td>
<td>12.5–14.0</td>
<td>11.4–14.4</td>
<td>12.0–14.3</td>
<td>12.0–14.3</td>
<td>12.0–14.3</td>
</tr>
</tbody>
</table>

Notes:
1. Budgeted, adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2. Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.
5. Investment income and financing costs

Investment income comprises interest received from short-term investments, bank deposits, government bonds and gains from foreign exchange contracts which are used to hedge net debt. Financing costs mainly arise from interest due on bonds and commercial paper issued, bank loans and the results of hedging transactions used to manage foreign exchange and interest rate movements.

<table>
<thead>
<tr>
<th>Investment income:</th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends received</td>
<td>10</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Loans and receivables at amortised cost</td>
<td>184</td>
<td>124</td>
<td>168</td>
</tr>
<tr>
<td>Fair value through the income statement (held for trading):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives – foreign exchange contracts</td>
<td>82</td>
<td>115</td>
<td>121</td>
</tr>
<tr>
<td>Other¹</td>
<td>70</td>
<td>64</td>
<td>165</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>346</strong></td>
<td><strong>305</strong></td>
<td><strong>456</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing costs:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Items in hedge relationships:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other loans</td>
<td>265</td>
<td>228</td>
<td>210</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>(196)</td>
<td>(184)</td>
<td>(178)</td>
</tr>
<tr>
<td>Fair value hedging instrument</td>
<td>386</td>
<td>(81)</td>
<td>(539)</td>
</tr>
<tr>
<td>Fair value of hedged item</td>
<td>(303)</td>
<td>112</td>
<td>511</td>
</tr>
<tr>
<td>Other financial liabilities held at amortised cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans and overdrafts²</td>
<td>557</td>
<td>584</td>
<td>628</td>
</tr>
<tr>
<td>Other loans³</td>
<td>770</td>
<td>736</td>
<td>785</td>
</tr>
<tr>
<td>Interest credit on settlement of tax issues⁴</td>
<td>(15)</td>
<td>(91)</td>
<td>23</td>
</tr>
<tr>
<td>Equity put rights and similar arrangements⁵</td>
<td>143</td>
<td>136</td>
<td>81</td>
</tr>
<tr>
<td>Fair value through the income statement (held for trading):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives – forward starting swaps and futures</td>
<td>1</td>
<td>105</td>
<td>244</td>
</tr>
<tr>
<td>Other⁶</td>
<td>6</td>
<td>51</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,554</strong></td>
<td><strong>1,596</strong></td>
<td><strong>1,768</strong></td>
</tr>
</tbody>
</table>

Net financing costs | 1,208 | 1,291 | 1,312 |

Notes:
1. Amounts for 2014 include net foreign exchange gains of £21 million (2013 £91 million loss; 2012 £55 million gain) arising from net foreign exchange movements on certain intercompany balances. Amounts for 2012 include foreign exchange gains arising on investments held following the disposal of Vodafone Japan to SoftBank Corp.
2. The Group capitalised £3 million of interest expense in the year (2013: £8 million; 2012: £25 million). The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 5.4%.
3. Amounts for 2014 include foreign exchange losses of £201 million.
4. Amounts for 2014 and 2013 include a reduction of the provision for potential interest on tax issues.
5. Includes amounts in relation to the Group’s arrangements with its non-controlling interest partners in India.
6. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

Accounting policies

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group’s liability for current tax is calculated using UK and foreign tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group’s assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred tax on origination and reversal of temporary differences:

United Kingdom deferred tax

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Restated 2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom corporation tax expense/(income):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>17</td>
<td>24</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>24</td>
<td>(4)</td>
</tr>
<tr>
<td>Overseas current tax expense/(income):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>3,114</td>
<td>1,062</td>
<td>1,118</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>(25)</td>
<td>(249)</td>
<td>(42)</td>
</tr>
<tr>
<td></td>
<td>3,089</td>
<td>813</td>
<td>1,076</td>
</tr>
<tr>
<td>Total current tax expense</td>
<td>3,106</td>
<td>837</td>
<td>1,072</td>
</tr>
</tbody>
</table>

UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the 5.8 billion of spectrum payments to the UK government in 2000 and 2013.
### Tax on discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax charge on profit from ordinary activities of discontinued operations</td>
<td>1,709</td>
<td>1,750</td>
<td>1,289</td>
</tr>
<tr>
<td>Tax charge relating to the gain or loss of discontinuance</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total tax charge on discontinued operations</strong></td>
<td>1,709</td>
<td>1,750</td>
<td>1,289</td>
</tr>
</tbody>
</table>

### Tax charged/(credited) directly to other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>2014 Restated</th>
<th>2013</th>
<th>2012 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax charge(credit)</td>
<td>23</td>
<td>(37)</td>
<td>(116)</td>
</tr>
<tr>
<td><strong>Total tax charged(credited) directly to other comprehensive income</strong></td>
<td>23</td>
<td>(33)</td>
<td>(120)</td>
</tr>
</tbody>
</table>

### Tax charged/(credited) directly to equity

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 Restated</th>
<th>2012 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax charge(credit)</td>
<td>12</td>
<td>(17)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total tax charged(credited) directly to equity</strong></td>
<td>12</td>
<td>(18)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

### Factors affecting the tax expense for the year

The table below explains the differences between the expected tax expense at the UK statutory tax rate of 23% (2013: 24% and 2012: 26%), and the Group’s total tax expense for each year.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 Restated</th>
<th>2012 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing (loss)/profit before tax as shown in the consolidated income statement</strong></td>
<td>(5,270)</td>
<td>(3,483)</td>
<td>4,144</td>
</tr>
<tr>
<td>Expected income tax (income)/expense at UK statutory tax rate</td>
<td>(1,212)</td>
<td>(836)</td>
<td>1,077</td>
</tr>
<tr>
<td>Effect of different statutory tax rates of overseas jurisdictions</td>
<td>(328)</td>
<td>(9)</td>
<td>456</td>
</tr>
<tr>
<td>Impairment losses with no tax effect</td>
<td>1,958</td>
<td>2,684</td>
<td>1,053</td>
</tr>
<tr>
<td>Disposal of Group investments</td>
<td>211</td>
<td>(10)</td>
<td>(718)</td>
</tr>
<tr>
<td>Effect of taxation of associates and joint ventures, reported within operating profit</td>
<td>61</td>
<td>129</td>
<td>78</td>
</tr>
<tr>
<td>Recognition of deferred tax assets in Luxembourg and Germany</td>
<td>(19,318)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tax charge on rationalisation and re-organisation of non-US assets prior to VZW disposal</td>
<td>1,365</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferred tax impact of previously unrecognised temporary differences including losses</td>
<td>(164)</td>
<td>(625)</td>
<td>(634)</td>
</tr>
<tr>
<td>Effect of unrecongnised temporary differences</td>
<td>215</td>
<td>(164)</td>
<td>(285)</td>
</tr>
<tr>
<td>Effect of unrecognised temporary differences</td>
<td>(43)</td>
<td>(234)</td>
<td>(110)</td>
</tr>
<tr>
<td>Gain on acquisition of CWW with no tax effect</td>
<td>—</td>
<td>(164)</td>
<td>—</td>
</tr>
<tr>
<td>Effect of secondary and irrecoverable taxes</td>
<td>37</td>
<td>94</td>
<td>159</td>
</tr>
<tr>
<td>Deferred tax on overseas earnings</td>
<td>4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Effect of current year changes in statutory tax rates</td>
<td>158</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes and other items</td>
<td>210</td>
<td>104</td>
<td>199</td>
</tr>
<tr>
<td>Tax on income derived from discontinued operations</td>
<td>418</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exclude taxation of associates</td>
<td>(154)</td>
<td>(373)</td>
<td>(567)</td>
</tr>
<tr>
<td><strong>Income tax (income)/expense</strong></td>
<td>(16,582)</td>
<td>476</td>
<td>705</td>
</tr>
</tbody>
</table>

Notes:

1. 2014 relates to deemed disposal of Italy. 2012 relates to the disposal of SFR and Polkomtel.
2. See commentary regarding deferred tax asset recognition on page 122.
3. Includes the US tax charge of £2,210 million on the rationalisation and reorganisation of non-US assets prior to the disposal of our interest in Verizon Wireless.
Deferred tax

Analysis of movements in the net deferred tax balance during the year:

<table>
<thead>
<tr>
<th>£m</th>
<th>1 April 2013 restated</th>
<th>Exchange movements</th>
<th>Credited to the income statement (continuing operations)</th>
<th>Charged to the income statement (discontinued operations)</th>
<th>Charged directly to other comprehensive income</th>
<th>ARISING ON ACQUISITION AND DISPOSALS</th>
<th>31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(3,823)</td>
<td>151</td>
<td>19,688</td>
<td>(567)</td>
<td>(23)</td>
<td>4,434</td>
<td>19,860</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities, before offset of balances within countries, are as follows:

<table>
<thead>
<tr>
<th>£m</th>
<th>Amount (charged)/credited in income statement</th>
<th>Gross deferred tax asset</th>
<th>Gross deferred tax liability</th>
<th>Less amounts unrecognised</th>
<th>Net recognised deferred tax (liability)/asset</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>31 March 2013</td>
<td>19,688</td>
<td>30,820</td>
<td>(3,349)</td>
<td>(7,611)</td>
<td>19,860</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities are analysed in the statement of financial position, after offset of balances within countries, as follows:

<table>
<thead>
<tr>
<th>£m</th>
<th>Deferred tax asset</th>
<th>Deferred tax liability</th>
<th>31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,607</td>
<td>(747)</td>
<td>19,860</td>
</tr>
</tbody>
</table>

At 31 March 2013, deferred tax assets and liabilities, before offset of balances within countries, were as follows:

<table>
<thead>
<tr>
<th>£m</th>
<th>Amount (charged)/credited in income statement</th>
<th>Gross deferred tax asset</th>
<th>Gross deferred tax liability</th>
<th>Less amounts unrecognised</th>
<th>Net recognised deferred tax (liability)/asset</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>31 March 2013</td>
<td>361</td>
<td>32,122</td>
<td>(8,370)</td>
<td>(27,575)</td>
<td>(3,823)</td>
</tr>
</tbody>
</table>

At 31 March 2013 deferred tax assets and liabilities were analysed in the statement of financial position, after offset of balances within countries, as follows:

<table>
<thead>
<tr>
<th>£m</th>
<th>Deferred tax asset</th>
<th>Deferred tax liability</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,848</td>
<td>(6,671)</td>
<td>(3,823)</td>
</tr>
</tbody>
</table>
6. Taxation (continued)

Factors affecting the tax charge in future years

Factors that may affect the Group’s future tax charge include the impact of corporate restructurings, the resolution of open issues, future planning, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.

The Group is routinely subject to audit by tax authorities in the territories in which it operates and, specifically, in India these are usually resolved through the Indian legal system. The Group considers each issue on its merits and, where appropriate, holds provisions in respect of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group’s overall profitability and cash flows in future periods. See note 30 “Contingent liabilities” to the consolidated financial statements.

At 31 March 2014, the gross amount and expiry dates of losses available for carry forward are as follows:

<table>
<thead>
<tr>
<th>Losses for which a deferred tax asset is recognised</th>
<th>Expiring within 5 years £m</th>
<th>Expiring within 6–10 years £m</th>
<th>Unlimited £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses for which no deferred tax is recognised</td>
<td>274</td>
<td>461</td>
<td>79,115</td>
<td>79,850</td>
</tr>
<tr>
<td>Losses for which a deferred tax asset is recognised</td>
<td>1,281</td>
<td>519</td>
<td>26,318</td>
<td>26,818</td>
</tr>
<tr>
<td>Total</td>
<td>1,555</td>
<td>580</td>
<td>105,433</td>
<td>107,968</td>
</tr>
</tbody>
</table>

At 31 March 2013, the gross amount and expiry dates of losses available for carry forward are as follows:

<table>
<thead>
<tr>
<th>Losses for which a deferred tax asset is recognised</th>
<th>Expiring within 5 years £m</th>
<th>Expiring within 6–10 years £m</th>
<th>Unlimited £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses for which no deferred tax is recognised</td>
<td>343</td>
<td>819</td>
<td>8,423</td>
<td>8,766</td>
</tr>
<tr>
<td>Losses for which a deferred tax asset is recognised</td>
<td>1,945</td>
<td>691</td>
<td>94,135</td>
<td>96,571</td>
</tr>
<tr>
<td>Total</td>
<td>2,288</td>
<td>700</td>
<td>102,558</td>
<td>105,437</td>
</tr>
</tbody>
</table>

The losses arising on the write down of investments in Germany are available to use against both German federal and trade tax liabilities. Losses of £15,290 million (2013: £3,226 million) are included in the above table on which we have recognised a deferred tax asset as we expect the German business to continue to generate future taxable profits against which we can utilise these losses. In 2013 the Group did not recognise a deferred tax asset on £442 million of these losses as it was uncertain that these losses would be utilised.

Included above are losses amounting to £6,651 million (2013: £7,104 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised. We have recognised a deferred tax asset against £442 million of these losses in the current year. The losses above also include £73,734 million (2013: £70,644 million) that have arisen in overseas holding companies as a result of revaluations of those companies’ investments for local GAAP purposes. A deferred tax asset of £18,150 million (2013: £1,325 million) has been recognised in respect of £62,980 million (2013: £4,535 million) of these losses which relate to tax groups in Luxembourg where we expect the members of these tax groups to generate future taxable profits against which these losses will be used. No deferred tax asset is recognised in respect of the remaining £10,754 million of these losses as it is uncertain whether these losses will be utilised.

In addition to the above, we hold £7,642 million of losses in overseas holding companies from a former Cable & Wireless Worldwide Group company, for which no deferred tax asset has been recognised as it is uncertain whether these losses will be utilised.

The recognition of the additional deferred tax assets, which arose from losses in earlier years, was triggered by the agreement to dispose of the US Group whose principal asset was its 45% interest in Verizon Wireless, which removes significant uncertainty around both the availability of the losses in Germany and the future income streams in Luxembourg. The Group expects to use the losses over a significant number of years; the actual use of the losses is dependent on many factors which may change, including the level of profitability in both Germany and Luxembourg, changes in tax law and changes to the structure of the Group.

The remaining losses relate to a number of other jurisdictions across the Group. There are also £339 million (2013: £5,918 million) of unrecognised other temporary differences. The Group holds no deferred tax liability (2013: £1,812 million) in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint arrangements were to be realised after the balance sheet date (see table above) following the Group’s disposal of its 45% stake in Verizon Wireless. No deferred tax liability has been recognised in respect of a further £22,985 million (2013: £47,978 million) of unremitted earnings of subsidiaries, associates and joint arrangements because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.
On 21 February 2014, we completed the sale of our US Group whose principal asset was its 45% interest in Verizon Wireless. The results of these discontinued operations are detailed below.

### Income statement and segment analysis of discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of result in associates</td>
<td>3,191</td>
<td>6,422</td>
<td>4,867</td>
</tr>
<tr>
<td>Net financing income/(costs)</td>
<td>27</td>
<td>(56)</td>
<td>(23)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>3,218</td>
<td>6,366</td>
<td>4,844</td>
</tr>
<tr>
<td>Taxation relating to performance of discontinued operations</td>
<td>(1,709)</td>
<td>(1,750)</td>
<td>(1,289)</td>
</tr>
<tr>
<td>Post-tax profit from discontinued operations</td>
<td>1,509</td>
<td>4,616</td>
<td>3,555</td>
</tr>
</tbody>
</table>

### Gain on disposal of discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on disposal of discontinued operations before taxation (see note 28)</td>
<td>44,996</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other items arising from the disposal¹</td>
<td>1,603</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net gain on disposal of discontinued operations</td>
<td>46,599</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Note:
¹ Includes dividends received from Verizon Wireless after the date of the announcement of the disposal

### Profit for the financial year from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>1,509</td>
<td>4,616</td>
<td>3,555</td>
</tr>
<tr>
<td>Net gain on disposal of discontinued operations</td>
<td>46,599</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>48,108</td>
<td>4,616</td>
<td>3,555</td>
</tr>
</tbody>
</table>

### Earnings per share from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014 Pence per share</th>
<th>2013 Pence per share</th>
<th>2012 Pence per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>181.74p</td>
<td>17.20p</td>
<td>12.87p</td>
</tr>
<tr>
<td>Diluted</td>
<td>180.30p</td>
<td>17.20p</td>
<td>12.73p</td>
</tr>
</tbody>
</table>

### Total comprehensive income for the financial year from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity shareholders’ funds</td>
<td>48,108</td>
<td>4,616</td>
<td>3,555</td>
</tr>
</tbody>
</table>

### Cash flows from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>(2,617)</td>
<td>(1,464)</td>
<td>(175)</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>4,830</td>
<td>4,798</td>
<td>4,518</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>(2,223)</td>
<td>(5,164)</td>
<td>(2,364)</td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>(12)</td>
<td>(1,830)</td>
<td>1,779</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td>–</td>
<td>1,721</td>
<td>–</td>
</tr>
<tr>
<td>Exchange gain/(loss) on cash and cash equivalents</td>
<td>12</td>
<td>109</td>
<td>(58)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the financial year</td>
<td>–</td>
<td>–</td>
<td>1,721</td>
</tr>
</tbody>
</table>
8. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

<table>
<thead>
<tr>
<th></th>
<th>2014 Millions</th>
<th>Restated 2013 Millions</th>
<th>Restated 2012 Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of shares for basic earnings per share</td>
<td>26,472</td>
<td>26,831</td>
<td>27,624</td>
</tr>
<tr>
<td>Effect of dilutive potential shares: restricted shares and share options</td>
<td>210</td>
<td>–</td>
<td>314</td>
</tr>
<tr>
<td>Weighted average number of shares for diluted earnings per share</td>
<td>26,682</td>
<td>26,831</td>
<td>27,938</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings for basic and diluted earnings per share</td>
<td>59,254</td>
<td>413</td>
<td>6,948</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>223.84p</td>
<td>1.54p</td>
<td>25.15p</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>222.07p</td>
<td>1.54p</td>
<td>24.87p</td>
</tr>
</tbody>
</table>

On 19 February 2014, we announced a “6 for 11” share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) as at the close of business on 18 February 2014 to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014. Prior year comparatives have been restated.

9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders in February and August. For information on shareholder returns in the form of share buybacks, see the “Commentary on the consolidated statement of changes in equity” on page 101.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared during the financial year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final dividend for the year ended 31 March 2013: 6.92 pence per share</td>
<td>3,365</td>
<td>3,193</td>
<td>3,102</td>
</tr>
<tr>
<td>(2012: 6.47 pence per share, 2011: 6.05 pence per share)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividend for the year ended 31 March 2014: 3.53 pence per share</td>
<td>1,711</td>
<td>1,608</td>
<td>1,536</td>
</tr>
<tr>
<td>(2013: 3.27 pence per share, 2012: 3.05 pence per share)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second interim dividend share for the year ended 31 March 2014: nil</td>
<td>–</td>
<td>–</td>
<td>2,016</td>
</tr>
<tr>
<td>(2013: nil pence per share, 2012: 4.00 pence per share)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special dividend for the year ended 31 March 2014: 172.94 US cents per share (see below)</td>
<td>35,490</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(2013: nil, 2012: nil)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed after the end of the reporting period and not recognised as a liability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final dividend for the year ended 31 March 2014: 7.47 pence per share</td>
<td>1,975</td>
<td>3,377</td>
<td>3,195</td>
</tr>
<tr>
<td>(2013: 6.92 pence per share, 2012: 6.47 pence per share)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On 2 September 2013 Vodafone announced that it had reached agreement to dispose of its US Group whose principal asset was its 45% interest in Verizon Wireless ("VZW") to Verizon Communications Inc. ("Verizon"), for a total consideration of US$130 billion (£79 billion). At a General Meeting of the Company on 28 January 2014, shareholders approved the transactions and following completion on 21 February 2014, Vodafone shareholders received all of the Verizon shares and US$23.9 billion (£14.3 billion) of cash (the "Return of Value") totalling US$85.2 billion (£51.0 billion).

The Return of Value was carried out in the form of a B share scheme pursuant to a Court-approved scheme of arrangement and associated reduction of capital (the "Scheme"). The Scheme provided shareholders (other than shareholders in the United States and certain other jurisdictions) with the flexibility to receive their proceeds as either an income or capital return. Under the Scheme, Vodafone shareholders were issued unlisted, non-voting bonus shares, which were shortly thereafter either cancelled in consideration of the relevant amount of Verizon shares and cash or the holders received the relevant amount of Verizon shares and cash in satisfaction of a special distribution on the bonus shares, depending on shareholder elections and subject to applicable securities laws.
Our statement of financial position contains significant intangible assets, mainly in relation to goodwill and licences and spectrum. Goodwill, which arises when we acquire a business and pay a higher amount than the fair value of its net assets primarily due to the synergies we expect to create, is not amortised but is subject to annual impairment reviews. Licences and spectrum are amortised over the life of the licence. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies
Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Finite lived intangible assets
Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licence and spectrum fees
Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of related network services.

Computer software
Computer software comprises computer software purchased from third parties as well as the cost of internally developed software.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits are recognised as intangible assets. Direct costs include software development employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred. Internally developed software is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life from the date the software is available for use.

Other intangible assets
Other intangible assets, including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis, with the exception of customer relationships which are amortised on a sum of digits basis. The amortisation basis adopted for each class of intangible asset reflects the Group’s consumption of the economic benefit from that asset.

Estimated useful lives
The estimated useful lives of finite lived intangible assets are as follows:

- Licence and spectrum fees 3–25 years
- Computer software 3–5 years
- Brands 1–10 years
- Customer bases 2–7 years
For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £3,885 million (2013: £2,702 million) have been pledged as security against borrowings.

The net book value and expiry dates of the most significant licences are as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Expiry date</th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>2016/2020/2025</td>
<td>3,743</td>
<td>4,329</td>
</tr>
<tr>
<td>Italy</td>
<td>2015/2021/2029</td>
<td>1,301</td>
<td>–</td>
</tr>
<tr>
<td>UK</td>
<td>2021/2023</td>
<td>3,425</td>
<td>3,782</td>
</tr>
<tr>
<td>India</td>
<td>2014–2030</td>
<td>3,865</td>
<td>2,702</td>
</tr>
<tr>
<td>Qatar</td>
<td>2028</td>
<td>945</td>
<td>1,111</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2016/2023/2030</td>
<td>1,188</td>
<td>1,329</td>
</tr>
</tbody>
</table>

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence. A summary of the Group’s most significant spectrum licences can be found on page 194.
We make significant investments in network equipment and infrastructure – the base stations and technology required to operate our networks – that form the majority of our tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

**Accounting policies**

Land and buildings held for use are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets and which together comprise an all but insignificant amount of the Group’s property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

**Land and buildings**

- Freehold buildings: 25–50 years
- Leasehold premises: the term of the lease

**Equipment, fixtures and fittings**

- Network infrastructure: 3–25 years
- Other: 3–10 years

Depreciation is not provided on freehold land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the income statement.
The net book value of land and buildings, equipment, fixtures and fittings includes £48 million and £413 million respectively for assets held under finance leases. Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £70 million and £1,617 million respectively (2013: £19 million and £1,399 million). Property, plant and equipment with a net book value of £1 million (2013: £357 million) has been pledged as security against borrowings.
12. Investments in associates and joint ventures

We hold interests in several associates where we have significant influence, including Verizon Wireless which was disposed of on 21 February 2014, as well as interests in a number of joint arrangements where we share control with one or more third parties, with our business in Italy being the most significant prior to the acquisition of the remaining interests as part of the Verizon Wireless disposal. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the relevant activities that significantly affect the investee’s returns require the unanimous consent of the parties sharing control. Joint arrangements are either joint operations or joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Group’s share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group’s interest in a jointly controlled entity is accounted for in accordance with the Group’s accounting policy for goodwill arising on the acquisition of a subsidiary.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

At the date of acquisition, any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the joint venture, less any impairment in the value of the investment. The Group’s share of post-tax profits or losses are recognised in the consolidated income statement. Losses of a joint venture in excess of the Group’s interest in that joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but do not have control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the associate, less any impairment in the value of the investment. The Group’s share of post-tax profits or losses are recognised in the consolidated income statement. Losses of an associate in excess of the Group’s interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint operations

The Company’s principal joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in the UK. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

<table>
<thead>
<tr>
<th>Name of joint operation</th>
<th>Principal activity</th>
<th>Country of incorporation or registration</th>
<th>Percentage/ shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cornerstone Telecommunications Infrastructure Limited</td>
<td>Network infrastructure</td>
<td>UK</td>
<td>50.0</td>
</tr>
</tbody>
</table>

Note: 1 Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to the nearest tenth of one percent.
Notes to the consolidated financial statements (continued)

12. Investments in associates and joint ventures (continued)

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Joints ventures

The financial and operating activities of the Group’s joint ventures are jointly controlled by the participating shareholders. The participating shareholders have rights to the net assets of the joint ventures though their equity shareholdings. Unless otherwise stated, the Company’s principal joint ventures all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all joint ventures is also their principal place of operation.

The Group received a dividend of £26 million in the year to 31 March 2014 (2013: £46 million; 2012: £nil) from Indus Towers.

Investments in associates and joint ventures

<table>
<thead>
<tr>
<th>Name of joint venture</th>
<th>Principal activity</th>
<th>Country of incorporation or registration</th>
<th>Percentage of shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indus Towers Limited</td>
<td>Network infrastructure</td>
<td>India</td>
<td>37.4%</td>
</tr>
<tr>
<td>Vodafone Hutchison Australia Pty Limited</td>
<td>Network operator</td>
<td>Australia</td>
<td>50.0</td>
</tr>
<tr>
<td>Vodafone Fiji Limited</td>
<td>Network operator</td>
<td>Fiji</td>
<td>49.0%</td>
</tr>
</tbody>
</table>

Notes:
1. Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to the nearest tenth of one percent.
2. Vodafone Omnitel B.V is held by Vodafone India Limited ("VIL") in which the Group had a 49% interest.
3. Vodafone Hutchison Australia Pty Limited has a year end of 31 December.
4. The Group holds substantive veto rights such that the Group did not unilaterally control the financial and operating policies of Vodafone Fiji Limited and which ensure it is able to exercise joint control over Vodafone Fiji Limited with the majority shareholder.

The summarised financial information for equity accounted joint ventures on a 100% ownership basis is set out below including the Group’s 76.9% ownership interest in Vodafone Omnitel B.V. until 21 February 2014. On 21 February 2014, the Group acquired the remaining 23.1% interest upon which date, the results of the wholly acquired entity have been consolidated in the Group’s financial statements. Refer to note 28 “Acquisitions and disposals” for further information.

Income statement and statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Vodafone Omnitel B.V.</th>
<th>Indus Towers Limited</th>
<th>Vodafone Hutchison Australia Pty Limited</th>
<th>Other joint ventures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,951</td>
<td>6,186</td>
<td>1,547</td>
<td>1,469</td>
<td>2,032</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(937)</td>
<td>(999)</td>
<td>(507)</td>
<td>(256)</td>
<td>(423)</td>
</tr>
<tr>
<td>Interest income</td>
<td>2</td>
<td>20</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(15)</td>
<td>(6)</td>
<td>(124)</td>
<td>(103)</td>
<td>(212)</td>
</tr>
<tr>
<td>Income tax (expense)/income</td>
<td>(174)</td>
<td>(430)</td>
<td>39</td>
<td>(53)</td>
<td>1</td>
</tr>
<tr>
<td>Profit or loss from continuing operations</td>
<td>339</td>
<td>951</td>
<td>51</td>
<td>34</td>
<td>(132)</td>
</tr>
<tr>
<td>Other comprehensive (expense)/income</td>
<td>–</td>
<td>(6)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income/(expense)</td>
<td>339</td>
<td>945</td>
<td>51</td>
<td>34</td>
<td>(132)</td>
</tr>
</tbody>
</table>

Statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>4,870</td>
<td>1,798</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,722</td>
<td>423</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>–</td>
<td>(176)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(3,067)</td>
<td>(532)</td>
</tr>
<tr>
<td>Equity shareholders’ funds</td>
<td>–</td>
<td>(3,349)</td>
</tr>
<tr>
<td>Cash and cash equivalents with current assets</td>
<td>20</td>
<td>143</td>
</tr>
<tr>
<td>Non-current liabilities excluding trade and other payables and provisions</td>
<td>–</td>
<td>(97)</td>
</tr>
<tr>
<td>Current liabilities excluding trade and other payables and provisions</td>
<td>–</td>
<td>(772)</td>
</tr>
<tr>
<td>Summary</td>
<td>8,441</td>
<td>373</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>8,441</td>
<td>373</td>
</tr>
<tr>
<td>Profit/(loss) from continuing operations</td>
<td>261</td>
<td>731</td>
</tr>
<tr>
<td>Other comprehensive (expense)/income</td>
<td>–</td>
<td>(5)</td>
</tr>
<tr>
<td>Total comprehensive income/(expense)</td>
<td>261</td>
<td>726</td>
</tr>
</tbody>
</table>

Note:
1. Prior to 21 February 2013, the other participating shareholder held substantive veto rights such that the Group did not unilaterally control the financial and operating policies of Vodafone Omnitel B.V.
Associates

Unless otherwise stated, the Company’s principal associates all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Notes:

1. Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to the nearest tenth of one percent.
2. The Group also holds two non-voting shares.
3. At 31 March 2014 the fair value of Safaricom Limited was KES 198 billion (£1,371 million) based on the closing quoted share price on the Nairobi Stock Exchange.

On 21 February 2014, the Group disposed of its 45% interest in Cellco Partnership which traded under the name Verizon Wireless. Consequently, comparative information has been restated to reflect the continuing operations of the business. Results from discontinued operations are disclosed in note 7 “Discontinued operations” to the consolidated financial statements. The summarised financial information showing the Group’s share of equity accounted associates is set out below.

13. Other investments

We hold a number of other listed and unlisted investments, mainly comprising US$5.25 billion of loan notes from Verizon Communications.

Accounting policies

Other investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

Other investments classified as held for trading and available-for-sale are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

The listed and unlisted securities are classified as available-for-sale. Public debt and bonds are classified as held for trading, and other debt and bonds which are not quoted in an active market, are classified as loans and receivables.

Unlisted equity investments are recorded at fair value where appropriate.

Other debt and bonds includes loan notes of US$5.25 billion (£3,151 million) issued by Verizon Communications Inc. as part of the Group’s disposal of its interest in Verizon Wireless.

Current other investments comprise the following, of which public debt and bonds are classified as held for trading.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Unlisted securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>228</td>
<td>570</td>
</tr>
<tr>
<td>Public debt and bonds</td>
<td>141</td>
<td>134</td>
</tr>
<tr>
<td>Other debt and bonds</td>
<td>3,171</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>3,553</td>
<td>773</td>
</tr>
</tbody>
</table>

The listed and unlisted securities are classified as available-for-sale. Public debt and bonds are classified as held for trading, and other debt and bonds which are not quoted in an active market, are classified as loans and receivables.

Other debt and bonds includes loan notes of US$5.25 billion (£3,151 million) issued by Verizon Communications Inc. as part of the Group’s disposal of its interest in Verizon Wireless.

Current other investments comprise the following, of which public debt and bonds are classified as held for trading.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public debt and bonds</td>
<td>938</td>
<td>1,130</td>
</tr>
<tr>
<td>Other debt and bonds</td>
<td>2,957</td>
<td>3,816</td>
</tr>
<tr>
<td>Cash held in restricted deposits</td>
<td>524</td>
<td>404</td>
</tr>
<tr>
<td></td>
<td>4,419</td>
<td>5,350</td>
</tr>
</tbody>
</table>

Other debt and bonds includes £2,953 million of assets held for trading which include £1,979 million (2013: £3,000 million) of assets held in managed investment funds with liquidity of up to 90 days, £330 million (2013: £543 million) of short-term securitised investments with original maturities of up to six months, and collateral paid on derivative financial instruments of £144 million (2013: £169 million).

Current public debt and bonds include government bonds of £852 million (2013: £1,076 million) which consist of highly liquid index linked gilts with less than four years to maturity held on an effective floating rate basis.

For public debt and bonds, other debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.
14. Inventory

Our inventory primarily consists of mobile handsets and is presented net of an allowance for obsolete products.

Accounting policies

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods held for resale</td>
<td>441</td>
<td>353</td>
</tr>
</tbody>
</table>

Inventory is reported net of allowances for obsolescence, an analysis of which is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April</td>
<td>(89)</td>
<td>(92)</td>
<td>(99)</td>
</tr>
<tr>
<td>Exchange movements</td>
<td>6</td>
<td>(6)</td>
<td>7</td>
</tr>
<tr>
<td>Amounts credited to the income statement</td>
<td>(5)</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>31 March</td>
<td>(88)</td>
<td>(89)</td>
<td>(92)</td>
</tr>
</tbody>
</table>

Cost of sales includes amounts related to inventory amounting to £5,340 million (2013: £5,107 million; 2012: £5,409 million).
15. Trade and other receivables

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of an allowance for bad or doubtful debts. Derivative financial instruments with a positive market value are reported within this note.

Accounting policies

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

The Group’s trade receivables are stated after allowances for bad and doubtful debts based on management’s assessment of creditworthiness, an analysis of which is as follows:

<table>
<thead>
<tr>
<th>1 April</th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>31 March 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange movements</td>
<td>(67)</td>
<td>(10)</td>
<td>(54)</td>
</tr>
<tr>
<td>Amounts charged to administrative expenses</td>
<td>347</td>
<td>360</td>
<td>357</td>
</tr>
<tr>
<td>Trade receivables written off</td>
<td>(461)</td>
<td>(379)</td>
<td>(330)</td>
</tr>
</tbody>
</table>

The carrying amounts of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

<table>
<thead>
<tr>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included within “Derivative financial instruments”:</td>
<td></td>
</tr>
<tr>
<td>Fair value through the income statement (held for trading):</td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>1,262</td>
</tr>
<tr>
<td>Cross currency interest rate swaps</td>
<td>158</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>1,488</td>
</tr>
<tr>
<td>Designated hedge relationships:</td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>609</td>
</tr>
<tr>
<td>Cross currency interest rate swaps</td>
<td>346</td>
</tr>
<tr>
<td>Total</td>
<td>2,443</td>
</tr>
</tbody>
</table>

In the absence of a quoted price in an active market for the same derivatives, the fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March derived from similar transactions.
16. Trade and other payables

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to our role as an employer. Derivative financial instruments with a negative market value are reported within this note.

Accounting policies

Trade payables are not interest bearing and are stated at their nominal value.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included within non-current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>811</td>
<td>982</td>
</tr>
<tr>
<td>Other payables</td>
<td>72</td>
<td>105</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>456</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td>1,339</td>
<td>1,307</td>
</tr>
<tr>
<td>Included within current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>4,710</td>
<td>3,781</td>
</tr>
<tr>
<td>Amounts owed to associates and joint ventures</td>
<td>51</td>
<td>54</td>
</tr>
<tr>
<td>Other taxes and social security payable</td>
<td>1,047</td>
<td>1,059</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>70</td>
<td>119</td>
</tr>
<tr>
<td>Other payables</td>
<td>678</td>
<td>447</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>8,900</td>
<td>8,472</td>
</tr>
<tr>
<td></td>
<td>15,456</td>
<td>13,932</td>
</tr>
</tbody>
</table>

The carrying amounts of trade and other payables approximate their fair value. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included within &quot;Derivative financial instruments&quot;:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through the income statement (held for trading):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>430</td>
<td>1,013</td>
</tr>
<tr>
<td>Cross currency interest rate swaps</td>
<td>12</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>29</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>471</td>
<td>1,057</td>
</tr>
<tr>
<td>Designated hedge relationships</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>205</td>
<td>44</td>
</tr>
<tr>
<td>Cross currency interest rate swaps</td>
<td>205</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>881</td>
<td>1,101</td>
</tr>
</tbody>
</table>
A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease, and claims for legal and regulatory matters. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Asset retirement obligations
In the course of the Group’s activities, a number of sites and other assets are utilised which are expected to have costs associated with de-commissioning. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 25 years from when the asset is brought into use.

Legal and regulatory
The Group is involved in a number of legal and other disputes, including notifications of possible claims. The directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with the majority of legal claims are typically less than one year, however, for some legal claims the timing of cash flows may be long-term in nature. For a discussion of certain legal issues potentially affecting the Group see note 30 “Contingent liabilities” to the consolidated financial statements.

Other provisions
Other provisions comprises various provisions including those for restructuring costs and property. The associated cash outflows for restructuring costs are primarily less than one year. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

<table>
<thead>
<tr>
<th></th>
<th>Asset retirement obligations £m</th>
<th>Legal and regulatory £m</th>
<th>Other £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 2012 restated</td>
<td>288</td>
<td>6</td>
<td>466</td>
<td>1,019</td>
</tr>
<tr>
<td>Exchange movements</td>
<td>(3)</td>
<td>(6)</td>
<td>(3)</td>
<td></td>
</tr>
<tr>
<td>Arising on acquisition</td>
<td>147</td>
<td>8</td>
<td>192</td>
<td>264</td>
</tr>
<tr>
<td>Amounts capitalised in the year</td>
<td>41</td>
<td>–</td>
<td>–</td>
<td>41</td>
</tr>
<tr>
<td>Amounts charged to the income statement</td>
<td>–</td>
<td>42</td>
<td>272</td>
<td>314</td>
</tr>
<tr>
<td>Utilised in the year – payments</td>
<td>(3)</td>
<td>(34)</td>
<td>(167)</td>
<td>(204)</td>
</tr>
<tr>
<td>Amounts released to the income statement</td>
<td>–</td>
<td>(17)</td>
<td>(23)</td>
<td>(40)</td>
</tr>
<tr>
<td>Other</td>
<td>(3)</td>
<td>180</td>
<td>2</td>
<td>179</td>
</tr>
<tr>
<td>31 March 2013 restated</td>
<td>467</td>
<td>450</td>
<td>653</td>
<td>1,570</td>
</tr>
<tr>
<td>Exchange movements</td>
<td>(14)</td>
<td>(33)</td>
<td>(27)</td>
<td>(74)</td>
</tr>
<tr>
<td>Arising on acquisition</td>
<td>62</td>
<td>92</td>
<td>5</td>
<td>159</td>
</tr>
<tr>
<td>Amounts capitalised in the year</td>
<td>14</td>
<td>–</td>
<td>–</td>
<td>14</td>
</tr>
<tr>
<td>Amounts charged to the income statement</td>
<td>–</td>
<td>140</td>
<td>374</td>
<td>514</td>
</tr>
<tr>
<td>Utilised in the year – payments</td>
<td>(26)</td>
<td>(35)</td>
<td>(186)</td>
<td>(247)</td>
</tr>
<tr>
<td>Amounts released to the income statement</td>
<td>–</td>
<td>(32)</td>
<td>(61)</td>
<td>(93)</td>
</tr>
<tr>
<td>Other</td>
<td>(18)</td>
<td>(25)</td>
<td>9</td>
<td>(34)</td>
</tr>
<tr>
<td>31 March 2014</td>
<td>485</td>
<td>557</td>
<td>767</td>
<td>1,809</td>
</tr>
</tbody>
</table>
Provisions have been analysed between current and non-current as follows:

### 31 March 2014

<table>
<thead>
<tr>
<th></th>
<th>Asset retirement obligations £m</th>
<th>Legal and regulatory £m</th>
<th>Other £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>14</td>
<td>271</td>
<td>678</td>
<td>963</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>471</td>
<td>286</td>
<td>89</td>
<td>846</td>
</tr>
<tr>
<td></td>
<td>485</td>
<td>557</td>
<td>767</td>
<td>1,809</td>
</tr>
</tbody>
</table>

### 31 March 2013

<table>
<thead>
<tr>
<th></th>
<th>Asset retirement obligations £m</th>
<th>Legal and regulatory £m</th>
<th>Other £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>11</td>
<td>209</td>
<td>496</td>
<td>715</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>456</td>
<td>241</td>
<td>158</td>
<td>855</td>
</tr>
<tr>
<td></td>
<td>467</td>
<td>450</td>
<td>653</td>
<td>1,570</td>
</tr>
</tbody>
</table>

### 18. Called up share capital

Called up share capital is the number of shares in issue at their par value. A number of shares were allotted during the year in relation to employee share schemes.

**Accounting policies**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of 20 2021 US cents each allotted, issued and fully paid:1</td>
<td>Number</td>
<td>£m</td>
</tr>
<tr>
<td>1 April</td>
<td>53,820,386,309</td>
<td>3,866</td>
</tr>
<tr>
<td>Allotted during the year</td>
<td>1,423,737</td>
<td>–</td>
</tr>
<tr>
<td>Consolidated during the year2</td>
<td>(24,009,886,918)</td>
<td>–</td>
</tr>
<tr>
<td>Cancelled during the year1</td>
<td>(1,000,000,000)</td>
<td>(74)</td>
</tr>
<tr>
<td>31 March</td>
<td>28,811,923,128</td>
<td>3,792</td>
</tr>
</tbody>
</table>

Note:
1 At 31 March 2014, the Group held 2,371,962,907 (2013: 4,901,767,844) treasury shares with a nominal value of £312 million (2013: £352 million). The market value of shares held was £3,225 million (2013: £3,917 million). During the year 105,748,621 (2013: 161,289,620) treasury shares were reissued under Group share option schemes.
2 On 19 February 2014, we announced a "6 for 11" share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014.

During the year, we issued 14,732,741,283 B shares of US$1.88477 per share and 33,737,176,433 C shares of US$0.00001 per share as part of the Return of Value following the disposal of our US Group, whose principal asset was its 45% stake in Verizon Wireless. The B shares were cancelled as part of the Return of Value. The C shares were reclassified as deferred shares with no substantive rights as part of the Return of Value and transferred to LDC (Shares) Limited (‘LDC’). After 22 February 2015 and without prior notice we may repurchase, or be required by LDC to repurchase, and then subsequently cancel all deferred shares for a total price of not more than one cent for all deferred shares repurchased.

### Allotted during the year

<table>
<thead>
<tr>
<th></th>
<th>Nominal value £m</th>
<th>Net proceeds £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK share awards</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>US share awards</td>
<td>1,423,737</td>
<td>–</td>
</tr>
<tr>
<td>Total share awards</td>
<td>1,423,737</td>
<td>–</td>
</tr>
</tbody>
</table>
19. Reconciliation of net cash flow from operating activities

The table below shows how our profit for the year translates into cash flows generated from our operating activities.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>657</td>
<td>6,994</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payments</td>
<td>92</td>
<td>124</td>
<td>133</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>7,560</td>
<td>6,661</td>
<td>6,721</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>85</td>
<td>77</td>
<td>51</td>
</tr>
<tr>
<td>Share of result of equity accounted associates and joint ventures</td>
<td>(3,469)</td>
<td>(6,997)</td>
<td>(5,996)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>6,600</td>
<td>7,700</td>
<td>4,050</td>
</tr>
<tr>
<td>Other income and expense</td>
<td>(45,979)</td>
<td>(468)</td>
<td>(3,705)</td>
</tr>
<tr>
<td>Non-operating income and expense</td>
<td>149</td>
<td>(10)</td>
<td>162</td>
</tr>
<tr>
<td>Investment income</td>
<td>(346)</td>
<td>(305)</td>
<td>(456)</td>
</tr>
<tr>
<td>Financing costs</td>
<td>1,527</td>
<td>1,602</td>
<td>1,791</td>
</tr>
<tr>
<td>Income tax (income)/expense</td>
<td>(14,873)</td>
<td>2,226</td>
<td>1,994</td>
</tr>
<tr>
<td>Decrease/(increase) in inventory</td>
<td>4</td>
<td>56</td>
<td>(8)</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other receivables</td>
<td>526</td>
<td>(199)</td>
<td>(664)</td>
</tr>
<tr>
<td>Increase in trade and other payables</td>
<td>851</td>
<td>320</td>
<td>849</td>
</tr>
<tr>
<td>Cash generated by operations</td>
<td>12,147</td>
<td>11,494</td>
<td>11,916</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(5,920)</td>
<td>(2,670)</td>
<td>(1,619)</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>6,227</td>
<td>8,824</td>
<td>10,297</td>
</tr>
</tbody>
</table>

Note: 1 Includes a net gain on disposal of Verizon Wireless of £44,996 million.

20. Cash and cash equivalents

The majority of the Group’s cash is held in bank deposits, money market funds or in repurchase agreements which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

**Accounting policies**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>1,448</td>
<td>1,304</td>
</tr>
<tr>
<td>Money market funds</td>
<td>3,648</td>
<td>3,494</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>4,789</td>
<td>2,550</td>
</tr>
<tr>
<td>Short-term securitised investments</td>
<td>189</td>
<td>183</td>
</tr>
<tr>
<td>Cash and cash equivalents as presented in the statement of financial position</td>
<td>10,134</td>
<td>7,531</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>(22)</td>
<td>(25)</td>
</tr>
<tr>
<td>Cash and cash equivalents as presented in the statement of cash flows</td>
<td>10,112</td>
<td>7,506</td>
</tr>
</tbody>
</table>

Cash and cash equivalents are held by the Group on a short-term basis with all having an original maturity of three months or less. The carrying amount approximates their fair value.
21. Borrowings

The Group’s sources of borrowing for funding and liquidity purposes come from a range of committed bank facilities and through short-term and long-term issuances in the capital markets including bond and commercial paper issues and bank loans. We manage the basis on which we incur interest on debt between fixed interest rates and floating interest rates depending on market conditions using interest rate derivatives. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

Accounting policies

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a designated hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Carrying value and fair value information

<table>
<thead>
<tr>
<th>Notes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 At 31 March 2014, amount includes £1,185 million (2013: £1,151 million) in relation to collateral support agreements.</td>
</tr>
</tbody>
</table>
| 2 At 31 March 2014, amount includes £882 million (2013: £899 million) in relation to the Piramal Healthcare option disclosed in note 22 “Liquidity and capital resources”.

Bank loans include INR 425 billion of loans held by Vodafone India Limited (‘VIL’) and its subsidiaries (the ‘VIL Group’). The VIL Group has a number of security arrangements supporting certain licences secured under the terms of agreements between the Group, the Department of Telecommunications, and the Government of India including certain share pledges of the shares within the VIL Group. The terms and conditions of the security arrangements mean that should members of the VIL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VIL Group. Each of the eight legal entities within the VIL Group provide cross-guarantees to the lenders in respect of debt contracted by the other entities.

The fair value and carrying value of the Group’s short-term borrowings is as follows:

<table>
<thead>
<tr>
<th>Short-term borrowings</th>
<th>Long-term borrowings</th>
<th>Total</th>
<th>Short-term borrowings</th>
<th>Long-term borrowings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>1,263</td>
<td>4,647</td>
<td>5,910</td>
<td>2,440</td>
<td>3,077</td>
<td>5,517</td>
</tr>
<tr>
<td>950</td>
<td>22</td>
<td>950</td>
<td>4,054</td>
<td>25</td>
<td>4,054</td>
</tr>
<tr>
<td>1,783</td>
<td>4,465</td>
<td>6,248</td>
<td>21,133</td>
<td>15,698</td>
<td>36,831</td>
</tr>
<tr>
<td>7,747</td>
<td>21,454</td>
<td>29,201</td>
<td>11,800</td>
<td>27,904</td>
<td>39,704</td>
</tr>
</tbody>
</table>

Notes:

1. At 31 March 2014, amount includes £1,185 million (2013: £1,151 million) in relation to collateral support agreements.
2. At 31 March 2014, amount includes £882 million (2013: £899 million) in relation to the Piramal Healthcare option disclosed in note 22 “Liquidity and capital resources”.

Financial liabilities measured at amortised cost:

<table>
<thead>
<tr>
<th>Short-term borrowings</th>
<th>Long-term borrowings</th>
<th>Total</th>
<th>Short-term borrowings</th>
<th>Long-term borrowings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>5,655</td>
<td>9,385</td>
<td>5,964</td>
<td>9,790</td>
<td>5,964</td>
<td>9,667</td>
</tr>
<tr>
<td>1,756</td>
<td>2,094</td>
<td>1,771</td>
<td>2,150</td>
<td>1,783</td>
<td>2,133</td>
</tr>
<tr>
<td>1,766</td>
<td>2,094</td>
<td>1,771</td>
<td>2,150</td>
<td>1,783</td>
<td>2,133</td>
</tr>
<tr>
<td>929</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>302</td>
<td>350</td>
<td>307</td>
<td>315</td>
<td>315</td>
<td></td>
</tr>
<tr>
<td>525</td>
<td>525</td>
<td>583</td>
<td>583</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,411</td>
<td>11,479</td>
<td>7,735</td>
<td>11,940</td>
<td>7,747</td>
<td>11,800</td>
</tr>
</tbody>
</table>

Financial liabilities measured at amortised cost:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>5,655</td>
<td>9,385</td>
<td>5,964</td>
<td>9,790</td>
<td>5,964</td>
<td>9,667</td>
<td>1,976</td>
</tr>
<tr>
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<td>2,094</td>
<td>1,771</td>
<td>2,150</td>
<td>1,783</td>
<td>2,133</td>
<td></td>
</tr>
<tr>
<td>1,766</td>
<td>2,094</td>
<td>1,771</td>
<td>2,150</td>
<td>1,783</td>
<td>2,133</td>
<td></td>
</tr>
<tr>
<td>929</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>302</td>
<td>350</td>
<td>307</td>
<td>315</td>
<td>315</td>
<td></td>
<td></td>
</tr>
<tr>
<td>525</td>
<td>525</td>
<td>583</td>
<td>583</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,411</td>
<td>11,479</td>
<td>7,735</td>
<td>11,940</td>
<td>7,747</td>
<td>11,800</td>
<td></td>
</tr>
</tbody>
</table>
21. Borrowings (continued)

The fair value and carrying value of the Group’s long-term borrowings is as follows:

<table>
<thead>
<tr>
<th>Bond Category</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014 £m</td>
<td>2013 £m</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro floating rate note due June 2014</td>
<td>11,797</td>
<td>6,969</td>
</tr>
<tr>
<td>4.15% US dollar 1,250 million bond due June 2014</td>
<td>3,017</td>
<td>1,878</td>
</tr>
<tr>
<td>4.625% sterling 350 million bond due September 2014</td>
<td>795</td>
<td>496</td>
</tr>
<tr>
<td>4.625% sterling 525 million bond due September 2014</td>
<td>304</td>
<td>189</td>
</tr>
<tr>
<td>5.125% euro 500 million bond due April 2015</td>
<td>525</td>
<td>329</td>
</tr>
<tr>
<td>5.0% US dollar 750 million bond due September 2015</td>
<td>494</td>
<td>317</td>
</tr>
<tr>
<td>3.375% US dollar 500 million bond due November 2015</td>
<td>329</td>
<td>214</td>
</tr>
<tr>
<td>6.25% euro 1,250 million bond due January 2016</td>
<td>1,032</td>
<td>647</td>
</tr>
<tr>
<td>0.9% US dollar 900 million bond due February 2016</td>
<td>592</td>
<td>396</td>
</tr>
<tr>
<td>US dollar floating rate note due March 2016</td>
<td>494</td>
<td>323</td>
</tr>
<tr>
<td>2.875% US dollar 600 million bond due March 2016</td>
<td>395</td>
<td>264</td>
</tr>
<tr>
<td>5.75% US dollar 750 million bond due March 2016</td>
<td>494</td>
<td>323</td>
</tr>
<tr>
<td>4.75% euro 500 million bond due June 2016</td>
<td>302</td>
<td>198</td>
</tr>
<tr>
<td>5.625% US dollar 1,300 million bond due February 2017</td>
<td>856</td>
<td>569</td>
</tr>
<tr>
<td>1.625% US dollar 1,000 million bond due March 2017</td>
<td>658</td>
<td>449</td>
</tr>
<tr>
<td>6.5% euro 400 million bond due July 2017</td>
<td>351</td>
<td>238</td>
</tr>
<tr>
<td>1.25% US dollar 1,000 million bond due September 2017</td>
<td>658</td>
<td>449</td>
</tr>
<tr>
<td>5.375% sterling 600 million bond due December 2017</td>
<td>552</td>
<td>371</td>
</tr>
<tr>
<td>1.5% US dollar 1,400 million bond due February 2018</td>
<td>921</td>
<td>617</td>
</tr>
<tr>
<td>5% euro 750 million bond due June 2018</td>
<td>619</td>
<td>414</td>
</tr>
<tr>
<td>6.5% euro 700 million bond due June 2018</td>
<td>578</td>
<td>383</td>
</tr>
<tr>
<td>4.825% US dollar 500 million bond due July 2018</td>
<td>329</td>
<td>222</td>
</tr>
<tr>
<td>8.125% sterling 450 million bond due November 2018</td>
<td>450</td>
<td>317</td>
</tr>
<tr>
<td>4.375% US dollar 500 million bond due March 2021</td>
<td>329</td>
<td>222</td>
</tr>
<tr>
<td>7.875% US dollar 750 million bond due February 2030</td>
<td>494</td>
<td>347</td>
</tr>
<tr>
<td>6.25% US dollar 495 million bond due November 2032</td>
<td>326</td>
<td>222</td>
</tr>
<tr>
<td>6.15% US dollar 1,700 million bond due February 2037</td>
<td>1,119</td>
<td>752</td>
</tr>
<tr>
<td>Bonds in designated hedge relationships</td>
<td>10,951</td>
<td>6,287</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bond Category</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014 £m</td>
<td>2013 £m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Details</td>
<td>March 2021</td>
<td>April 2021</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>4.65% euro 1,250 million bond due January 2022</td>
<td>1,032</td>
<td>1,055</td>
</tr>
<tr>
<td>5.375% euro 500 million bond due June 2022</td>
<td>413</td>
<td>422</td>
</tr>
<tr>
<td>2.5% US dollar 1,000 million bond due September 2022</td>
<td>599</td>
<td>658</td>
</tr>
<tr>
<td>2.96% US dollar 1,600 million bond due February 2023</td>
<td>959</td>
<td>1,053</td>
</tr>
<tr>
<td>5.625% sterling 250 million bond due December 2025</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>6.6324% euro 50 million bond due December 2028</td>
<td>41</td>
<td>42</td>
</tr>
<tr>
<td>7.875% US dollar 750 million bond due February 2030</td>
<td>450</td>
<td>–</td>
</tr>
<tr>
<td>5.9% sterling 450 million bond due November 2032</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>6.25% US dollar 495 million bond due November 2032</td>
<td>297</td>
<td>–</td>
</tr>
<tr>
<td>6.16% US dollar 1,700 million bond due February 2037</td>
<td>1,019</td>
<td>–</td>
</tr>
<tr>
<td>4.375% US dollar 1,400 million bond due February 2043</td>
<td>839</td>
<td>921</td>
</tr>
<tr>
<td><strong>Long-term borrowings</strong></td>
<td><strong>20,121</strong></td>
<td><strong>25,577</strong></td>
</tr>
</tbody>
</table>
Fair values are calculated using quoted market prices or discounted cash flows with a discount rate based upon forward interest rates available to the Group at the reporting date.

Maturity of borrowings

The maturity profile of the anticipated future cash flows including interest in relation to the Group’s non-derivative financial liabilities on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

The maturity profile of the Group’s financial derivatives (which include interest rate and foreign exchange swaps), using undiscounted cash flows, is as follows:

The currency split of the Group’s foreign exchange derivatives is as follows:

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £319 million (2013: £363 million) net receivable in relation to foreign exchange financial instruments in the table above is split £246 million (2013: £44 million) within trade and other payables and £565 million (2013: £407 million) within trade and other receivables.

The present value of minimum lease payments under finance lease arrangements under which the Group has leased certain of its equipment is analysed as follows:

<table>
<thead>
<tr>
<th>Payable</th>
<th>Receivable</th>
<th>Payable</th>
<th>Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Within one year</td>
<td></td>
<td>1,284</td>
<td>1,442</td>
</tr>
<tr>
<td>In one to two years</td>
<td></td>
<td>2,454</td>
<td>3,656</td>
</tr>
<tr>
<td>In two to three years</td>
<td></td>
<td>4,489</td>
<td>3,920</td>
</tr>
<tr>
<td>In three to four years</td>
<td></td>
<td>5,040</td>
<td>3,138</td>
</tr>
<tr>
<td>In four to five years</td>
<td></td>
<td>1,729</td>
<td>2,137</td>
</tr>
<tr>
<td>In more than five years</td>
<td></td>
<td>14,799</td>
<td>12,737</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>29,796</td>
<td>27,030</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payable</th>
<th>Receivable</th>
<th>Payable</th>
<th>Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Sterling</td>
<td></td>
<td>8,955</td>
<td>9,222</td>
</tr>
<tr>
<td>Euro</td>
<td></td>
<td>5,942</td>
<td>11,364</td>
</tr>
<tr>
<td>US dollar</td>
<td></td>
<td>10,613</td>
<td>4,330</td>
</tr>
<tr>
<td>Japanese yen</td>
<td></td>
<td>589</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>1,880</td>
<td>2,765</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>27,376</td>
<td>27,888</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payable</th>
<th>Receivable</th>
<th>Payable</th>
<th>Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Within one year</td>
<td></td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>In two to five years</td>
<td></td>
<td>34</td>
<td>42</td>
</tr>
<tr>
<td>In more than five years</td>
<td></td>
<td>69</td>
<td>53</td>
</tr>
</tbody>
</table>
### Interest rate and currency of borrowings

<table>
<thead>
<tr>
<th>Currency</th>
<th>Total borrowings £m</th>
<th>Floating rate borrowings £m</th>
<th>Fixed rate borrowings £m</th>
<th>Other borrowing £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>2,801</td>
<td>885</td>
<td>1,910</td>
<td>6</td>
</tr>
<tr>
<td>Euro</td>
<td>16,225</td>
<td>4,557</td>
<td>10,220</td>
<td>1,484</td>
</tr>
<tr>
<td>US dollar</td>
<td>4,537</td>
<td>4,330</td>
<td>207</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>5,638</td>
<td>2,768</td>
<td>1,988</td>
<td>882</td>
</tr>
</tbody>
</table>

**31 March 2014**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Total borrowings £m</th>
<th>Floating rate borrowings £m</th>
<th>Fixed rate borrowings £m</th>
<th>Other borrowing £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>2,921</td>
<td>12,540</td>
<td>14,325</td>
<td>2,336</td>
</tr>
<tr>
<td>Euro</td>
<td>16,225</td>
<td>4,557</td>
<td>10,220</td>
<td>1,484</td>
</tr>
<tr>
<td>US dollar</td>
<td>4,537</td>
<td>4,330</td>
<td>207</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>5,638</td>
<td>2,768</td>
<td>1,988</td>
<td>882</td>
</tr>
</tbody>
</table>

**Notes:**

1. The weighted average interest rate for the Group’s sterling denominated fixed rate borrowings is 5.7% (2013: 5.7%). The weighted average time for which these rates are fixed is 2.5 years (2013: 3.5 years). The weighted average interest rate for the Group’s euro denominated fixed rate borrowings is 4.4% (2013: 4.3%). The weighted average time for which the rates are fixed is 2.6 years (2013: 2.4 years). The weighted average interest rate for the Group’s US dollar denominated fixed rate borrowings is 2.9% (2013: 4.3%). The weighted average time for which the rates are fixed is 5.7 years (2013: 6.3 years). The weighted average interest rate for the Group’s other currency fixed rate borrowings is 10.2% (2013: 9.6%). The weighted average time for which the rates are fixed is 1.4 years (2013: 1.5 years).

2. At 31 March 2014 other borrowings of £2,336 million include liabilities for amounts payable under the domination agreement in relation to Kabel Deutschland. At 31 March 2013 other borrowings of £1,014 million include liabilities arising under options over direct and indirect interests in Vodafone India.

3. In the table above, figures shown as positive indicate an increase in fixed interest debt and figures shown in brackets indicate a reduction in fixed interest debt.

Additional protection from euro and US dollar interest rate movements is provided by fixing interest rates or reduced by floating interest rates using interest rate swaps or interest rate futures. Cross currency interest rate swaps are used to change the currency of certain fixed interest rate cash flows.
Borrowing facilities

Committed facilities expiry

<table>
<thead>
<tr>
<th></th>
<th>2014 Drawn £m</th>
<th>2014 Undrawn £m</th>
<th>Restated 2013 Drawn £m</th>
<th>Restated 2013 Undrawn £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>590</td>
<td>70</td>
<td>1,994</td>
<td>298</td>
</tr>
<tr>
<td>In one to two years</td>
<td>451</td>
<td>13</td>
<td>1,306</td>
<td>50</td>
</tr>
<tr>
<td>In two to three years</td>
<td>171</td>
<td>2,643</td>
<td>1,288</td>
<td>3,569</td>
</tr>
<tr>
<td>In three to four years</td>
<td>665</td>
<td>35</td>
<td>559</td>
<td>2,794</td>
</tr>
<tr>
<td>In four to five years</td>
<td>–</td>
<td>3,188</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>In more than five years</td>
<td>1,728</td>
<td>582</td>
<td>1,037</td>
<td>422</td>
</tr>
<tr>
<td>31 March</td>
<td>3,505</td>
<td>6,531</td>
<td>6,184</td>
<td>7,133</td>
</tr>
</tbody>
</table>

At 31 March the Group’s most significant committed facilities comprised two revolving credit facilities which remain undrawn throughout the period of US$4,245 million (£2,545 million) and €3,860 million (£3,188 million) maturing in three and five years respectively. Under the terms of these bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period. The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

The terms and conditions of the drawn facilities in the Group’s Italian, German, Turkish and Romanian operations (€1,560 million in aggregate) and the undrawn facilities in the Group’s UK and Irish operations (totalling £450 million) are similar to those of the US dollar and euro revolving credit facilities. Further information on these facilities can be found in note 22 “Liquidity and capital resources”.

22. Liquidity and capital resources

This section includes an analysis of net debt, which we use to manage capital, and committed borrowing facilities.

Net debt

Net debt was £13.7 billion at 31 March 2014 and includes liabilities for amounts payable under the domination agreement in relation to Kabel Deutschland (£1.4 billion) and deferred spectrum licence costs in India (£1.5 billion). This decreased by £11.7 billion in the year as the proceeds from the disposal of the US sub-group including our interest in Verizon Wireless, positive free cash flow and favourable foreign exchange movements more than offset the impact of the acquisition of Kabel Deutschland, payments for licences and spectrum, equity shareholder dividends, the return of value and share buybacks.

Net debt represented 23.5% of our market capitalisation at 31 March 2014 compared to 27.8% at 31 March 2013. Average net debt at month end accounting dates over the 12 month period ended 31 March 2014 was £22.9 billion and ranged between net debt of £30.4 billion and a net surplus of funds of £2.7 billion.

Our consolidated net debt position at 31 March was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>10,134</td>
<td>7,531</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>(1,780)</td>
<td>(2,133)</td>
</tr>
<tr>
<td>Commercial paper¹</td>
<td>(950)</td>
<td>(4,054)</td>
</tr>
<tr>
<td>Put options over non-controlling interests</td>
<td>(2,330)</td>
<td>(938)</td>
</tr>
<tr>
<td>Bank loans</td>
<td>(1,263)</td>
<td>(2,438)</td>
</tr>
<tr>
<td>Other short-term borrowings²</td>
<td>(1,451)</td>
<td>(2,237)</td>
</tr>
<tr>
<td></td>
<td>(7,747)</td>
<td>(11,800)</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Put options over non-controlling interests</td>
<td>(6)</td>
<td>(77)</td>
</tr>
<tr>
<td>Bonds, loans and other long-term borrowings</td>
<td>(21,448)</td>
<td>(27,827)</td>
</tr>
<tr>
<td>Other financial instruments³</td>
<td>(21,455)</td>
<td>(27,904)</td>
</tr>
<tr>
<td>Other financial instruments³</td>
<td>(21,455)</td>
<td>(27,904)</td>
</tr>
<tr>
<td>Net debt</td>
<td>(13,700)</td>
<td>(25,354)</td>
</tr>
</tbody>
</table>

Notes:
1. At 31 March 2014 US$578 million was drawn under the US commercial paper programme and £731 million was drawn under the euro-commercial paper programme.
2. At 31 March 2014 the amount includes £1,185 million (2013: £1,151 million) in relation to cash received under collateral support agreements.
3. Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (2014: £2,443 million; 2013: £3,032 million) and trade and other payables (2014: £881 million; 2013: £1,101 million) and short-term investments primarily in index linked government bonds and managed investment funds included as a component of other investments (2014: £3,805 million; 2013: £4,888 million).
At 31 March 2014 we had £10,134 million of cash and cash equivalents which are held in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investment at 31 March 2014 were managed investment funds, money market funds, UK index linked government bonds, tri-party repurchase agreements and bank deposits.

The cash received from collateral support agreements mainly reflects the value of our interest rate swap portfolio which is substantially net present value positive. See note 23 for further details on these agreements.

### Commercial paper programmes

We currently have US and euro commercial paper programmes of US$15 billion and £5 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2014 amounts external to the Group of €731 million (€604 million) were drawn under the euro commercial paper programme and US$578 million (£346 million) were drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2013 amounts external to the Group of €2,006 million (£1,693 million), US$35 million (£23 million), £10 million and JPY 5 billion (£35 million) were drawn under the euro commercial paper programme and US$3,484 million (£2,293 million) was drawn down under the US commercial paper programme. The commercial paper facilities were supported by US$4.2 billion (£2.5 billion) and £3.9 billion (£3.2 billion) of syndicated committed bank facilities (see “Committed facilities opposite”). No amounts had been drawn under either bank facility.

### Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 31 March 2014 the total amounts in issue under these programmes split by currency were US$14.6 billion, £2.6 billion and €6.2 billion.

At 31 March 2014 we had bonds outstanding with a nominal value of £16,979 million (2013: £22,837 million). No bonds were issued in the year ended 31 March 2014.

### Share buyback programmes

Following the receipt of a US$3.8 billion (£2.4 billion) dividend from Verizon Wireless in December 2012, we initiated a £1.5 billion share buyback programme under the authority granted by our shareholders at the 2012 annual general meeting. The Group placed irrevocable purchase instructions to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market. The share buyback programme concluded at the end of June 2013.

Details of the shares purchased under the programme, including those purchased under irrevocable instructions, are shown below:

<table>
<thead>
<tr>
<th>Date of share purchase</th>
<th>Number of shares purchased ( ^a )</th>
<th>Average price paid per share inclusive of transaction costs ( £ )</th>
<th>Total number of shares purchased under publicly announced share buyback programme ( ^b )</th>
<th>Maximum value of shares that may yet be purchased under the programme ( ^c )</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2013</td>
<td>43,000</td>
<td>192.54</td>
<td>314,651</td>
<td>968</td>
</tr>
<tr>
<td>May 2013</td>
<td>204,750</td>
<td>196.09</td>
<td>519,401</td>
<td>567</td>
</tr>
<tr>
<td>June 2013</td>
<td>304,300</td>
<td>180.52</td>
<td>823,701</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>552,050</strong></td>
<td><strong>187.23</strong></td>
<td><strong>823,701</strong></td>
<td><strong>–</strong></td>
</tr>
</tbody>
</table>

Notes:
1. The nominal value of shares purchased is 11¼ US cents each.
2. No shares were purchased outside the publicly announced share buyback programme.
3. In accordance with authorities granted by shareholders in general meeting.
4. The total number of shares purchased represents 1.1% of our issued share capital, excluding treasury shares, at the end of June 2013.

The Group held a maximum of 5,099 million shares during the year which represents 9.5% of issued share capital at that time.
## Committed facilities

In aggregate we have committed facilities of approximately £10,033 million, of which £6,530 million was undrawn and £3,503 million was drawn at 31 March 2014. The following table summarises the committed bank facilities available to us at 31 March 2014.

<table>
<thead>
<tr>
<th>Committed bank facilities</th>
<th>Amounts drawn</th>
<th>Terms and conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>28 March 2014</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£3.9 billion syndicated</td>
<td>No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.</td>
<td>Lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control. This is in addition to the rights of lenders to cancel their commitment if we commit an event of default; however, it should be noted that a material adverse change clause does not apply.</td>
</tr>
<tr>
<td>revolving credit facility,</td>
<td>maturity 28 March 2019.</td>
<td>The euro facility agreements provide for certain structural changes that do not affect the obligations to be specifically excluded from the definition of a change of control.</td>
</tr>
<tr>
<td>maturing 28 March 2019.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>9 March 2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$4.2 billion syndicated</td>
<td>No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our UK and Irish operating companies spend less than the equivalent of £3.9 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.</td>
</tr>
<tr>
<td>revolving credit facility,</td>
<td>maturity 9 March 2016 and</td>
<td></td>
</tr>
<tr>
<td><strong>27 November 2013</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.5 billion loan facility,</td>
<td>This facility is undrawn and has an availability period of eighteen months. The facility is available to finance a project to upgrade and expand the network in the UK and Ireland.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of £1.5 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.</td>
</tr>
<tr>
<td>maturing on the seven year anniversary of the first drawing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>28 July 2008</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.4 billion loan facility,</td>
<td>This facility was drawn down in full on 12 August 2008.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our UK and Irish operating companies spend less than the equivalent of £3.9 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.</td>
</tr>
<tr>
<td>maturing 12 August 2015.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>15 September 2009</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.4 billion loan facility,</td>
<td>This facility was drawn down in full on 30 July 2010.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of £0.8 billion on VDSL related capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the VDSL capital expenditure.</td>
</tr>
<tr>
<td>for the German virtual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>digital subscriber line (VDSL) project.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>29 September 2009</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$0.7 billion export credit agency loan facility, final maturity date 19 September 2018.</td>
<td>This facility is fully drawn down and is amortising.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our UK and Irish operating companies spend less than the equivalent of £1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.</td>
</tr>
<tr>
<td><strong>8 December 2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.4 billion loan facility,</td>
<td>This facility was drawn down in full on 5 June 2013.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of £1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.</td>
</tr>
<tr>
<td>maturing the seven year anniversary of the first drawing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>20 December 2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.3 billion loan facility,</td>
<td>This facility was drawn down in full on 18 September 2012.</td>
<td>As the syndicated revolving credit facilities with the addition that, should our Turkish and Romanian operating companies spend less than the equivalent of £1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.</td>
</tr>
<tr>
<td>maturing 18 September 2019.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4 March 2013</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.1 billion loan facility,</td>
<td>This facility was drawn down in full on 4 December 2013.</td>
<td></td>
</tr>
</tbody>
</table>
Furthermore, certain of our subsidiaries are funded by external facilities which are non-recourse to any member of the Group other than the borrower. These facilities may only be used to fund their operations. At 31 March 2014 Vodafone India had facilities of INR 207 billion (£2.1 billion) of which INR 179 billion (£1.8 billion) was drawn. Vodafone Egypt had an undrawn revolving credit facility of US$120 million (£71 million). Vodacom had fully drawn facilities of ZAR 1.0 billion (£57 million) and US$37 million (£22 million). Ghana had a facility of US$217 million (£130 million) which was fully drawn.

We believe that we have sufficient funding for our expected working capital requirements for at least the next 12 months. Further details regarding the maturity, currency and interest rates of the Group’s gross borrowings at 31 March 2014 are included in note 21 “Borrowings”.

Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the Board of directors or shareholders of the individual operating and holding companies and we have no rights to receive dividends except where specified within certain of the Group’s shareholders’ agreements. Similarly, other than ongoing dividend obligations to the KDG minority shareholders should they continue to hold their minority stake, we do not have existing obligations under shareholders’ agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures.

The amount of dividends received and paid in the year are disclosed in the consolidated statement of cash flows.

Potential cash outflows from option agreements and similar arrangements

In respect of our interest in Vodafone India Limited (‘VIL’), Piramal Healthcare (‘Piramal’) acquired approximately 11% shareholding in VIL from Essar during the 2012 financial year. In April 2014 Piramal sold its total shareholding in VIL to Vodafone Group. The combined consideration for these shares and the indirect equity interest held by Analjit Singh and Neelu Analjit Singh (completed in March 2014) was £1.0 billion.

Under the terms of the sale and purchase agreement governing the disposal of the US Group, including the 45% interest in Verizon Wireless, the Group retains the responsibility for any tax liabilities of the US Group, excluding those relating to the Verizon Wireless partnership, for periods up to the completion of the transaction on 21 February 2014.

Off-balance sheet arrangements
We do not have any material off-balance sheet arrangements as defined in item 5.E.2. of the SEC’s Form 20-F. Please refer to notes 29 and 30 for a discussion of our commitments and contingent liabilities.

23. Capital and financial risk management

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Accounting policies

Financial instruments
Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Put option arrangements
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at present value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the present value of the option over any consideration received, as a financing cost. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable; the charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.
Derivative financial instruments and hedge accounting

The Group’s activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments.

The use of financial derivatives is governed by the Group’s policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group’s risk management strategy. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement. The Group does not use derivative financial instruments for speculative purposes.
Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Group designates certain derivatives as:

- hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"); or
- hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ("cash flow hedges"); or
- hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, or if the Company chooses to end the hedging relationship.

**Fair value hedges**

The Group’s policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Group designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. Gains or losses relating to any ineffective portion are recognised immediately in the income statement.

**Cash flow hedges**

Cash flow hedging is used by the Group to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement.

When the hedged item is recognised in the income statement amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

**Net investment hedges**

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments (which include bonds, commercial paper, cross currency swaps and foreign exchange contracts) designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

**Capital management**

The following table summarises the capital of the Group:

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(10,134)</td>
</tr>
<tr>
<td>Fair value through the income statement (held for trading)</td>
<td>(5,293)</td>
</tr>
<tr>
<td>Derivative instruments in designated hedge relationships</td>
<td>(955)</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
</tr>
<tr>
<td>Fair value through the income statements (held for trading)</td>
<td>471</td>
</tr>
<tr>
<td>Derivative instruments in designated hedge relationships</td>
<td>410</td>
</tr>
<tr>
<td>Financial liabilities held at amortised cost</td>
<td>29,201</td>
</tr>
<tr>
<td>Net debt</td>
<td>13,700</td>
</tr>
<tr>
<td>Equity</td>
<td>71,781</td>
</tr>
<tr>
<td>Capital</td>
<td>85,481</td>
</tr>
</tbody>
</table>

The Group’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 loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal debt protection ratios being: net interest to operating cash flow (plus dividends from associates); retained cash flow (operating cash flow plus dividends from associates less interest, tax, dividends to non-controlling shareholders and equity dividends) to net debt; and operating cash flow (plus dividends from associates) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group’s debt rating agencies being Moody’s, Fitch Ratings and Standard & Poor’s. The Group complied with these ratios throughout the financial year and we expect these ratios to be complied with in the next 12 months.
Vodafone Group Plc
Annual Report on Form 20-F 2014

Notes to the consolidated financial statements (continued)

23. Capital and financial risk management (continued)

Financial risk management

The Group’s treasury function provides a centralised 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 authorised and reviewed by the Board, most recently on 27 March 2012. A treasury risk committee comprising of the Group’s Chief Financial Officer, Group General Counsel and Company Secretary, Group Financial Controller, Group Treasury Director and Director of Financial Reporting meets three times a year to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group’s accounting function, which does not report to the Group Treasury Director, provides regular update reports of treasury activity to the Board. The Group’s internal auditor reviews the internal control environment regularly.

The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. The Group mitigates banking sector credit risk by the use of collateral support agreements.

Credit risk

The Group considers its exposure to credit risk at 31 March to be as follows:

<table>
<thead>
<tr>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits</td>
<td>1,498</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>4,799</td>
</tr>
<tr>
<td>Cash held in restricted deposits</td>
<td>524</td>
</tr>
<tr>
<td>UK government bonds</td>
<td>852</td>
</tr>
<tr>
<td>Money market fund investments</td>
<td>3,648</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>2,443</td>
</tr>
<tr>
<td>Other investments – debt and bonds</td>
<td>5,525</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>3,859</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,546</td>
</tr>
<tr>
<td>Short-term securitised investments</td>
<td>1,019</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,713</strong></td>
</tr>
</tbody>
</table>

The Group invested in UK index linked government bonds on the basis that they generated a floating rate return in excess of £ LIBOR and are amongst the most creditworthy of investments available.

The Group has a managed investment fund. This fund holds fixed income sterling securities and the average credit quality is high double A.

Money market investments are in accordance with established internal treasury policies which dictate that an investment’s long-term credit rating is no lower than mid BBB. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 7.5% of each fund.

The Group has investments in repurchase agreements which are fully collateralised investments. The collateral is sovereign and supranational debt of major EU countries with at least one AAA rating denominated in euros, sterling and US dollars and can be readily converted to cash. In the event of any default, ownership of the collateral would revert to the Group. Detailed below is the value of the collateral held by the Group at 31 March 2014.

<table>
<thead>
<tr>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>4,464</td>
</tr>
<tr>
<td>Supranational</td>
<td>335</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,799</strong></td>
</tr>
</tbody>
</table>

In respect of financial instruments used by the Group’s treasury function, the aggregate credit risk the Group may have with one counterparty is limited by (i) reference to the long-term credit ratings assigned for that counterparty by Moody’s, Fitch Ratings and Standard & Poor’s, (ii) that counterparty’s five year credit default swap (“CDS”) spread, and (iii) the sovereign credit rating of that counterparty’s principal operating jurisdiction. Furthermore, collateral support agreements were introduced from the fourth quarter of 2008. Under collateral support agreements the Group’s exposure to a counterparty with whom a collateral support agreement is in place is reduced to the extent that the counterparty must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.
In the event of any default ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March 2014:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash collateral</td>
<td>£1,185</td>
<td>£1,151</td>
</tr>
</tbody>
</table>

The majority of the Group’s trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2014 £2,360 million (2013: £1,733 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £1,219 million (2013: £1,265 million) relating to the Europe region, and £280 million (2013: £319 million) relating to the AMAP region. Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

The following table presents ageing of receivables that are past due and provisions for doubtful receivables that have been established.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>30 days or less</td>
<td>1,327 (306) 971</td>
<td>1,460 (390) 1,070</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 31–60 days</td>
<td>218 (27) 191 166</td>
<td>184 (44) 140</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 61–180 days</td>
<td>187 (53) 134 222</td>
<td>151 (45) 106</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than 180 days</td>
<td>516 (313) 203 609</td>
<td>224 (424) 185</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,248 (749) 1,499</td>
<td>2,457 (872) 1,585</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Concentrations of credit risk with respect to trade receivables are limited given that the Group’s customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables. Amounts charged to administrative expenses during the year ended 31 March 2014 were £347 million (2013: £360 million; 2012: £357 million) (see note 15 “Trade and other receivables”).

As discussed in note 30 “Contingent liabilities”, the Group has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The security takes the form of an English law pledge over UK index linked government bonds.

**Liquidity risk**

At 31 March 2014 the Group had €3.9 billion and US$4.2 billion syndicated committed undrawn bank facilities and US$15 billion and £5 billion commercial paper programmes, supported by the £3.9 billion and US$4.2 billion syndicated committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds in the capital markets.

The €3.9 billion syndicated committed facility has a maturity date of 28 March 2019 with the option to (i) extend the facility for a further year prior to the first anniversary of the facility and should such extension be exercised, to (ii) extend the Facility for a further year prior to the second anniversary of the Facility, in both cases if requested by the Company. The US$4.1 billion syndicated committed facility has a maturity of 9 March 2017; the remaining US$0.1 billion has a maturity of 9 March 2016. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturing in any one calendar year, therefore minimising refinancing risk. Long-term borrowings mature between one and 29 years.

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2014, amounted to £10,134 million (2013: £7,531 million).
Market risk

Interest rate management
Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis except for periods up to six years where interest rate fixing has to be undertaken in accordance with treasury policy. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2014 there would be a reduction or increase in profit before tax by approximately £42 million (2013: increase or reduce by £144 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management
As Vodafone's primary listing is on the London Stock Exchange its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, South African rand, Indian rupee and sterling, the Group maintains the currency of debt and interest charges in proportion to its expected future principal multi-currency cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above certain de minimis levels. As the Group’s future cash flows are increasingly likely to be derived from emerging markets it is likely that a greater proportion of debt in emerging market currencies will be drawn.

The disposal of our US Group in February 2014 necessitated a restructuring of the Group’s outstanding US dollar debt, which was achieved via i) the repayment of certain US dollar debt obligations and ii) the use of cross currency swaps to eliminate the US dollar currency risk on certain remaining US dollar debt items. Prior to the disposal date a significant proportion of the Group’s future value was derived from its US assets. Going forward the Group will only hold US dollar debt to hedge future US dollar receipts, which primarily consist of floating rate notes as issued by Verizon Communications, received as part of the disposal consideration.

At 31 March 2014, 164% of net debt was denominated in currencies other than sterling (96% euro, 37% India rupee 19% US dollar and 12% other) while 64% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

Under the Group’s foreign exchange management policy, foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements on net investment hedging instruments as there would be an offset in the currency translation of the foreign operation. The following table details the Group’s sensitivity of the Group’s adjusted operating profit to a strengthening of the Group’s major currency in which it transacts. The percentage movement applied to the currency is based on the average movements in the previous three annual reporting periods. Amounts are calculated by retranslating the operating profit of each entity whose functional currency is euro.

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro 3% change – Adjusted operating profit</td>
<td>60</td>
</tr>
</tbody>
</table>

At 31 March 2013, sensitivity of the Group’s adjusted operating profit was analysed for a strengthening of the euro by 3% and the US dollar by 4%, which represented movements of £106 million and £257 million respectively.

Equity risk
The Group has equity investments, which are subject to equity risk. See note 13 “Other investments” for further details.
Fair value of financial instruments

The table below sets out the valuation basis1 of financial instruments held at fair value by the Group at 31 March 2014.

<table>
<thead>
<tr>
<th>Financial assets:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Level 2</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td>Fair value through the income statement (held for trading)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial instruments:</td>
<td>Interest rate swaps</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Cross currency interest rate swaps</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Foreign exchange contracts</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Interest rate futures</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>6,248</td>
</tr>
<tr>
<td>Financial investments available-for-sale:</td>
<td>Listed equity securities4</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Unlisted equity securities4</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td>Derivative financial instruments:</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Interest rate swaps</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Cross currency interest rate swaps</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Foreign exchange contracts</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes:
1. There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.
2. Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.
3. Level 2 classification comprises where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
4. Details of listed and unlisted equity securities are included in note 13 “Other Investments”.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities included in the table above do not meet the required criteria to offset in the balance sheet but derivative financial assets at 31 March of up to £678 million (2013: £857 million) would be settled net in certain circumstances under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default from the other. Under the Group’s collateral support agreements described above, under “credit risk” collateral has been posted of £130 million (2013: £117 million) and received of £1,185 million (2013: £1,151 million). Collateral may be offset and net settled against derivative financial instruments in the event of default by either party. The aforementioned collateral balances are recorded in “other short-term investments” or “short-term debt” respectively.

24. Directors and key management compensation

This note details the total amounts earned by the Company’s directors and members of the Executive Committee.

Directors

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Restated 2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and fees</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Incentive schemes1</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other benefits2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

Notes:
1. Amounts payable under incentive schemes have been restated to exclude £5 million and £1 million of cash in lieu of long-term incentive scheme dividends for the years ended 31 March 2013 and 31 March 2012, respectively.
2. Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2014 by directors who served during the year was £4 million (2013: £2 million; 2012: £nil).
24. Directors and key management compensation (continued)

Key management compensation

Aggregate compensation for key management, being the directors and members of the Executive Committee, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>17</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>21</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>38</td>
<td>40</td>
<td>42</td>
</tr>
</tbody>
</table>

Notes:

1. Amounts payable under short-term employee benefits have been restated to exclude £8 million and £2 million of cash in lieu of long-term incentive scheme dividends for the years ended 31 March 2013 and 31 March 2012, respectively.

25. Employees

This note shows the average number of people employed by the Group during the year, in which areas of our business our employees work and where they are based. It also shows total employment costs.

<table>
<thead>
<tr>
<th></th>
<th>2014 Employees</th>
<th>Restated 2013 Employees</th>
<th>Restated 2012 Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>By activity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>14,947</td>
<td>13,736</td>
<td>12,952</td>
</tr>
<tr>
<td>Selling and distribution</td>
<td>31,342</td>
<td>29,658</td>
<td>27,190</td>
</tr>
<tr>
<td>Customer care and admin</td>
<td>42,857</td>
<td>39,198</td>
<td>37,003</td>
</tr>
<tr>
<td></td>
<td>89,146</td>
<td>82,592</td>
<td>77,145</td>
</tr>
<tr>
<td>By segment:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>10,623</td>
<td>11,088</td>
<td>12,115</td>
</tr>
<tr>
<td>Italy</td>
<td>1,123</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Spain</td>
<td>3,552</td>
<td>4,223</td>
<td>4,379</td>
</tr>
<tr>
<td>UK</td>
<td>12,979</td>
<td>8,319</td>
<td>8,151</td>
</tr>
<tr>
<td>Other Europe</td>
<td>15,392</td>
<td>19,995</td>
<td>16,668</td>
</tr>
<tr>
<td>Europe</td>
<td>43,669</td>
<td>43,625</td>
<td>41,313</td>
</tr>
<tr>
<td>India</td>
<td>11,925</td>
<td>11,339</td>
<td>10,704</td>
</tr>
<tr>
<td>Vodacom</td>
<td>7,176</td>
<td>7,311</td>
<td>7,437</td>
</tr>
<tr>
<td>Other Africa, Middle East and Asia Pacific</td>
<td>16,002</td>
<td>12,659</td>
<td>11,431</td>
</tr>
<tr>
<td>Africa, Middle East and Asia Pacific</td>
<td>35,103</td>
<td>31,309</td>
<td>29,572</td>
</tr>
<tr>
<td>Non-Controlled Interests and Common Functions</td>
<td>10,374</td>
<td>7,668</td>
<td>6,260</td>
</tr>
<tr>
<td>Total</td>
<td>89,146</td>
<td>82,592</td>
<td>77,145</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>3,261</td>
<td>2,989</td>
<td>2,774</td>
</tr>
<tr>
<td>Social security costs</td>
<td>364</td>
<td>350</td>
<td>323</td>
</tr>
<tr>
<td>Other pension costs (note 26)</td>
<td>158</td>
<td>157</td>
<td>122</td>
</tr>
<tr>
<td>Share-based payments (note 27)</td>
<td>92</td>
<td>124</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>3,875</td>
<td>3,600</td>
<td>3,352</td>
</tr>
</tbody>
</table>

The Group has dialogue with recognised labour unions if required. In particular there are regular meetings with the Vodafone Employee Consultative Council (the ‘EECC’). The delegates of this body are locally elected Vodafone employee representatives, most of them union and works council members.

There has been no material disruption to operations as a result of union activity during the financial year.
26. Post employment benefits

We operate a number of defined benefit and defined contribution pension plans for our employees. The Group’s largest defined benefit schemes are in the UK. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Scheme liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date. Assets are valued at market value.

Actuarial gains and losses are taken to the statement of comprehensive income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group’s share of the results of equity accounted operations, as appropriate.

The Group’s contributions to defined contribution pension plans are charged to the income statement as they fall due.

Cumulative actuarial gains and losses at 1 April 2004, the date of transition to IFRS, were recognised in the statement of financial position.

Background

At 31 March 2014 the Group operated a number of pension plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the countries concerned. The Group’s pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees’ length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, India, Ireland, Italy, the UK and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Germany, Greece, Hungary, India, Ireland, Italy, the Netherlands, New Zealand, Portugal, South Africa, Spain and the UK.

Income statement expense

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit schemes</td>
<td>34</td>
<td>39</td>
<td>9</td>
</tr>
<tr>
<td>Defined contribution schemes</td>
<td>124</td>
<td>118</td>
<td>113</td>
</tr>
<tr>
<td>Total amount charged to income statement (note 25)</td>
<td>158</td>
<td>157</td>
<td>122</td>
</tr>
</tbody>
</table>

Defined benefit schemes

The Group’s principal defined benefit pension schemes are in the UK (the ‘UK Schemes’), being the Vodafone Group Pension Scheme (‘Vodafone UK plan’) and the Cable & Wireless Worldwide Retirement Plan (‘CWWRP’). The Vodafone UK plan and the CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013, respectively. Until 30 November 2013 the CWWRP allowed employees to accrue a pension at a rate of 1/85th of their final salary for each year of service until the retirement age of 60 with a maximum pension of two thirds of final salary. Employees contributed 5% of their salary into the scheme. The CWWRP is expected to merge with the Vodafone UK plan during the second quarter of 2014.

The defined benefit plans are administered by Trustee Boards that are legally separated from the Group. The Trustee Board of each pension fund consists of representatives who are employees, former employees or are independent from the Company. The Board of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies, such as investment and contribution policies and the governance of the fund.

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.
26. Post employment benefits (continued)

Actuarial assumptions

The Group’s scheme liabilities are measured using the projected unit credit method using the principal actuarial assumptions set out below:

Mortality assumptions used are based on recommendations from the individual scheme actuaries which include adjustments for the experience of the Group where appropriate. The largest schemes in the Group are the UK schemes. Further life expectancies assumed for the UK schemes (Vodafone UK plan only in 2012) are 23.3/24.7 years (2013: 23.6/25.3 years; 2012: 23.6/24.4 years) for a male/female pensioner currently aged 65 and 25.9/27.5 years (2013: 26.8/27.9 years; 2012: 27.2/26.7 years) from age 65 for a male/female non-pensioner member currently aged 40.

Charges made to the consolidated income statement and consolidated statement of comprehensive income (‘SOCI’) on the basis of the assumptions stated above are:

### Weighted average actuarial assumptions used at 31 March1:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of inflation²</td>
<td>3.2</td>
<td>3.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Rate of increase in salaries</td>
<td>3.1</td>
<td>3.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Discount rate</td>
<td>4.2</td>
<td>4.3</td>
<td>4.7</td>
</tr>
</tbody>
</table>

**Notes:**

1. Figures shown represent a weighted average assumption of the individual schemes.
2. The rate of increase in pensions in payment and deferred payment is the rate of inflation.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Restated 2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>14</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>Net interest charge(credit)</td>
<td>20</td>
<td>12</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total included within staff costs</strong></td>
<td><strong>24</strong></td>
<td><strong>39</strong></td>
<td><strong>9</strong></td>
</tr>
<tr>
<td>Actuarial (gains)/losses recognised in the SOCI</td>
<td>(57)</td>
<td>238</td>
<td>352</td>
</tr>
</tbody>
</table>
**Fair value of the assets and present value of the liabilities of the schemes**

The amount included in the statement of financial position arising from the Group’s obligations in respect of its defined benefit schemes is as follows:

An analysis of net (deficit)/assets is provided below for the Group’s two largest defined benefit pension schemes in the UK and for the Group as a whole.

<table>
<thead>
<tr>
<th>Movement in pension assets:</th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April</td>
<td>3,723</td>
<td>1,604</td>
<td>1,558</td>
</tr>
<tr>
<td>Exchange rate movements</td>
<td>(13)</td>
<td>6</td>
<td>(23)</td>
</tr>
<tr>
<td>Interest income</td>
<td>162</td>
<td>125</td>
<td>86</td>
</tr>
<tr>
<td>Return on plan assets excluding interest income</td>
<td>(114)</td>
<td>210</td>
<td>(17)</td>
</tr>
<tr>
<td>Employer cash contributions</td>
<td>51</td>
<td>100</td>
<td>31</td>
</tr>
<tr>
<td>Member cash contributions</td>
<td>7</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(81)</td>
<td>(60)</td>
<td>(39)</td>
</tr>
<tr>
<td>Assets assumed in business combinations</td>
<td>–</td>
<td>1,730</td>
<td>–</td>
</tr>
<tr>
<td>Other movements</td>
<td>107</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>31 March</td>
<td>3,842</td>
<td>3,723</td>
<td>1,604</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Movement in pension liabilities:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April</td>
<td>4,251</td>
<td>1,865</td>
<td>1,501</td>
</tr>
<tr>
<td>Exchange rate movements</td>
<td>(17)</td>
<td>9</td>
<td>(30)</td>
</tr>
<tr>
<td>Service cost</td>
<td>14</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>Interest cost</td>
<td>182</td>
<td>137</td>
<td>83</td>
</tr>
<tr>
<td>Member cash contributions</td>
<td>7</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Remeasurements:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses/(gains) arising from changes in demographic assumptions</td>
<td>(35)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Actuarial losses/(gains) arising from changes in financial assumptions</td>
<td>(44)</td>
<td>441</td>
<td>314</td>
</tr>
<tr>
<td>Actuarial losses/(gains) arising from experience adjustments</td>
<td>(92)</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(81)</td>
<td>(60)</td>
<td>(39)</td>
</tr>
<tr>
<td>Liabilities assumed in business combinations</td>
<td>121</td>
<td>1,772</td>
<td>2</td>
</tr>
<tr>
<td>Other movements</td>
<td>85</td>
<td>45</td>
<td>(5)</td>
</tr>
<tr>
<td>31 March</td>
<td>4,391</td>
<td>4,251</td>
<td>1,665</td>
</tr>
</tbody>
</table>

An analysis of net (deficit)/assets is provided below for the Group’s two largest defined benefit pension schemes in the UK and for the Group as a whole.

<table>
<thead>
<tr>
<th>Analysis of net (deficit)/assets:</th>
<th>CWRRP</th>
<th>Vodafone UK plan</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fair value of scheme assets</td>
<td>1,780</td>
<td>1,827</td>
<td>1,732</td>
</tr>
<tr>
<td>Present value of funded scheme liabilities</td>
<td>(1,732)</td>
<td>(1,677)</td>
<td>(1,647)</td>
</tr>
<tr>
<td>Net (deficit)/assets for funded schemes</td>
<td>48 (47)</td>
<td>(334)</td>
<td>(319)</td>
</tr>
<tr>
<td>Present value of unfunded scheme liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net (deficit)/assets</td>
<td>48 (47)</td>
<td>(334)</td>
<td>(319)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (deficit)/assets are analysed as:</th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>35</td>
<td>52</td>
<td>31</td>
<td>97</td>
<td>34</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>– (145)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysis of net (deficit)/assets:</th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fair value of scheme assets</td>
<td>1,780</td>
<td>1,827</td>
<td>1,732</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Present value of funded scheme liabilities</td>
<td>(1,732)</td>
<td>(1,677)</td>
<td>(1,647)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net (deficit)/assets for funded schemes</td>
<td>48 (47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>53 (145)</td>
</tr>
<tr>
<td>Present value of unfunded scheme liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net (deficit)/assets</td>
<td>48 (47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>53 (145)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (deficit)/assets are analysed as:</th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>35</td>
<td>52</td>
<td>31</td>
<td>97</td>
<td>34</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>– (145)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysis of net (deficit)/assets:</th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fair value of scheme assets</td>
<td>1,780</td>
<td>1,827</td>
<td>1,732</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Present value of funded scheme liabilities</td>
<td>(1,732)</td>
<td>(1,677)</td>
<td>(1,647)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net (deficit)/assets for funded schemes</td>
<td>48 (47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>53 (145)</td>
</tr>
<tr>
<td>Present value of unfunded scheme liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net (deficit)/assets</td>
<td>48 (47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>53 (145)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (deficit)/assets are analysed as:</th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>35</td>
<td>52</td>
<td>31</td>
<td>97</td>
<td>34</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(47)</td>
<td>(334)</td>
<td>(319)</td>
<td>(226)</td>
<td>– (145)</td>
</tr>
</tbody>
</table>
26. Post employment benefits (continued)

Funding plans are individually agreed for each of the Group’s defined benefit pension schemes with the respective trustees, taking into account local regulatory requirements. It is expected that contributions of £400 million will be paid into the Group’s defined benefit pension schemes during the year ending 31 March 2015, including a special one-off contribution of £325 million payable into the Vodafone UK plan and £40 million into the CWWRP in April 2014. These one-off contributions represent accelerated funding amounts that would have been due for each scheme over the period to 31 March 2020. The Group has also provided certain guarantees in respect of the UK schemes; further details are provided in note 30, “Contingent liabilities”.

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2014 is 21.7 years (2013: 21.4 years, 2012: 23.6 years).

Fair value of pension assets

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>65</td>
<td>117</td>
</tr>
<tr>
<td>Equity investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With quoted prices in an active market</td>
<td>1,318</td>
<td>1,310</td>
</tr>
<tr>
<td>Without quoted prices in an active market</td>
<td>102</td>
<td>129</td>
</tr>
<tr>
<td>Debt instruments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With quoted prices in an active market</td>
<td>1,320</td>
<td>1,129</td>
</tr>
<tr>
<td>Without quoted prices in an active market</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Property</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>Derivatives1</td>
<td>541</td>
<td>485</td>
</tr>
<tr>
<td>Annuity policies</td>
<td>476</td>
<td>517</td>
</tr>
<tr>
<td>Total</td>
<td>3,842</td>
<td>3,723</td>
</tr>
</tbody>
</table>

Note: 1. Derivatives include collateral held in the form of cash.

The schemes have no direct investments in the Group’s equity securities or in property currently used by the Group.

Each of the plans manage risks through a variety of methods and strategies including equity protection, to limit downside risk in falls in equity markets, inflation and interest rate hedging and, in the CWWRP, a substantial insured pensioner buy-in policy.

The actual return on plan assets over the year to 31 March 2014 was £48 million (2013: £335 million).

Sensitivity analysis

Measurement of the Group’s defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 31 March 2014.

<table>
<thead>
<tr>
<th></th>
<th>Rate of inflation</th>
<th>Rate of increase in salaries</th>
<th>Discount rate</th>
<th>Life expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Decrease by 0.5% £m</td>
<td>Increase by 0.5% £m</td>
<td>Decrease by 0.5% £m</td>
<td>Increase by 0.5% £m</td>
</tr>
<tr>
<td>(Decrease)/increase in present value of defined obligation</td>
<td>(349)</td>
<td>382</td>
<td>(18)</td>
<td>20</td>
</tr>
</tbody>
</table>

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting this sensitivity analysis, the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.
27. Share-based payments

We have a number of share plans used to award shares to directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in retained earnings is also recognised.

Fair value is measured by deducting the present value of expected dividend cash flows over the life of the awards from the share price as at the grant date.

Some share awards have an attached market condition, based on total shareholder return (TSR), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone’s ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is equal to the closing price of the Group’s shares on the date of grant, adjusted for the present value of future dividend entitlements where appropriate.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

→ 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and

→ 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

Share options

Vodafone Group executive plans

No share options have been granted to any directors or employees under the Company’s discretionary share option plans in the year ended 31 March 2014.

There are options outstanding under the Vodafone Group 1999 Long-Term Stock Incentive Plan and the Vodafone Global Incentive Plan. These options are normally exercisable between three and ten years from the date of grant. The vesting of some of these options was subject to satisfaction of performance conditions. Grants made to US employees are made in respect of ADSs.

Vodafone Group Sharesave Plan

The Vodafone Group 2008 Sharesave Plan enables UK staff to acquire shares in the Company through monthly savings of up to £250 over a three and/or five year period, at the end of which they may 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 invitation period and usually at a discount of 20% to the then prevailing market price of the Company’s shares.

Share plans

Vodafone Group executive plans

Under the Vodafone Global Incentive Plan awards of shares are granted to directors and certain employees. The release of these shares is conditional upon continued employment and for some awards achievement of certain performance targets measured over a three year period.

Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enables UK staff to acquire shares in the Company through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, the Company provides a free matching share.
27. Share-based payments (continued)

Movements in outstanding ordinary share and ADS options

<table>
<thead>
<tr>
<th></th>
<th>Ordinary share options</th>
<th></th>
<th>ADS options</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014 Millions</td>
<td>2013 Millions</td>
<td>2012 Millions</td>
<td></td>
</tr>
<tr>
<td>1 April</td>
<td>–</td>
<td>1</td>
<td>1</td>
<td>40</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td>Forfeited during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>(22)</td>
</tr>
<tr>
<td>Expired during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td>31 March</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>27</td>
</tr>
</tbody>
</table>

Weighted average exercise price:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April</td>
<td>US$22.16</td>
<td>US$15.20</td>
<td>US$14.82</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Forfeited during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>US$29.31</td>
<td>US$13.88</td>
<td>–</td>
</tr>
<tr>
<td>Expired during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>31 March</td>
<td>US$22.16</td>
<td>US$15.20</td>
<td>–</td>
</tr>
</tbody>
</table>

Summary of options outstanding and exercisable at 31 March 2014

<table>
<thead>
<tr>
<th></th>
<th>Outstanding shares Millions</th>
<th>Weighted average remaining contractual life Months</th>
<th>Exercisable shares Millions</th>
<th>Weighted average remaining contractual life Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone Group savings related and Sharesave Plan:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.01–£1.00</td>
<td>2</td>
<td>£0.94</td>
<td>11</td>
<td>–</td>
</tr>
<tr>
<td>£1.01–£2.00</td>
<td>21</td>
<td>£1.43</td>
<td>37</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>£1.38</td>
<td>34</td>
<td>–</td>
</tr>
<tr>
<td>Vodafone Group 1999 Long-Term Stock Incentive Plan:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£1.01–£2.00</td>
<td>4</td>
<td>£1.60</td>
<td>34</td>
<td>£1.60</td>
</tr>
</tbody>
</table>

Share awards

Movements in non-vested shares are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014 Millions</th>
<th>2013 Millions</th>
<th>2012 Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighted average fair value at grant date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 April</td>
<td>294</td>
<td>352</td>
<td>387</td>
</tr>
<tr>
<td>Granted</td>
<td>84</td>
<td>91</td>
<td>120</td>
</tr>
<tr>
<td>Vested</td>
<td>(81)</td>
<td>(116)</td>
<td>(116)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(54)</td>
<td>(31)</td>
<td>(39)</td>
</tr>
<tr>
<td>31 March</td>
<td>243</td>
<td>294</td>
<td>352</td>
</tr>
<tr>
<td></td>
<td>£1.27</td>
<td>£1.08</td>
<td>£1.00</td>
</tr>
</tbody>
</table>

Other information

The total fair value of shares vested during the year ended 31 March 2014 was £90 million (2013: £107 million; 2012: £130 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £92 million (2013: £124 million; 2012: £133 million) which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2014 was 212.2 pence (2013: 173.0 pence; 2012: 169.9 pence).
28. Acquisitions and disposals

We made a number of acquisitions during the year including the acquisition of a controlling interest in Kabel Deutschland Holding AG and the remaining interest in our business in Italy, Vodafone Omnitel B.V. thus obtaining control. The note below provides details of these transactions as well as those in the prior year. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. Acquisition-related costs are recognised in the income statement as incurred. The acquiree’s identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group’s previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders’ proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

Acquisitions

The aggregate cash consideration in respect of purchases of interests in subsidiaries, net of cash acquired, is as follows:

<table>
<thead>
<tr>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash consideration paid:</td>
</tr>
<tr>
<td>Kabel Deutschland Holding AG (including fees of £17 million)</td>
</tr>
<tr>
<td>Other acquisitions completed during the year</td>
</tr>
<tr>
<td>Net cash acquired</td>
</tr>
</tbody>
</table>

(599)

4,279

In addition, the Group acquired a 100% interest in Vodafone Omnitel B.V. as part of the disposal of the Group’s interest in Verizon Wireless for consideration of £7,121 million. The purchase consideration has been determined based on the acquisition-date fair value of the equity in Vodafone Omnitel B.V., being considered to be a more reliable method of determining fair value than estimating the attributable proportion of the fair value of the investment in Verizon Wireless. The equity value has been determined on a value in use basis using discounted estimated cash flows using the methodology and assumptions detailed in note 4 “Impairment losses”.

Total goodwill acquired was £6,859 million and included £3,848 million in relation to Kabel Deutschland Holding AG, £3,007 million in relation to Vodafone Omnitel B.V. and £4 million in relation to other acquisitions completed during the year. Acquisitions and disposals (continued)
26 Acquisitions and disposals (continued)

Kabel Deutschland Holding AG (‘KDG’)
On 30 July 2013 the Group launched a voluntary public takeover offer for the entire share capital of KDG and on 13 September 2013 announced that the 75% minimum acceptance condition had been met. The transaction completed on 14 October 2013 with the Group acquiring 76.57% of the share capital of KDG for cash consideration of £4,855 million. The primary reason for acquiring the business was to create a leading integrated communications operator in Germany, offering consumer and enterprise customers unified communications services.

The results of the acquired entity have been consolidated in the Group’s income statement from 14 October 2013 and contributed £735 million of revenue and a loss of £210 million to the profit attributable to equity shareholders of the Group during the year.

The provisional purchase price allocation is set out in the table below:

<table>
<thead>
<tr>
<th>Net assets acquired:</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifiable intangible assets</td>
<td>1,641</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4,381</td>
</tr>
<tr>
<td>Investment in associated undertakings</td>
<td>8</td>
</tr>
<tr>
<td>Inventory</td>
<td>34</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>154</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>619</td>
</tr>
<tr>
<td>Current and deferred taxation</td>
<td>(1,423)</td>
</tr>
<tr>
<td>Short and long-term borrowings</td>
<td>(2,784)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(1,136)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(63)</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>(62)</td>
</tr>
<tr>
<td>Net identifiable assets acquired</td>
<td>1,315</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(308)</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,848</td>
</tr>
<tr>
<td><strong>Total consideration</strong></td>
<td><strong>4,855</strong></td>
</tr>
</tbody>
</table>

Notes:
1 Identifiable intangible assets of £1,641 million consisted of customer relationships of £1,522 million, brand of £18 million and software of £101 million.
2 Non-controlling interests have been measured using the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed.
3 The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group’s acquisition of KDG.
4 Transaction costs of £17 million were charged in the Group’s consolidated income statement in the year ended 31 March 2014.

Vodafone Omnitel B.V. (‘Vodafone Italy’)
On 21 February 2014, the Group acquired a 100% interest in Vodafone Italy as part of the disposal of the Group’s interests in Verizon Wireless for consideration of £7,121 million, having previously held a 76.9% stake in Vodafone Italy which was accounted for as a joint venture.

The results of the acquired entity have been consolidated in the Group’s income statement from 21 February 2014 and contributed £522 million of revenue and £5 million of profit attributable to equity shareholders of the Group during the year.

The provisional purchase price allocation is set out in the table below:

<table>
<thead>
<tr>
<th>Net assets acquired:</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifiable intangible assets</td>
<td>3,000</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,017</td>
</tr>
<tr>
<td>Inventory</td>
<td>89</td>
</tr>
<tr>
<td>Trade and other receivables (net of provisions of £285 million)</td>
<td>1,745</td>
</tr>
<tr>
<td>Current and deferred taxation</td>
<td>(155)</td>
</tr>
<tr>
<td>Short and long-term borrowings</td>
<td>(19)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(2,415)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(96)</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>(52)</td>
</tr>
<tr>
<td>Net identifiable assets acquired</td>
<td>4,114</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,007</td>
</tr>
<tr>
<td><strong>Total consideration</strong></td>
<td><strong>7,121</strong></td>
</tr>
</tbody>
</table>

Notes:
1 Identifiable intangible assets of £3,000 million consisted of customer relationships of £1,319 million, licences and spectrum of £1,319 million and software of £362 million.
2 The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group’s acquisition of Vodafone Italy.
Pro-forma full year information

The following unaudited pro-forma summary presents the Group as if the acquisitions of KDG and the remaining interests in Vodafone Italy had been completed on 1 April 2013. The pro-forma amounts include the results of these acquisitions, amortisation of the acquired intangible assets recognised on acquisition and interest expense on the increase in net debt as a result of the acquisitions. The pro-forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

Other acquisitions

During the 2014 financial year the Group completed a number of other acquisitions for an aggregate net cash consideration of £6 million, all of which was paid during the year. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £4 million, £3 million and £1 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for a net cash consideration of £11 million.

Cable & Wireless Worldwide plc (‘CWW’)

On 27 July 2012 the Group acquired the entire share capital of CWW for cash consideration of approximately £1,050 million before tax and transaction costs. CWW de-listed from the London Stock Exchange on 30 July 2012. CWW provides a wide range of managed voice, data, hosting and IP-based services and applications. The primary reasons for acquiring the business were to strengthen the enterprise business of Vodafone Group in the UK and internationally, and the attractive network and other cost saving opportunities for the Vodafone Group.

The results of the acquired entity have been consolidated in the Group’s income statement from 27 July 2012 and contributed £1,234 million of revenue and a loss of £151 million to the profit attributable to equity shareholders of the Group during the year ended 31 March 2013.

The purchase price allocation is set out in the table below:

<table>
<thead>
<tr>
<th>Fair value</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets acquired:</td>
<td></td>
</tr>
<tr>
<td>Identifiable intangible assets&lt;sup&gt;1&lt;/sup&gt;</td>
<td>325</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,207</td>
</tr>
<tr>
<td>Inventory</td>
<td>34</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>452</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>78</td>
</tr>
<tr>
<td>Current and deferred taxation</td>
<td>788</td>
</tr>
<tr>
<td>Short and long-term borrowings</td>
<td>(306)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(754)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(249)</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>(47)</td>
</tr>
<tr>
<td>Net identifiable assets acquired</td>
<td>1,528</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(5)</td>
</tr>
<tr>
<td>Negative goodwill&lt;sup&gt;2&lt;/sup&gt;</td>
<td>(473)</td>
</tr>
<tr>
<td>Total consideration</td>
<td>1,050</td>
</tr>
</tbody>
</table>

Notes:
<sup>1</sup> Identifiable intangible assets of £325 million consisted of customer relationships of £225 million, CWW brand of £54 million and software of £46 million and are amortised in line with Group accounting policies.
<sup>2</sup> Transaction costs of £11 million were charged in the Group’s consolidated income statement in the year ended 31 March 2013.

The negative goodwill primarily arose from an upward fair value adjustment in relation to acquired property, plant and equipment, the recognition of acquired identifiable intangible assets not previously recognised by CWW together with the recognition of a deferred tax asset resulting from previously unclaimed UK capital allowances. The change in the purchase price allocation from that previously disclosed relates to further deferred tax asset recognition following the completion of new long-term business plans. No deferred tax assets have been recognised in respect of the losses of CWW (see “Factors affecting the tax charge in future years” on page 122). The income statement credit in respect of the negative goodwill is reported within “Other income and expense” on the face of the consolidated income statement in the year ended 31 March 2013.

On 27 July 2012 the Group acquired convertible bonds issued by CWW amounting to £245 million which resulted in £6 million of interest being charged to the Group’s consolidated income statement in the year ended 31 March 2013.
28. Acquisitions and disposals (continued)

TelstraClear Limited ('TelstraClear')
On 31 October 2012 the Group acquired the entire share capital of TelstraClear for cash consideration of NZ$863 million (£440 million). The primary reasons for acquiring the business were to strengthen Vodafone New Zealand’s portfolio of fixed communications solutions and to create a leading total communications company in New Zealand.

The results of the acquired entity which have been consolidated in the income statement from 31 October 2012 contributed £136 million of revenues and a loss of £23 million to the profit attributable to equity shareholders of the Group during the year ended 31 March 2013.

The purchase price allocation is set out in the table below:

<table>
<thead>
<tr>
<th>Net assets acquired:</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifiable intangible assets(^1)</td>
<td>84</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>345</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>55</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5</td>
</tr>
<tr>
<td>Current and deferred taxation liabilities</td>
<td>(19)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(59)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(15)</td>
</tr>
<tr>
<td>Total identifiable assets acquired</td>
<td>396</td>
</tr>
<tr>
<td>Goodwill(^2)</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total consideration</strong></td>
<td>440</td>
</tr>
</tbody>
</table>

Notes:
1. Identifiable intangible assets of £84 million consist of licences and spectrum fees of £27 million, TelstraClear brand of £3 million and customer relationships of £54 million.
2. The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group’s acquisition of TelstraClear. None of the goodwill is expected to be deductible for tax purposes.

Disposals

Verizon Wireless ('VZW')
On 21 February 2014 the Group sold its US sub-group which included its entire 45% shareholding in VZW to Verizon Communications Inc. for a total consideration of £76.7 billion before tax and transaction costs. The Group recognised a net gain on disposal of £44,996 million, reported in profit for the financial year from discontinued operations.

<table>
<thead>
<tr>
<th>Net assets disposed</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consideration(^1)</td>
<td>76,716</td>
</tr>
<tr>
<td>Other effects(^2)</td>
<td>(3,763)</td>
</tr>
<tr>
<td><strong>Net gain on disposal</strong>(^3)</td>
<td>44,996</td>
</tr>
</tbody>
</table>

Notes:
1. Consideration of £76.7 billion comprises cash of £35.2 billion, shares in Verizon Communications Inc. of £36.7 billion, loan notes issued by Verizon communications Inc. of £3.1 billion and a 21.3% interest in Vodafone Italy valued at £1.7 billion.
2. Other effects include foreign exchange losses transferred to the consolidated income statement.
3. Reported in profit for the financial year from discontinued operations in the consolidated income statement.
4. Transaction costs of £100 million were charged in the Group’s consolidated income statement in the year ended 31 March 2014.

The Group did not separately value the embedded derivatives arising from the agreement to sell the US sub-group for a fixed consideration on 2 September 2013 because it was not able to make a reliable estimate of the valuation of this derivative due to the difficulty in estimating the fair value of the shares in an unlisted entity in the period between 2 September 2013 and transaction completion on 21 February 2014.

Vodafone Omnitel B.V. ('Vodafone Italy')
On 21 February 2014 the Group completed a deemed disposal of its entire 76.9% shareholding in Vodafone Italy as part of the VZW disposal deal for a total consideration of £5.5 billion before tax and transaction costs. The Group recognised a net loss on disposal of £712 million, reported in other income and expense.

<table>
<thead>
<tr>
<th>Net assets disposed</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consideration</td>
<td>(8,480)</td>
</tr>
<tr>
<td>Other effects(^1)</td>
<td>5,473</td>
</tr>
<tr>
<td><strong>Net loss on disposal</strong>(^2)</td>
<td>(712)</td>
</tr>
</tbody>
</table>

Notes:
1. Other effects include foreign exchange gains transferred to the consolidated income statement.
2. Reported in other income and expense in the consolidated income statement.
29. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

Accounting policies
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Operating lease commitments
The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

<table>
<thead>
<tr>
<th>Lease Type</th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>1,128</td>
<td>1,094</td>
</tr>
<tr>
<td>In more than one year but less than two years</td>
<td>841</td>
<td>914</td>
</tr>
<tr>
<td>In more than two years but less than three years</td>
<td>678</td>
<td>721</td>
</tr>
<tr>
<td>In more than three years but less than four years</td>
<td>557</td>
<td>612</td>
</tr>
<tr>
<td>In more than four years but less than five years</td>
<td>477</td>
<td>519</td>
</tr>
<tr>
<td>In more than five years</td>
<td>2,051</td>
<td>2,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,782</td>
<td>6,103</td>
</tr>
</tbody>
</table>

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £313 million (2013: £314 million).

Capital commitments

<table>
<thead>
<tr>
<th>Company and subsidiaries</th>
<th>Share of joint operations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 £m</td>
<td>Restated 2013 £m</td>
<td>2014 £m</td>
</tr>
<tr>
<td>Contracts placed for future capital expenditure not provided in the financial statements</td>
<td>2,307</td>
<td>1,715</td>
</tr>
</tbody>
</table>

Note:

1 Commitment includes contracts placed for property, plant and equipment and intangible assets.

Grupo Corporativo Ono, S.A. (‘Ono’)

On 17 March 2014, Vodafone agreed to acquire Ono for a total consideration equivalent to €7.2 billion (£6.0 billion) on a debt and cash free basis. Ono has the largest next-generation network in Spain and the acquisition enables Vodafone to take advantage of the rapid increase in the adoption of unified communications products and services in the Spanish market. The acquisition, which is subject to customary terms and conditions including anti-trust clearances by the relevant authorities, is expected to complete in calendar Q3 2014.
### 30. Contingent liabilities

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>Restated 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance bonds¹</td>
<td>442</td>
<td>269</td>
</tr>
<tr>
<td>Other guarantees and contingent liabilities²</td>
<td>2,500</td>
<td>1,257</td>
</tr>
</tbody>
</table>

**Notes:**
1. Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts or commercial arrangements.
2. Other guarantees principally comprise Vodafone Group Plc’s guarantee of the Group’s 50% share of an AUD 1.7 billion loan facility and a US$3.5 billion loan facility of its joint venture, Hutchison Whampoa Ltd.

#### UK pension schemes

The Group has covenanted to provide security in favour of the Trustee of the Vodafone Group Pension Scheme whilst there is a deficit in the scheme. The deficit is measured on a prescribed basis agreed between the Group and Trustee. In 2010 the Group and Trustee agreed security of a charge over UK index linked gilts (‘ILG’) held by the Group. In December 2011, the security was increased by an additional charge over further ILG due to a significant increase in the deficit at that time.

In April 2014, the security was reduced following a reduction in the deficit following the results of the 2013 valuation and a £325 million company contribution to the Scheme (see note 26 ‘Post employment benefits’). The scheme retains security over £186.5 million (notional value) 2017 ILGs. The security may be substituted either on a voluntary or mandatory basis. As and when alternative security is provided, the Group has agreed that the security cover should include additional headroom of 33%, although if cash is used as the security asset the ratio will revert to 100% of the relevant liabilities or where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain core jurisdictions, the Trustee may decide to agree a lower ratio than 133%. The Company has also provided two guarantees to the scheme for a combined value up to €1.5 billion to provide security over the deficit under certain defined circumstances, including insolvency of the employers.

The Company has also agreed similar guarantees for the Trustees of the Cable & Wireless Worldwide Retirement Plan and THUS Plc Group Scheme up to £1.25 billion and £110 million respectively, following the acquisition of Cable & Wireless Worldwide plc.

#### Legal proceedings

The Company and its subsidiaries are currently, and may be from time to time, involved in a number of legal proceedings including inquiries from, or discussions with, governmental authorities that are incidental to their operations. However, save as disclosed below, the Company and its subsidiaries are not currently involved in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial position or profitability of the Company and its subsidiaries. Due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings outlined below can be made.

Materiality is lower than for the year ended 31 March 2013 as a result of the disposal of the Group’s interest in Verizon Wireless and accordingly, certain matters discussed below were not disclosed in prior years.

#### Telecom Egypt arbitration

In October 2009 Telecom Egypt commenced arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of lower interconnection rates paid to Vodafone Egypt by Mobilin. Telecom Egypt has also sought to join Vodafone International Holdings BV (‘VHIBV’), Vodafone Europe BV (‘VEBV’) and Vodafone Group Plc (which Telecom Egypt alleges should be held jointly liable with Vodafone Egypt) to the arbitration. VHIBV, VEBV and Vodafone Group Plc deny that they were subject to the interconnection agreement or any arbitration agreement with Telecom Egypt. Telecom Egypt initially quantified its claim at approximately €190 million in 2009. This was subsequently amended and increased to €551 million in January 2011 and further increased to its current value of just over €1.2 billion in November 2011. The Company disputes Telecom Egypt’s claim (and assertion of jurisdiction over VHIBV, VEBV and Vodafone Group Plc) and will continue to defend the Vodafone companies’ position vigorously. The arbitration hearing concluded in November 2013. The parties completed final written submissions in March 2014. A decision is now awaited from the tribunal during 2014.

#### Indian tax case

In August 2007 and September 2007, Vodafone India Limited (‘VIL’) and VIHBV respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group (‘HTIL’) in respect of HTIL’s gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VIL. In January 2012 the Indian Supreme Court handed down its judgement, holding that VIHBV’s interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that consequently, VIHBV had no obligation to withholding tax from consideration paid to HTIL in respect of the transaction. The Indian Supreme Court quashed the relevant notices and demands issued to VIHBV in respect of withholding tax and interest. On 20 March
2012 the Indian Government returned VIHBV’s deposit of INR 25 billion and released the guarantee for INR 85 billion, which was based on the demand for payment issued by the Indian tax authority in October 2010, for tax of INR 79 billion plus interest.

On 16 March 2012, the Indian Government introduced proposed legislation (the ‘Finance Bill 2012’) purporting to overturn the Indian Supreme Court’s judgement with retrospective effect back to 1962. On 17 April 2012, Vodafone International Holdings BV (‘VIHBV’) filed a trigger notice under the Dutch-India Bilateral Investment Treaty (‘BIT’) signalling its intent to invoke arbitration under the BIT should the new laws be enacted. The Finance Bill 2012 received Presidential assent and became law on 28 May 2012 (the ‘Finance Act 2012’). The Finance Act 2012 is intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIHBV’s transaction with HTIL in 2007. Further it seeks to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax.
The Indian Government commissioned a committee of experts (the ‘Shome committee’) consisting of academics, and current and former Indian government officials, to examine, and make recommendations in respect of, aspects of the Finance Act 2012 including the retrospective taxation of transactions such as VIHBV’s transaction with HTIL referred to above. On 10 October 2012, the Shome committee draft report concluded that tax legislation in the Finance Act 2012 should only be applied prospectively or, if applied retrospectively, that only a seller who made a gain should be liable, and, in that case, without any liability for interest or penalties. The Shome committee’s final report was submitted to the Indian Government on 31 October 2012, but no final report has been published, and it remains unclear what the Indian Government intends to do with the Shome committee’s final report or its recommendations.

VIHBV has not received any formal demand for taxation following the Finance Act 2012, but it did receive a letter on 3 January 2013 reminding it of the tax demand raised prior to the Indian Supreme Court’s judgement and purporting to update the interest element of that demand to a total amount of INR 142 billion. The separate proceedings taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, remain pending despite the issue having been ruled upon by the Indian Supreme Court. Should a further demand for taxation be received by VIHBV or any member of the Group as a result of the new retrospective legislation, we believe it is probable that we will be able to make a successful claim under the BIT. Although this would not result in any outflow of economic benefit from the Group, it could take several years for VIHBV to recover any deposit required by an Indian Court as a condition for any stay of enforcement of a tax demand pending the outcome of VIHBV’s BIT claim. However, VIHBV expects that it would be able to recover any such deposit. On 17 January 2014, VIHBV served on the Indian Government an amended trigger notice under the BIT, formally commencing the BIT arbitration proceedings. On 17 April 2014, VIHBV served its notice of arbitration under the BIT, formally commencing the BIT arbitration proceedings. We did not carry a provision for this litigation or in respect of the retrospective legislation at 31 March 2014, or at previous reporting dates.

Other Indian tax cases

VIL and Vodafone India Services Private Limited (‘VISPL’) (formerly 3GSPL) are involved in a number of tax cases with the current and former Indian government officials, to examine, and make recommendations in respect of, aspects of the Finance Act 2012 including the retrospective taxation of transactions such as VIHBV’s transaction with HTIL referred to above. On 10 October 2012, the Shome committee published its draft report for comment. The draft report concluded that tax legislation in the Finance Act 2012 should only be applied prospectively or, if applied retrospectively, that only a seller who made a gain should be liable, and, in that case, without any liability for interest or penalties. The Shome committee’s final report was submitted to the Indian Government on 31 October 2012, but no final report has been published, and it remains unclear what the Indian Government intends to do with the Shome committee’s final report or its recommendations.

VIHBV has not received any formal demand for taxation following the Finance Act 2012, but it did receive a letter on 3 January 2013 reminding it of the tax demand raised prior to the Indian Supreme Court’s judgement and purporting to update the interest element of that demand to a total amount of INR 142 billion. The separate proceedings taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, remain pending despite the issue having been ruled upon by the Indian Supreme Court. Should a further demand for taxation be received by VIHBV or any member of the Group as a result of the new retrospective legislation, we believe it is probable that we will be able to make a successful claim under the BIT. Although this would not result in any outflow of economic benefit from the Group, it could take several years for VIHBV to recover any deposit required by an Indian Court as a condition for any stay of enforcement of a tax demand pending the outcome of VIHBV’s BIT claim. However, VIHBV expects that it would be able to recover any such deposit. On 17 January 2014, VIHBV served on the Indian Government an amended trigger notice under the BIT, supplementing the trigger notice filed on 17 April 2012, to add claims relating to an attempt by the Indian Government to tax aspects of the transaction with Hutchison under transfer pricing rules. On 17 April 2014, VIHBV served its notice of arbitration under the BIT, formally commencing the BIT arbitration proceedings. We did not carry a provision for this litigation or in respect of the retrospective legislation at 31 March 2014, or at previous reporting dates.

VIL tax claims

The claims against VIL range from disputes concerning transfer pricing and the applicability of value-added tax to SIM cards, to the disallowance of income tax holidays. The quantum of the tax claims against VIL is in the region of £0.9 billion. VIL is of the opinion that any finding of material liability to tax, is not probable.

VISPL tax claims

VISPL has been assessed to owe tax of approximately €240 million (plus interest of €190 million) in respect of (i) a transfer pricing margin charged for the international call centre of Hutchison prior to the transaction with Vodafone; (ii) the sale of the international call centre by VISPL to Hutchison and (iii) the alleged transfer of options held by VISPL for VIL equity shares. The first two of the three heads of tax are subject to an indemnity by Hutchison under the VIHBV Tax Deed of Indemnity. The larger part of the potential claim is subject to any indemnity. VISPL unsuccessfully challenged the merits of the tax demand in the statutory tax tribunal and the jurisdiction of the tax office to make the demand in the High Court. The case is now in the Tax Appeal Tribunal after VISPL obtained a stay of the tax demand on a deposit of €20 million and a corporate guarantee by VIHBV for the balance. If VISPL loses the appeal, its terms of the stay of demand may be revisited (and could be increased) while VISPL pursues further appeals in the High Court and the Supreme Court.

Indian regulatory cases

Ligation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal (‘TDSAT’), High Courts and the Supreme Court in relation to a number of significant regulatory issues including mobile termination rates (‘MTRs’), spectrum and licence fees, licence extension and 3G intra-circle roaming (‘ICR’).

Public interest litigation: Yakesh Anand v Union of India, Vodafone and others

The Petitioner has brought a special leave petition in the Indian Supreme Court on 30 January 2012 against the Government of India and mobile network operators, including VIL, seeking recovery of the alleged excess spectrum allocated to the operators, compensation for the alleged excess spectrum held in the amount of approximately €4.7 billion and a criminal investigation of an alleged conspiracy between government officials and the network operators. A claim with similar allegations was dismissed by the Supreme Court in March 2012, with an order that the Petitioner should pay a fine for abuse of process. The case is pending before the Supreme Court and is expected to be called for hearing at some uncertain future date.

One time spectrum charges: Vodafone India v Union of India

The Government of India has sought to impose one time spectrum charges of approximately €525 million on certain operating subsidiaries of VIL. We filed a petition before the TDSAT challenging the one time spectrum charges on the basis that they are illegal, violate Vodafone’s licence terms and are arbitrary, unreasonable and discriminatory. The tribunal stayed enforcement of the Government’s spectrum demand pending resolution of the dispute. The case is now ready for trial.

3G inter-circle roaming: Vodafone India and others v Union of India

In April 2013, the Indian Department of Telecommunications issued a stoppage notice to VIL’s operating subsidiaries and other mobile operators requiring the immediate stoppage of the provision of 3G services on other operators’ mobile networks in an alleged breach of licences. The regulator also imposed a fine of approximately €5.5 million. We applied to the Delhi High Court for an order quashing the regulator’s notice. Interim relief from the notice has been granted (but limited to existing customers at the time with the effect that VIL was not able to provide 3G services to new customers on other operators’ 3G networks pending a decision on the issue). The dispute was referred to the TDSAT for decision, which ruled on 28 April 2014 that VIL and the other operators were permitted to provide 3G services to their customers (current and future) on other operators’ networks. An appeal by the Department of Telecommunications is possible.
30. Contingent liabilities (continued)

Extension of licences in Delhi, Mumbai and Kolkata: VIL and others v Union of India
We sought an extension of our existing licences in Delhi, Mumbai and Kolkata along with existing licensed spectrum. That extension was denied by the Department of Telecommunications by order dated 21 March 2013. We appealed that decision to the TDSAT and by its order dated 31 January 2014, the TDSAT denied the extension. The Supreme Court has agreed to hear our appeal on an expedited basis.

Other cases in the Group

Italy

British Telecom (Italy) v Vodafone Italy
The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to concerns it had abused its dominant position in the wholesale market for mobile termination. In 2010, British Telecom (Italy) brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy’s undertakings. British Telecom (Italy) seeks damages in the amount of €280 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market for the period 1999 to 2007. A court appointed expert has delivered an opinion to the Court that the range of damages in the case are in the region of €10 million to €25 million.

FASTWEB v Vodafone Italy
The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to concerns it had abused its dominant position in the wholesale market for mobile termination. In 2010, FASTWEB brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority’s investigation and Vodafone Italy’s undertakings. FASTWEB seeks damages in the amount of €360 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market. A court appointed expert has delivered an opinion to the Court that the range of damages in the case are in the region of €0.5 million to €2.3 million.

Greece

Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece, Vodafone Group Plc and certain Directors and Officers of Vodafone
In December 2013, Mr and Mrs Papistas, and companies owned or controlled by them, brought three claims in the Greek court in Athens against Vodafone Greece, Vodafone Group Plc and certain directors and officers of Vodafone Greece and Vodafone Group Plc for purported damage caused by the alleged abuse of dominance and wrongful termination of a franchise arrangement with a Papistas company. Approximately €1.0 billion of the claim is directed exclusively at one former and one current director of Vodafone Greece. The balance of the claim (approximately €285.5 million) is sought from Vodafone Greece and Vodafone Group Plc on a joint and several basis. The cases are scheduled to come to trial in November 2015 and April 2016.

Tanzania

Cats-Net Limited v Vodacom Tanzania Limited
In 2012, Cats-Net Limited brought a claim for US$500 million (US$200 million compensatory and US$300 million punitive) in damages against Vodacom Tanzania Limited in the Tanzanian High Court. Cats-Net is also seeking an order cancelling Vodacom Tanzania’s mobile telecommunications licence. The claim is based on the actions of the Tanzanian Telecommunications Regulatory Authority (‘TTRA’) who, following complaints by Vodacom Tanzania of interference caused by transmissions of Cats-Net, allegedly shut down the operations of Cats-Net after conducting its own investigation. Cats-Net alleges collusion between the TTRA and Vodacom Tanzania. Vodacom Tanzania filed an application to strike out the claim. That application has been argued and the parties await a decision of the Court.
31. Related party transactions

The Group has a number of related parties including joint ventures and associates (see note 12 “Investments in associates and joint ventures” to the consolidated financial statements), pension schemes (see note 26 “Post employment benefits” to the consolidated financial statements) and directors and Executive Committee members (see note 24 “Directors and key management compensation” to the consolidated financial statements).

Transactions with joint ventures and associates

Related party transactions with the Group’s joint ventures and associates primarily comprise fees for the use of products and services including network airtime and access charges, and cash pooling arrangements.

No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below.

Note:

Dividends received from associates and joint ventures are disclosed in the consolidated statement of cash flows.

Transactions with directors other than compensation

During the three years ended 31 March 2014, and as of 19 May 2014, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2014, and as of 19 May 2014, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including directors, any other executive officer, senior manager, 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.

32. Principal subsidiaries

Our subsidiaries are located around the world and each contributes to the profits, assets and cash flow of the Group. We have a large number of subsidiaries and so, for practical reasons, only the principal subsidiaries at 31 March 2014 are detailed below.

Accounting policies

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company’s returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder’s share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.
32. Principal subsidiaries (continued)

Principal subsidiaries

A full list of subsidiaries, joint arrangements, associated undertakings and any significant holdings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 15 August 2014 will be annexed to the Company’s next annual return filed with the Registrar of Companies. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company’s principal subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The country of incorporation or registration of all subsidiaries is also their principal place of operation unless otherwise stated.

| Name                                                                 | Principal activity       | Country of incorporation or registration | Percentage shareholdings%
|----------------------------------------------------------------------|--------------------------|------------------------------------------|--------------------------------------
| Vodafone GmbH                                                        | Network operator         | Germany                                   | 100.0                                |
| Kabel Deutschland Holding AG2                                         | Network operator         | Germany                                   | 76.6                                  |
| Vodafone Limited                                                      | Network operator         | England                                   | 100.0                                |
| Vodafone Omniet B.V.3,4,5                                            | Network operator         | Netherlands                               | 100.0                                |
| Vodafone España S.A.U.                                                | Network operator         | Spain                                     | 100.0                                |
| Vodafone Albania Sh.A.                                               | Network operator         | Albania                                   | 99.9                                  |
| Vodafone Czech Republic a.s.                                         | Network operator         | Czech Republic                            | 100.0                                |
| Vodafone-Paraton Hellenic Telecommunications Company S.A.             | Network operator         | Greece                                    | 99.9                                  |
| Vodafone Magyarorszag Mobile Tavkozlesi Zarkoteum Mukodo Reszvenytarsasagg6 | Network operator         | Hungary                                   | 100.0                                |
| Vodafone Ireland Limited                                              | Network operator         | Ireland                                   | 100.0                                |
| Vodafone Malta Limited                                                | Network operator         | Malta                                     | 100.0                                |
| Vodafone Libertel B.V.                                               | Network operator         | Netherlands                               | 100.0                                |
| Vodafone Portugal/Comunicações Pessoais, S.A.7                        | Network operator         | Portugal                                  | 100.0                                |
| Vodafone Romania S.A.                                                | Network operator         | Romania                                   | 100.0                                |
| Vodafone India Limited                                               | Network operator         | India                                     | 89.0                                  |
| Vodacom Group Limited                                                | Holding company          | South Africa                              | 65.0                                  |
| Vodacom (Pty) Limited6                                                | Network operator         | South Africa                              | 60.9                                  |
| Vodacom Congo (RDC) s.p.r.l.6,8,10                                    | Network operator         | Republic of Congo                         | 33.2                                  |
| Vodacom Tanzania Limited8,10                                          | Network operator         | Tanzania                                  | 42.3                                  |
| VM, S.A.8,11                                                          | Network operator         | Mozambique                                | 55.3                                  |
| Vodacom Lesotho (Pty) Limited8                                        | Network operator         | Lesotho                                   | 52.0                                  |
| Vodacom Business Africa Group (PTY) Limited8                          | Holding company          | South Africa                              | 65.0                                  |
| Vodafone Egypt Telecommunications S.A.E.                             | Network operator         | Egypt                                     | 54.9                                  |
| Ghana Telecommunications Company Limited                             | Network operator         | Ghana                                     | 70.0                                  |
| Vodafone New Zealand Limited                                          | Network operator         | New Zealand                               | 100.0                                |
| Vodafone Qatar Q.S.C.30                                               | Network operator         | Qatar                                     | 23.0                                  |
| Vodafone Telekomunikasyon A.S.                                        | Network operator         | Turkey                                    | 100.0                                |
| Vodafone Group Services Limited12                                     | Global products and services provider | England                              | 100.0                                |
| Vodafone Sales & Services Limited13                                    | Group services provider   | England                                   | 100.0                                |
| Vodafone 6 UK                                                         | Holding company          | England                                   | 100.0                                |
| Vodafone Holding GmbH                                                | Holding company          | Germany                                   | 100.0                                |
| Vodafone Holdings Europe S.L.U.                                      | Holding company          | Spain                                     | 100.0                                |
| Vodafone Europe B.V.                                                 | Holding company          | Netherlands                               | 100.0                                |
| Vodafone International Holdings B.V.                                 | Holding company          | Netherlands                               | 100.0                                |
| Vodafone Investments Luxembourg S.a.r.l.                             | Holding company          | Luxembourg                                | 100.0                                |
| Vodafone Procurement Company S.a.r.l.                                 | Group services provider   | Luxembourg                                | 100.0                                |
| Vodafone Roaming Services S.a.r.l.                                    | Group services provider   | Luxembourg                                | 100.0                                |

Notes:
1. Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to nearest tenth of one percent.
2. Kabel Deutschland Holding AG was acquired on 14 October 2013.
3. Vodafone Omniet B.V. changed its name on 16 December 2013 (previously Vodafone Omniet N.V.).
4. The principal place of operation of Vodafone Omniet B.V. is Italy.
5. Vodafone Omniet B.V. became a 100% owned subsidiary on 27 February 2014.
6. The Group has rights that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C., Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited.
7. 38.5% of the issued share capital of Vodafone Portugal/Comunicações Pessoais, S.A. is directly held by Vodafone Group Plc.
8. Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 65.0% ownership interest in Vodacom.
9. The share capital of Vodacom Congo (RDC) s.p.r.l. consists of 1,000,000 ordinary shares and 75,457,598 preference shares.
10. The Group has rights that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C., Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited.
11. The share capital of VM, S.A. consists of 60,000,000 ordinary shares and 545,350,646 preference shares.
12. Share capital consists of 1,190 ordinary shares and one deferred share, of which 100% of the shares are indirectly held by Vodafone Group Plc.
13. Vodafone Sales & Services Limited is directly held by Vodafone Group Plc.
The tables below show selected financial data in respect of subsidiaries that have non-controlling interests that are material to the Group.

<table>
<thead>
<tr>
<th></th>
<th>Vodacom Group Limited</th>
<th>Vodafone Egypt Telecommunications S.A.E.</th>
<th>Vodafone Qatar Q.S.C.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014 £m</td>
<td>2013 £m</td>
<td>2014 £m</td>
</tr>
<tr>
<td><strong>Summary comprehensive income information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>4,718</td>
<td>5,206</td>
<td>1,163</td>
</tr>
<tr>
<td>Profit/(loss) for the financial year</td>
<td>730</td>
<td>819</td>
<td>165</td>
</tr>
<tr>
<td>Other comprehensive expense</td>
<td>(9)</td>
<td>(12)</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income/(expense)</td>
<td>721</td>
<td>807</td>
<td>165</td>
</tr>
<tr>
<td><strong>Other financial information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) for the financial year allocated to non-controlling interests</td>
<td>273</td>
<td>298</td>
<td>75</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>261</td>
<td>301</td>
<td>3</td>
</tr>
<tr>
<td><strong>Summary financial position information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>4,681</td>
<td>5,766</td>
<td>1,259</td>
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<tr>
<td>Current assets</td>
<td>1,279</td>
<td>1,503</td>
<td>405</td>
</tr>
<tr>
<td>Total assets</td>
<td>5,956</td>
<td>7,269</td>
<td>1,664</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(360)</td>
<td>(649)</td>
<td>(33)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(2,005)</td>
<td>(2,171)</td>
<td>(721)</td>
</tr>
<tr>
<td>Total assets less total liabilities</td>
<td>3,591</td>
<td>4,449</td>
<td>910</td>
</tr>
<tr>
<td>Equity shareholders’ funds</td>
<td>2,899</td>
<td>3,609</td>
<td>575</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>692</td>
<td>840</td>
<td>336</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,591</td>
<td>4,449</td>
<td>910</td>
</tr>
</tbody>
</table>

The voting rights held by the Group equal the Group’s percentage shareholding as shown on page 168.
33. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2014.

<table>
<thead>
<tr>
<th>Name</th>
<th>Registration number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone 2</td>
<td>4083193</td>
</tr>
<tr>
<td>Vodafone 4 UK</td>
<td>6357658</td>
</tr>
<tr>
<td>Vodafone 5 Limited</td>
<td>6688527</td>
</tr>
<tr>
<td>Vodafone 5 UK</td>
<td>2960479</td>
</tr>
<tr>
<td>Vodafone Americas 4</td>
<td>6389457</td>
</tr>
<tr>
<td>Vodafone Benelux Limited</td>
<td>4200960</td>
</tr>
<tr>
<td>Vodafone Cellular Limited</td>
<td>896318</td>
</tr>
<tr>
<td>Vodafone Consolidated Holdings Limited</td>
<td>5754561</td>
</tr>
<tr>
<td>Vodafone Euro Hedging Limited</td>
<td>3964207</td>
</tr>
<tr>
<td>Vodafone Euro Hedging Two</td>
<td>4055111</td>
</tr>
<tr>
<td>Vodafone European Investments</td>
<td>3961908</td>
</tr>
<tr>
<td>Vodafone European Portal Limited</td>
<td>3973442</td>
</tr>
<tr>
<td>Vodafone Europe UK</td>
<td>5798451</td>
</tr>
<tr>
<td>Vodafone Finance Luxembourg Limited</td>
<td>5754479</td>
</tr>
<tr>
<td>Vodafone Finance Sweden</td>
<td>2139168</td>
</tr>
<tr>
<td>Vodafone Finance UK Limited</td>
<td>3922620</td>
</tr>
<tr>
<td>Vodafone Financial Operations</td>
<td>4016558</td>
</tr>
<tr>
<td>Vodafone Global Content Services Limited</td>
<td>4064873</td>
</tr>
<tr>
<td>Vodafone Holdings Luxembourg Limited</td>
<td>4200970</td>
</tr>
<tr>
<td>Vodafone Intermediate Enterprises Limited</td>
<td>3869137</td>
</tr>
<tr>
<td>Vodafone International Holdings Limited</td>
<td>2797426</td>
</tr>
<tr>
<td>Vodafone International Operations Limited</td>
<td>2797438</td>
</tr>
<tr>
<td>Vodafone Investments Australia Limited</td>
<td>2011978</td>
</tr>
<tr>
<td>Vodafone Investments Limited</td>
<td>1530614</td>
</tr>
<tr>
<td>Vodafone Investment UK</td>
<td>5798385</td>
</tr>
<tr>
<td>Vodafone Leasing Limited</td>
<td>4201716</td>
</tr>
<tr>
<td>Vodafone Marketing UK</td>
<td>6858685</td>
</tr>
<tr>
<td>Vodafone Mobile Communications Limited</td>
<td>3942221</td>
</tr>
<tr>
<td>Vodafone Mobile Enterprises Limited</td>
<td>3961390</td>
</tr>
<tr>
<td>Vodafone Mobile Network Limited</td>
<td>3961482</td>
</tr>
<tr>
<td>Vodafone (New Zealand) Hedging Limited</td>
<td>4158469</td>
</tr>
<tr>
<td>Vodafone Nominees Limited</td>
<td>1172051</td>
</tr>
<tr>
<td>Vodafone Oceania Limited</td>
<td>3973427</td>
</tr>
<tr>
<td>Vodafone Overseas Finance Limited</td>
<td>4171115</td>
</tr>
<tr>
<td>Vodafone Overseas Holdings Limited</td>
<td>2809758</td>
</tr>
<tr>
<td>Vodafone Panafon UK</td>
<td>6326918</td>
</tr>
<tr>
<td>Vodafone Property Investments Limited</td>
<td>3903420</td>
</tr>
<tr>
<td>Vodafone UK Investments Limited</td>
<td>874784</td>
</tr>
<tr>
<td>Vodafone UK Limited</td>
<td>2227940</td>
</tr>
<tr>
<td>Vodafone Worldwide Holdings Limited</td>
<td>3294074</td>
</tr>
<tr>
<td>Vodafone Yen Finance Limited</td>
<td>4373166</td>
</tr>
<tr>
<td>Voda Limited</td>
<td>1847509</td>
</tr>
<tr>
<td>Vodafone Limited</td>
<td>2373469</td>
</tr>
<tr>
<td>Vodafone Limited</td>
<td>2502373</td>
</tr>
</tbody>
</table>

34. Subsequent events

Detailed below are the significant events that happened after our year end date of 31 March 2014 and before the signing of this annual report on 20 May 2014.

On 11 April 2014, the Group acquired the remaining 10.97% of its Indian subsidiary, Vodafone India Limited, from Piramal Enterprises Limited for cash consideration of INR 89.0 billion (£0.9 billion), taking its ownership interest to 100%.

On 19 May 2014 Vodacom announced that it had reached an agreement with the shareholders of Neotel, the second largest provider of fixed telecommunications services in South Africa, to acquire 100% of the issued share capital in, and shareholder loans against, Neotel for a total cash consideration of ZAR 6.8 billion (£0.4 billion). The transaction remains subject to the fulfilment of a number of conditions precedent including applicable regulatory approvals and is expected to close before the end of the financial year.
Prior year operating results

This section presents our operating performance for the 2013 financial year compared to the 2012 financial year, providing commentary on how revenue and adjusted EBITDA performance of the Group and its operating segments within the Europe and AMAP regions, together with Common Functions, have developed over the last year. These revenue and adjusted EBITDA amounts are extracted from note 2 to the Consolidated Financial Statements. The presentation of segmental revenues and adjusted EBITDA within note 2 to the Consolidated Financial Statements segment is under the management basis as this is assessed as being the most insightful presentation and is how the Group’s operating performance is reviewed internally by management. See “Non-GAAP information” on page 201 for further information and reconciliations between the management and statutory basis.

Group

<table>
<thead>
<tr>
<th></th>
<th>Restated 2013 £m</th>
<th>Restated 2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>38,041</td>
<td>38,821</td>
</tr>
<tr>
<td>Service revenue</td>
<td>34,999</td>
<td>35,746</td>
</tr>
<tr>
<td>Other revenue</td>
<td>3,042</td>
<td>3,075</td>
</tr>
<tr>
<td>Adjusted EBITDA²</td>
<td>11,466</td>
<td>11,737</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>5,590</td>
<td>6,387</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>(7,700)</td>
<td>(4,050)</td>
</tr>
<tr>
<td>Restructuring costs and other</td>
<td>(311)</td>
<td>(144)</td>
</tr>
<tr>
<td>Amortisation of acquired customer bases and brand intangible assets</td>
<td>(249)</td>
<td>(280)</td>
</tr>
<tr>
<td>Other income/(expense)</td>
<td>468</td>
<td>3,705</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>(2,202)</td>
<td>5,618</td>
</tr>
<tr>
<td>Non-operating income and expense</td>
<td>10</td>
<td>(162)</td>
</tr>
<tr>
<td>Net financing costs</td>
<td>(1,291)</td>
<td>(1,312)</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>(476)</td>
<td>(705)</td>
</tr>
<tr>
<td>(Loss)/profit for the financial year from continuing operations</td>
<td>(3,959)</td>
<td>3,439</td>
</tr>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>4,616</td>
<td>3,555</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>667</td>
<td>6,994</td>
</tr>
</tbody>
</table>

Notes:
2 Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs. Adjusted operating profit has also been redefined to exclude amortisation of customer bases and brand intangible assets. See page 201 for “Non-GAAP financial information”.

Revenue

Group revenue fell by 2.0% to £38.0 billion, with service revenue of £35.0 billion, a decline of 2.1%.

Our performance reflected continued strong demand for data services and good growth in our major emerging markets, offset by adverse foreign exchange movements, regulatory changes, challenging macroeconomic conditions, particularly in Europe, and continued competitive pressures.

Adjusted EBITDA and profit

Group adjusted EBITDA decreased by 2.3% to £11.5 billion, primarily driven by lower revenue, partially offset by operating cost efficiencies. Adjusted operating profit declined by 12.5%, driven by lower adjusted EBITDA.

The operating (loss)/profit decreased from a profit £5.6 billion in the prior year to a loss of £2.2 billion primarily due to the gains on the disposal of the Group’s interests in SFR and Polkomtel in the prior year and the higher impairment charges in the current year, partially offset by the gain on acquisition of CWW of £3.5 billion.

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

#### Year ended 31 March 2013

<table>
<thead>
<tr>
<th></th>
<th>Germany £m</th>
<th>Italy £m</th>
<th>UK £m</th>
<th>Spain £m</th>
<th>Other Europe £m</th>
<th>Eliminations £m</th>
<th>Europe £m</th>
<th>£ Organic change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7,857</td>
<td>4,755</td>
<td>5,150</td>
<td>3,904</td>
<td>7,115</td>
<td>(179)</td>
<td>28,602</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Service revenue</td>
<td>7,275</td>
<td>4,380</td>
<td>4,782</td>
<td>3,629</td>
<td>6,610</td>
<td>(175)</td>
<td>26,501</td>
<td>(5.9)</td>
</tr>
<tr>
<td>Other revenue</td>
<td>582</td>
<td>375</td>
<td>368</td>
<td>275</td>
<td>505</td>
<td>(4)</td>
<td>2,101</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>2,831</td>
<td>1,917</td>
<td>1,210</td>
<td>1,021</td>
<td>2,120</td>
<td>–</td>
<td>9,099</td>
<td>(8.1)</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>36.0%</td>
<td>40.3%</td>
<td>23.5%</td>
<td>26.2%</td>
<td>29.8%</td>
<td></td>
<td>31.8%</td>
<td></td>
</tr>
</tbody>
</table>

#### Year ended 31 March 2012

<table>
<thead>
<tr>
<th></th>
<th>Germany £m</th>
<th>Italy £m</th>
<th>UK £m</th>
<th>Spain £m</th>
<th>Other Europe £m</th>
<th>Eliminations £m</th>
<th>Europe £m</th>
<th>£ Organic change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8,233</td>
<td>5,658</td>
<td>5,397</td>
<td>4,763</td>
<td>6,469</td>
<td>(186)</td>
<td>30,322</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Service revenue</td>
<td>7,669</td>
<td>5,329</td>
<td>4,996</td>
<td>4,357</td>
<td>5,994</td>
<td>(183)</td>
<td>28,152</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Other revenue</td>
<td>564</td>
<td>329</td>
<td>401</td>
<td>406</td>
<td>475</td>
<td>(5)</td>
<td>2,170</td>
<td>16.4</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>3,034</td>
<td>2,521</td>
<td>1,294</td>
<td>1,210</td>
<td>2,160</td>
<td></td>
<td>10,219</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>36.9%</td>
<td>44.6%</td>
<td>24.0%</td>
<td>26.4%</td>
<td>33.4%</td>
<td></td>
<td>33.7%</td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue – Europe

<table>
<thead>
<tr>
<th></th>
<th>Organic change</th>
<th>Other activity</th>
<th>Foreign exchange</th>
<th>Reported change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>(5.5)</td>
<td>4.4</td>
<td>(4.6)</td>
<td>(6.7)</td>
</tr>
</tbody>
</table>

#### Service revenue

<table>
<thead>
<tr>
<th></th>
<th>German %</th>
<th>Italy %</th>
<th>UK %</th>
<th>Spain %</th>
<th>Other Europe %</th>
<th>Europe %</th>
<th>£ Organic change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0.5</td>
<td>(0.1)</td>
<td>(5.5)</td>
<td>(5.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>(12.8)</td>
<td>(0.1)</td>
<td>(4.9)</td>
<td>(17.6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>(4.0)</td>
<td>(0.3)</td>
<td>–</td>
<td>(4.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>(11.5)</td>
<td>(0.2)</td>
<td>(5.0)</td>
<td>(16.7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Europe</td>
<td>(5.2)</td>
<td>22.4</td>
<td>(6.9)</td>
<td>10.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>(5.8)</td>
<td>4.5</td>
<td>(4.6)</td>
<td>(5.9)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Adjusted EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Organic change</th>
<th>Other activity</th>
<th>Foreign exchange</th>
<th>Reported change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>(1.7)</td>
<td>0.2</td>
<td>(5.2)</td>
<td>(6.7)</td>
</tr>
<tr>
<td>Italy</td>
<td>(19.3)</td>
<td>–</td>
<td>(4.7)</td>
<td>(24.0)</td>
</tr>
<tr>
<td>UK</td>
<td>(6.8)</td>
<td>0.4</td>
<td>(0.1)</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Spain</td>
<td>(9.8)</td>
<td>(0.5)</td>
<td>(5.5)</td>
<td>(15.6)</td>
</tr>
<tr>
<td>Other Europe</td>
<td>(3.7)</td>
<td>8.1</td>
<td>(6.3)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Europe</td>
<td>(8.1)</td>
<td>1.8</td>
<td>(4.7)</td>
<td>(11.0)</td>
</tr>
</tbody>
</table>

**Note:** 1. “Other activity” includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to “Organic growth” on page 202 for further detail.

### Germany

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

The roll-out of 4G services continued and was available in 81 cities, with population coverage of 61% at 31 March 2013.

Adjusted EBITDA declined by 1.7%*, with a 1.0% percentage point reduction in adjusted EBITDA margin, driven by higher customer costs, partially offset by operating cost efficiencies and a one-off benefit from a legal settlement during Q2.

### Italy

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

4G commercial services were launched in October 2012 and were available in 21 cities at 31 March 2013.

Adjusted EBITDA declined by 19.3%*, with a 4.3% percentage point fall in the adjusted EBITDA margin, driven by the decline in service revenue and an increase in commercial costs, partially offset by operating cost efficiencies such as site sharing agreements and the outsourcing of network maintenance.
UK
Service revenue declined by 4.0%* driven by the impact of MTR cuts effective from April 2012, intense price competition and macroeconomic weakness, which led to lower out-of-bundle usage. Data revenue grew by 4.2%* driven by higher penetration of smartphones. Vodafone Red plans, launched in September 2012, performed well, with over one million customers at 31 March 2013.

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

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

Adjusted EBITDA declined by 6.8%*, with a 0.5* percentage point reduction in adjusted EBITDA margin, driven by higher retention activity.

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

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

Adjusted EBITDA declined by 9.8%*, with a 0.9* percentage point increase in adjusted EBITDA margin, as lower revenues were offset by commercial and operating cost efficiencies. The adjusted EBITDA margin stabilised in H2, benefiting from lower operating and commercial costs.

Other Europe
Service revenue decreased by 5.2%*, driven by declines in the Netherlands, Greece and Portugal, which more than offset growth in Albania and Malta. In the Netherlands service revenue declined by 2.7%* due to more challenging macroeconomic conditions and lower out-of-bundle usage. Macroeconomic weakness, intense price competition and an MTR cut resulted in service revenue declines of 13.4%* and 8.2%* in Greece and Portugal respectively.

Adjusted EBITDA declined by 3.7%*, with a 0.1* percentage point increase in adjusted EBITDA margin as the impact of service revenue declines was largely offset by cost efficiencies.
Other unaudited financial information (continued)

Prior year operating results (continued)

<table>
<thead>
<tr>
<th>Africa, Middle East and Asia Pacific on a management basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 31 March 2013</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Vodacom</td>
</tr>
<tr>
<td>Other AMAP</td>
</tr>
<tr>
<td>Eliminations</td>
</tr>
<tr>
<td>AMAP</td>
</tr>
<tr>
<td>% change</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
</tr>
<tr>
<td>Year ended 31 March 2012</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Vodacom</td>
</tr>
<tr>
<td>Other AMAP</td>
</tr>
<tr>
<td>Eliminations</td>
</tr>
<tr>
<td>AMAP</td>
</tr>
<tr>
<td>% change</td>
</tr>
</tbody>
</table>

Note: 1 “Other activity” includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to “Organic growth” on page 202 for further detail.

India

Service revenue grew by 11.2%* driven by strong growth in mobile voice minutes and data revenue, partially offset by the impact of regulatory changes. Average customer growth slowed in Q4, as Q3 regulatory changes affecting subscriber verification continued to impact gross additions, however customer acquisition costs remained low.

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

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

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

Vodacom

Service revenue grew by 3.1%* mainly driven by growth in Tanzania, the Democratic Republic of Congo (‘DRC’) and Mozambique. In South Africa, service revenue decreased by 0.3%*, with the growth in data revenue and the success of new prepaid offers being more than offset by MTR reductions, macroeconomic weakness leading to customer spend optimisation with lower out-of-bundle usage, and a weaker performance from independent service providers. Data revenue in South Africa grew by 16.1%*, with higher smartphone penetration and data bundles offsetting continued pricing pressure. Vodafone Smart and Vodafone Red, our new range of integrated contract price plans, were introduced in South Africa during March 2013.

On 10 October 2012, Vodacom announced the commercial launch of South Africa’s first LTE network, with 601 LTE sites operational at 31 March 2013.
Vodacom’s mobile operations outside South Africa delivered strong service revenue growth of 23.4%*, excluding Vodacom Business Africa, driven by a larger customer base and increasing data take-up. M-Pesa continues to perform well in Tanzania, with approximately 4.9 million active users, and was launched in DRC in November 2012. During the year Vodacom DRC became the first operator to launch 3G services in the DRC.

Adjusted EBITDA grew by 10.1%*, with a 1.5* percentage point increase in adjusted EBITDA margin, primarily driven by revenue growth in Vodacom’s mobile operations outside South Africa and savings in network costs in South Africa following investment in single RAN and transmission equipment.

Other AMAP
Organic service revenue grew by 3.8%* with growth in Turkey, Egypt, Ghana and Qatar more than offset by revenue declines in Australia and New Zealand. Service revenue in Turkey grew by 17.3%*, primarily driven by growth in the contract customer base and an increase in data revenue due to mobile internet and higher smartphone penetration. Australia continued to experience steep revenue declines on the back of ongoing service perception issues and a declining customer base. There has been a strong focus on network improvement and arresting the weakness in brand perception. In Egypt the launch of value management initiatives, take-up of data services and the increase in international incoming call volumes and rates drove service revenue growth of 3.7%*, despite competitive pressures and the uncertain political environment. Data revenue continued to show strong growth of 29.6%* and fixed line revenue grew by 29.0%*. In Qatar service revenue grew by 29.8%*, driven by the growth in the customer base, which is now over one million, supported by successful new propositions. In Ghana, continued strong growth in the customer base and the success of integrated tariffs led to service revenue growth of 24.5%*.

Adjusted EBITDA increased by 6.2%*, with adjusted EBITDA margin increasing by 0.5* percentage points with the impact of service revenue growth in Turkey, Egypt, Qatar and Ghana offsetting declines in Australia and New Zealand.

Non-Controlled Interests on a management basis

<table>
<thead>
<tr>
<th>Verizon Wireless1</th>
<th>2013</th>
<th>2012</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Service revenue</td>
<td>21,972</td>
<td>20,187</td>
<td>8.8</td>
</tr>
<tr>
<td>Other revenue</td>
<td>19,697</td>
<td>18,039</td>
<td>9.2</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>8,831</td>
<td>7,689</td>
<td>14.9</td>
</tr>
<tr>
<td>Interest</td>
<td>(25)</td>
<td>(212)</td>
<td>(88.2)</td>
</tr>
<tr>
<td>Tax2</td>
<td>13</td>
<td>(287)</td>
<td>(104.5)</td>
</tr>
<tr>
<td>Group’s share of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>result in VZW</td>
<td>6,500</td>
<td>4,953</td>
<td>31.2</td>
</tr>
</tbody>
</table>

In the United States VZW reported 5.9 million net mobile retail connection3 additions in the year, bringing its closing mobile retail connection base to 98.9 million, up 6.4%.

Service revenue growth of 8.1%* continued to be driven by the expanding number of accounts and ARPA4 growth from increased smartphone penetration and a higher number of connections per account.

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

VZW's net debt at 31 March 2013 totalled US$6.2 billion5 (2012: US$6.4 billion5). During the year VZW paid a US$8.5 billion income dividend to its shareholders and completed the acquisition of spectrum licences for US$3.7 billion (net).

Notes:
1 All amounts represent the Group’s share based on its 45% equity interest, unless otherwise stated.
2 The Group’s share of the tax attributable to VZW relates only to the corporate entities held by the VZW partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group’s share of the partnership’s pre-tax profit is included within the Group tax charge.
3 The definition of “connections” reported by VZW is the same as “customers” as reported by Vodafone.
4 Average monthly revenue per account.
5 Net debt excludes pending credit card receipts.
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Dividends
See pages 101 and 124 for details on dividend amount per share.

Payment of dividends by direct credit
We pay cash dividends directly to shareholders’ bank or building society accounts. This ensures secure delivery and means dividend payments are credited to shareholders’ bank or building society accounts on the same day as payment. A consolidated tax voucher covering both the interim and final dividends paid during the financial year is sent to shareholders at the time of the interim dividend in February.

ADS holders may alternatively have their cash dividends paid by cheque.

Overseas dividend payments
Holders of ordinary shares resident in the Eurozone (defined for this purpose as a country that has adopted the euro as its national currency) automatically receive their dividends in euros. The sterling/euro exchange rate is determined by us in accordance with our articles of association up to 13 business days before the payment date.

Holders resident outside the UK and Eurozone automatically receive dividends in pounds sterling but may elect to receive dividends in local currency directly into their bank account by registering for our Registrar’s (Computershare) Global Payments Service. Visit investorcentre.co.uk for details and terms and conditions.

Cash dividends to ADS holders will be paid by the ADS depositary in US dollars. The sterling/US dollar exchange rate for this purpose is determined by us up to ten New York and London business days before the payment date.

See vodafone.com/dividends for further information about dividend payments or, alternatively, please contact our Registrar or the ADS depositary, as applicable. See page 183 for their contact information.

Dividend reinvestment plan
We offer a dividend reinvestment plan which allows holders of ordinary shares, who choose to participate, to use their cash dividends to acquire additional shares in the Company. These are purchased on their behalf by the plan administrator through a low cost dealing arrangement.

For ADS holders BNY Mellon maintains a Global BuyDIRECT Plan which is a direct purchase and sale plan for depositary receipts with a dividend

Managing your shares via Investor Centre
Computershare operates a portfolio service for investors in ordinary shares, called Investor Centre. This provides our shareholders with online access to information about their investments as well as a facility to help manage their holdings online, such as being able to:

→ update dividend mandate bank instructions and review dividend payment history;
→ update member details and address changes; and
→ register to receive Company communications electronically.

Computershare also offers an internet and telephone share dealing service to existing shareholders. The service can be obtained at investorcentre.co.uk. Shareholders with any queries regarding their holding should contact Computershare. See page 183 for their contact details.

Shareholders may also find the investors section of our corporate website, vodafone.com/investor, useful for general queries and information about the Company.

Shareholder communications
A growing number of our shareholders have opted to receive their communications from us electronically using email and web-based communications. The use of electronic communications, rather than printed paper documents, means information about the Company can be received as soon as it is available and has the added benefit of reducing costs and our impact on the environment. Each time we issue a shareholder communication, shareholders registered for electronic communications will be sent an email alert containing a link to the relevant documents.

We encourage all our shareholders to sign up for this service by providing us with an email address. You can register your email address via our registrar at investorcentre.co.uk or contact them via the telephone number provided on page 183. See vodafone.com/investor for further information about this service.

Annual general meeting
Our thirtieth AGM will be held at the Hilton
reinvestment facility.

Metropole Hotel, 225 Edgware Road, London W2 1JU on Tuesday 29 July 2014 at 11.00 a.m.

The AGM will be transmitted via a live webcast which can be viewed on our website at vodafone.com/agm on the day of the meeting. A recording will be available to view after that date.
2014 the Group’s share capital was consolidated in cash and Verizon shares. On 24 February 2014 the Group returned US$85 billion to shareholders.

Communications Inc. As part of this transaction interest in Verizon Wireless (‘VZW’) to Verizon.

On 31 July 2006 the Group returned approximately £9 billion to shareholders in the form of a B share arrangement. As part of this arrangement, and in order to facilitate historical share price comparisons, the Group’s share capital was consolidated on the basis of seven new ordinary shares for every eight ordinary shares held at this date.

On 21 February 2014 the Group disposed of its interest in Verizon Wireless (‘VZW’) to Verizon Communications Inc. As part of this transaction the Group returned US$85 billion to shareholders in cash and Verizon shares. On 24 February 2014 the Group’s share capital was consolidated in the form of a B share arrangement. As part of this transaction, interest in Verizon Wireless (‘VZW’) to Verizon.

Landmark Asset Search

We participate in an online service which provides a search facility for solicitors and probate professionals to quickly and easily trace UK shareholdings relating to deceased estates. Visit www.landmarkfas.co.uk or call +44 (0)844 844 9967 for further information.

Share price history

On flotation of the Company on 11 October 1988 the ordinary shares were valued at 170 pence each. When the Company was finally demerged on 16 September 1991 the base cost of Racal Electronics Plc shares for UK taxpayers was apportioned between the Company and Racal Electronics Plc for capital gains tax purposes in the ratio of 80.036% and 19.964% respectively. Opening share prices on 16 September 1991 were 332 pence for each Vodafone share and 223 pence for each Racal share.

On 21 July 1994 the Company effected a bonus issue of two new shares for every one then held and on 30 September 1999 it effected a bonus issue of four new shares for every one held at that date. The flotation and demerger share prices therefore may be restated as 11.333 pence and 22.133 pence respectively.

On 31 July 2006 the Group returned approximately £9 billion to shareholders in the form of a B share arrangement. As part of this arrangement, and in order to facilitate historical share price comparisons, the Group’s share capital was consolidated on the basis of seven new ordinary shares for every eight ordinary shares held at this date.

On 21 February 2014 the Group disposed of its interest in Verizon Wireless (‘VZW’) to Verizon Communications Inc. As part of this transaction the Group returned US$85 billion to shareholders in cash and Verizon shares. On 24 February 2014 the Group’s share capital was consolidated in the form of a B share arrangement. As part of this transaction, interest in Verizon Wireless (‘VZW’) to Verizon.

Warning to shareholders (‘boiler room’ scams)

Over recent years we have become aware of investors who have received unsolicited calls or correspondence, in some cases purporting to have been issued by us, concerning investment matters. These callers typically make claims of highly profitable opportunities in UK or US investments which turn out to be worthless or simply do not exist. These approaches are usually made by unauthorised companies and individuals and are commonly known as “boiler room” scams. Investors are advised to be wary of any unsolicited advice or offers to buy shares. If it sounds too good to be true, it often is.

See the FCA website fca.org.uk/consumers/scams for more detailed information about this or similar activity.
on the basis of six new ordinary shares for every eleven existing ordinary shares.

The closing share price at 31 March 2014 was 220.25 pence (31 March 2013: 186.60 pence).
The closing share price on 19 May 2014 was 217.95 pence.

The following tables set out, for the periods indicated, (i) the reported high and low middle market quotations of ordinary shares on the
Inflation and foreign currency translation

**Inflation**

Inflation has not had a significant effect on the Group’s results of operations and financial condition during the three years ended 31 March 2014.

**Foreign currency translation**

The following table sets out the pound sterling exchange rates of the other principal currencies of the Group, being: “euros”, “€” or “eurocents”, the currency of the European Union (‘EU’) member states which have adopted the euro as their currency, and “US dollars”, “US$$”, “cents” or “¢”, the currency of the US.

<table>
<thead>
<tr>
<th>Currency (£1)</th>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>1.19</td>
<td>1.23</td>
<td>(3.3)</td>
</tr>
<tr>
<td>US dollar</td>
<td>1.59</td>
<td>1.58</td>
<td>0.6</td>
</tr>
<tr>
<td>At 31 March:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>1.21</td>
<td>1.19</td>
<td>1.7</td>
</tr>
<tr>
<td>US dollar</td>
<td>1.67</td>
<td>1.52</td>
<td>9.5</td>
</tr>
</tbody>
</table>

The following table sets out, for the periods and dates indicated, the period end, average, high and low exchange rates for pound sterling expressed in US dollars per £1.00.

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>1.52</td>
<td>1.61</td>
<td>1.55</td>
<td>1.52</td>
<td>1.67</td>
</tr>
<tr>
<td>High</td>
<td>1.60</td>
<td>1.56</td>
<td>1.64</td>
<td>1.58</td>
<td>1.59</td>
</tr>
<tr>
<td>Low</td>
<td>1.70</td>
<td>1.64</td>
<td>1.53</td>
<td>1.63</td>
<td>1.67</td>
</tr>
</tbody>
</table>

The following table sets out, for the periods indicated, the high and low exchange rates for pounds sterling expressed in US dollars per £1.00.

<table>
<thead>
<tr>
<th>Month</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2013</td>
<td>1.64</td>
<td>1.59</td>
</tr>
<tr>
<td>December 2013</td>
<td>1.66</td>
<td>1.63</td>
</tr>
<tr>
<td>January 2014</td>
<td>1.66</td>
<td>1.63</td>
</tr>
<tr>
<td>February 2014</td>
<td>1.67</td>
<td>1.63</td>
</tr>
<tr>
<td>March 2014</td>
<td>1.67</td>
<td>1.65</td>
</tr>
<tr>
<td>April 2014</td>
<td>1.69</td>
<td>1.66</td>
</tr>
</tbody>
</table>

**Markets**

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and in the form of ADSs on NASDAQ. We had a total market capitalisation of approximately £57 billion at 19 May 2014 making us the sixth largest listing in The Financial Times Stock Exchange 100 index and the 76th largest company in the world by BNY Mellon, as depositary, under a deposit agreement, dated as of 12 October 1988, as amended and restated on 26 December 1989, 16 September 1991, 30 June 1999 and 31 July 2006 between the Company, the depositary and the holders from time to time of ADSs issued thereunder.

ADS holders are not members of the Company but may instruct BNY Mellon on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See “Articles of association and applicable English law – Rights attaching to the Company’s shares – Voting rights” on page 185.

**Shareholders at 31 March 2014**

<table>
<thead>
<tr>
<th>Number of ordinary shares held</th>
<th>Number of accounts</th>
<th>% of total issued shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-1,000</td>
<td>444,094</td>
<td>0.31</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>52,522</td>
<td>0.39</td>
</tr>
<tr>
<td>5,001-50,000</td>
<td>14,687</td>
<td>0.60</td>
</tr>
<tr>
<td>50,001-100,000</td>
<td>513</td>
<td>0.12</td>
</tr>
<tr>
<td>100,001–500,000</td>
<td>721</td>
<td>0.56</td>
</tr>
<tr>
<td>More than 500,000</td>
<td>1,135</td>
<td>98.00</td>
</tr>
<tr>
<td></td>
<td>513,672</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Major shareholders**

BNY Mellon, as custodian of our ADR programme, held approximately 17.95% of our ordinary shares of 200/21 US cents each at 19 May 2014 as nominee. The total number of ADSs outstanding at 19 May 2014 was 513,135,941. At this date 1,473 holders of record of ordinary shares had registered addresses in the United States and in total held approximately 0.007% of the ordinary shares of the Company.

At 31 March 2014 the following percentage interests in the ordinary share capital of the Company, dislosable under the Disclosure and Transparency Rules, (DTR 5), have been notified to the directors. No changes in the interests disclosed to the Company have been notified between 31 March 2014 and 19 May 2014.

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Rock, Inc.</td>
<td>6.90%</td>
</tr>
</tbody>
</table>

The rights attaching to the ordinary shares of the Company held by this shareholder are identical in all respects to the rights attaching to all the ordinary shares of the Company. The directors are not aware, at 19 May 2014, of any other interest of 3% or more in the ordinary share capital of the Company. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity. There are no arrangements known to the Company that could result in a change of control of the Company.

**Articles of association and applicable English law**

The following description summarises certain provisions of the Company’s articles of association and applicable English law. This summary is qualified in its entirety by reference to the Companies Act 2006 of England and Wales and the Company’s articles of association. See “Documents on display” on page 187 for information on where copies of the articles of association and applicable English law – Rights attaching to the Company’s shares – Voting rights on page 185.
based on market capitalisation at that date. ADSs, each representing ten ordinary shares, are traded on NASDAQ under the symbol “VOD”. The ADSs are evidenced by ADRs issued association can be obtained.

The Company is a public limited company under the laws of England and Wales. The Company is registered in England and Wales under the name Vodafone Group Public Limited Company with the registration number 1833679.

All of the Company’s ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares.

English law specifies that any alteration to the articles of association must be approved by a special resolution of the shareholders.
Articles of association

By a special resolution passed at the 2010 AGM the Company removed its object clause together with all other provisions of its memorandum of association which, by virtue of the Companies Act 2006, are treated as forming part of the Company’s articles of association. Accordingly, the Company’s articles of association do not specifically restrict the objects of the Company.

Directors

The Company’s articles of association provide for a Board of directors, consisting of not fewer than three directors, who shall manage the business and affairs of the Company.

The directors are empowered to exercise all the powers of the Company subject to any restrictions in the articles of association, the Companies Act (as defined in the articles of association) and any special resolution.

Under the Company’s articles of association a director cannot vote on a resolution in which the director, or any person connected with the director, has a material interest other than by virtue of the director’s interest in the Company’s shares or other securities. However, this restriction on voting does not apply to resolutions (i) giving the director or a third party any guarantee, security or indemnity in respect of obligations or liabilities incurred at the request of or for the benefit of the Company, (ii) giving any guarantee, security or indemnity to the director or a third party in respect of obligations of the Company for which the director has assumed responsibility under an indemnity or guarantee, (iii) relating to an offer of securities of the Company in which the director is entitled to participate as a holder of shares or other securities or in the underwriting of such shares or securities, (iv) concerning any other company in which the director (together with any connected person) is a shareholder or an officer or is otherwise interested, provided that the director (together with any connected person) is not interested in 1% or more of any class of the Company’s equity share capital or the voting rights available to its shareholders, (v) relating to the arrangement of any employee benefit in which the director will share equally with other employees and (vi) relating to any insurance that the Company purchases or renews for its directors or any group of people including directors.

The directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to 1.5 times the aggregate of the Group’s share capital and reserves calculated in the manner prescribed in the articles of association unless sanctioned by an ordinary resolution of the Company’s shareholders.

The Company can make market purchases of its own shares or agree to do so in the future provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006.

At each AGM all directors who were elected or re-elected under the current Articles of Association shall be entitled to be re-elected.

In addition, as required by The Directors’ Remuneration Report Regulations, the Board has, since 2003, prepared a report to shareholders on the directors’ remuneration which complies with the regulations (see pages 69 to 85). The report is also subject to a shareholder vote.

Rights attaching to the Company’s shares

At 31 March 2014 the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each, 26,439,960,221 ordinary shares (excluding treasury shares) of 200p; US cents each and 33,737,176,433 deferred shares of US$0.00001 each.

Dividend rights

Holders of 7% cumulative fixed rate shares are entitled to be paid in respect of each financial year, or other accounting period of the Company, a fixed cumulative preferential dividend of 7% per annum on the nominal value of the fixed rate shares. A fixed cumulative preferential dividend may only be paid out of available distributable profits which the directors have resolved should be distributed. The fixed rate shares do not have any other right to share in the Company’s profits.

Holders of the Company’s ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the directors. The Board of directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Dividends on ordinary shares can be paid to shareholders in whatever currency the directors decide, using an appropriate exchange rate for any currency conversions which are required. Holders of the Company’s deferred shares have no right to dividends.

If a dividend has not been claimed for one year after the date of the resolution passed at a general meeting declaring that dividend or the resolution of the directors providing for payment of that dividend, the directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If the dividend remains unclaimed for 12 years after the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company.

Voting rights

The Company’s articles of association provide that voting on substantive resolutions (i.e. any resolution which is not a procedural resolution) at a general meeting shall be decided on a poll. On a poll, each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held. Procedural resolutions (such as a resolution to adjourn a general meeting or a resolution on the choice of Chairman of a general meeting) shall be decided on a show of hands, where each shareholder who is present at the meeting has one vote regardless of the number of shares held, unless a poll is demanded. In addition, the articles of association allow persons appointed as proxies of shareholders entitled to vote at general meetings to vote on a show of hands, as well as to vote on a poll and attend and speak at general
last re-elected at or before the AGM held in the third calendar year before the current year shall automatically retire. In 2005 the Company reviewed its policy regarding the retirement and re-election of directors and, although it is not intended to amend the Company's articles of association in this regard, the Board has decided in the interests of good corporate governance that all of the directors wishing to continue in office should offer themselves for re-election annually.

Directors are not required under the Company’s articles of association to hold any shares of the Company as a qualification to act as a director, although executive directors participating in long-term incentive plans must comply with the Company’s share ownership guidelines. In accordance with best practice in the UK for corporate governance, compensation awarded to executive directors is decided by a Remuneration Committee consisting exclusively of non-executive directors.

meetings. The articles of association also allow persons appointed as proxies by two or more shareholders entitled to vote at general meetings to vote for and against a resolution on a show of hands.

Under English law two shareholders present in person constitute a quorum for purposes of a general meeting unless a company’s articles of association specify otherwise. The Company’s articles of association do not specify otherwise, except that the shareholders do not need to be present in person and may instead be present by proxy to constitute a quorum.

Under English law shareholders of a public company such as the Company are not permitted to pass resolutions by written consent.
Disclosure of interests in the Company’s shares

There are no provisions in the articles of association whereby persons acquiring, holding or disposing of a certain percentage of the Company’s shares are required to make disclosure of their ownership percentage although such requirements exist under rules derived from the Disclosure and Transparency Rules (‘DTRs’).

The basic disclosure requirement upon a person acquiring or disposing of shares that are admitted to trading on a regulated market and carrying voting rights is an obligation to provide written notification to the Company, including certain details as set out in DTR 5, where the percentage of the person’s voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (falling within DTR 5.3.1R) reaches or exceeds 3% and reaches, exceeds or falls below each 1% threshold thereafter.

Under section 793 of the Companies Act 2006 the Company may, by notice in writing, require a person that the Company knows or has reasonable cause to believe is, or was during the preceding three years, interested in the Company’s shares to indicate whether or not that is correct and, if that person does or did hold an interest in the Company’s shares, to provide certain information as set out in the Companies Act 2006. DTR 3 deals with the disclosure by persons “discharging managerial responsibility” and their connected persons of the occurrence of all transactions conducted on their account in the shares of the Company. Part 28 of The Companies Act 2006 sets out the statutory functions of the Panel on Takeovers & Mergers (the ‘Panel’). The Panel is responsible for issuing and administering the Code on Takeovers & Mergers which includes disclosure requirements on all parties to a takeover with regard to dealings in the securities of an offeror or offeree company and also on their respective associates during the course of an offer period.

General meetings and notices

Subject to the articles of association, annual general meetings are held at such times and place as determined by the directors of the Company. The directors may also, when they think fit, convene other general meetings of the Company. General meetings may also be convened on requisition as provided by the Companies Act 2006.

An annual general meeting needs to be called by not less than 21 days’ notice in writing. Subject to obtaining shareholder approval on an annual basis, the Company may call other general meetings on 14 days’ notice. The directors may determine that persons entitled to receive notices of meetings are those persons entered on the register at the close of business on a day determined by the directors but not later than 21 days before the date the relevant notice is sent. The notice may also specify the record date, the time of which shall be determined in accordance with the articles of association and the Companies Act 2006.

Shareholders must provide the Company with an
maximum flexibility, the directors propose to renew the authorities granted by shareholders in 2013 at this year’s AGM. Further details of such proposals are provided in the 2014 notice of AGM.

address or (so far as the Companies Act 2006 allows) an electronic address or fax number in the UK in order to be entitled to receive notices of shareholders’ meetings and other notices and documents. In certain circumstances the Company may give notices to shareholders by publication on the Company’s website and advertisement in newspapers in the UK. Holders of the Company’s ADSs are entitled to receive notices under the terms of the deposit agreement relating to the ADSs.

Under section 336 of the Companies Act 2006 the annual general meeting of shareholders must be held each calendar year and within six months of the Company’s year end.
Variation of rights
If at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act 2006, either with the consent in writing of the holders of three quarters in nominal value of the shares of that class or at a separate meeting of the holders of the shares of that class.

At every such separate meeting all of the provisions of the articles of association relating to proceedings at a general meeting apply, except that (i) the quorum is to be the number of persons (which must be at least two) who hold or represent by proxy not less than one-third in nominal value of the issued shares of the class or, if such quorum is not present on an adjourned meeting, one person who holds shares of the class regardless of the number of shares he holds, (ii) any person present in person or by proxy may demand a poll and (iii) each shareholder will have one vote per share held in that particular class in the event a poll is taken. Class rights are deemed not to have been varied by the creation or issue of new shares ranking equally with or subsequent to that class of shares in sharing in profits or assets of the Company or by a redemption or repurchase of the shares by the Company.

Limitations on voting and shareholding
As far as the Company is aware there are no limitations imposed on the transfer, holding or voting of the Company's ordinary shares other than those limitations that would generally apply to all of the shareholders. No shareholder has any securities carrying special rights with regard to control of the Company.

Documents on display
The Company is subject to the information requirements of the Exchange Act applicable to foreign private issuers. In accordance with these requirements the Company files its annual report on Form 20-F and other related documents with the SEC. These documents may be inspected at the SEC's public reference room located at 100 F Street, NE Washington, DC 20549. Information on the operation of the public reference room can be obtained in the United States by calling the SEC on +1-800-SEC-0330. In addition, some of the Company's SEC filings, including all those filed on or after 4 November 2002, are available on the SEC's website (sec.gov). Shareholders can also obtain copies of the Company's articles of association from our website at vodafone.com/governance or from the Company's registered office.

Material contracts
Taxation
As this is a complex area investors should consult their own tax advisor regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances.

This section describes, primarily for a US holder (as defined below), in general terms, the principal US federal income tax and UK tax consequences of owning or disposing of shares or ADSs in the Company held as capital assets (for US and UK tax purposes). This section does not, however, cover the tax consequences for members of certain classes of holders subject to special rules including, for example, US expatriates and former long-term residents of the US and officers of the Company, employees and holders that, directly or indirectly, hold 10% or more of the Company's voting stock.

A US holder is a beneficial owner of shares or ADSs that is for US federal income tax purposes:

→ a citizen or resident of the US;
→ a US domestic corporation;
→ an estate, the income of which is subject to US federal income tax regardless of its source; or
→ a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If an entity treated as a partnership for US federal income tax purposes holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity treated as a partnership for US federal income tax purposes holding the shares or ADSs should consult its tax advisor with regard to the US federal income tax treatment of an investment in the shares or ADSs.

This section is based on the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the tax laws of the UK and the Double Taxation Convention between the US and the UK (the 'treaty'), all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For purposes of the treaty and the US-UK double taxation convention relating to estate and gift taxes (the 'Estate Tax Convention'), and for US federal income tax and UK tax purposes, this section is based on the assumption that a holder of ADSs evidencing ADSs will be treated as the owner of the shares in the Company represented by those ADSs. Investors should note that a
At the date of this annual report the Group is not party to any contracts that are considered material to the Group’s results or operations except for its US$4.2 billion and €3.9 billion revolving credit facilities which are discussed in note 22 “Liquidity and capital resources” to the consolidated financial statements and the stock purchase agreement for the sale of the Group’s entire 45% shareholding in VZW to Verizon Communications Inc.

Exchange controls
There are no UK government laws, decrees or regulations that restrict or 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.

ruling by the first-tier tax tribunal in the UK has cast doubt on this view, but HMRC have stated that they will continue to apply their long-standing practice of regarding the holder of such ADRs as holding the beneficial interest in the underlying shares. Investors should note, however, that this is an area of some uncertainty that may be subject to further developments in the future. Generally exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK tax other than stamp duty or stamp duty reserve tax (see the section on these taxes on page 189).
Shareholder information (continued)

Taxation of dividends

UK taxation

Under current UK tax law no withholding tax will be deducted from the dividends we pay. Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on the dividends we pay unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends we pay would generally be exempt.

A shareholder in the Company who is an individual resident for UK tax purposes in the UK, is entitled in calculating their liability to UK income tax, to a tax credit on cash dividends we pay on our shares or ADSs and the tax credit is equal to one-ninth of the cash dividend.

US federal income taxation

Subject to the passive foreign investment corporation ('PFIC') rules described below, a US holder is subject to US federal income taxation on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes). Dividends paid to a non-corporate US holder that constitute qualified dividend income will be taxable to the holder at the special reduced rate normally applicable to long-term capital gains provided that the ordinary shares or ADSs are held for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and the holder meets other holding period requirements. Dividends paid by us with respect to the shares or ADSs will generally be classified as dividend income. A US holder is not subject to a UK withholding tax. The US holder includes in gross income for US federal income tax purposes only the amount of the dividend actually received from us and the receipt of a dividend does not entitle the US holder to a foreign tax credit.

Dividends must be included in income when the US holder, in the case of shares, or the depositary, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. Dividends will be income from sources outside the US. For the purpose of the foreign tax credit limitation, foreign source income is classified in one of two baskets and the credit for foreign taxes on income in any basket is limited to US federal income tax allocable to that income. Generally the dividends we pay will constitute foreign source income in the passive income basket. In the case of shares, the amount of the dividend distribution to be included in income will be the US dollar value of the pound sterling payments made determined at the spot pound sterling/US dollar rate on the date of the dividend distribution regardless of whether the payment is in fact converted into US dollars. Generally any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is to be included in income to the date the payment is converted into US dollars will be treated as ordinary income or loss. Generally the gain or loss will be income or loss from sources within the US for foreign tax credit limitation purposes.

Taxation of capital gains

UK taxation

A US holder may be liable for both UK and US tax in respect of a gain on the disposal of our shares or ADSs if the US holder is:

→ a citizen of the US resident for UK tax purposes in the UK;

→ a citizen of the US who has been resident for UK tax purposes in the UK, ceased to be so resident for a period of five years or less and who disposed of the shares or ADSs during that period (a 'temporary nonresident'), unless the shares or ADSs were also acquired during that period, such liability arising on that individual’s return to the UK;

→ a US domestic corporation resident in the UK by reason of being centrally managed and controlled in the UK;

→ a citizen of the US or a US domestic corporation that carries on a trade, profession or vocation in the UK through a branch or agency or, in the case of US domestic companies, through a permanent establishment and that has used the shares or ADSs for the purposes of such trade, profession or vocation or has used, held or acquired the shares or ADSs for the purposes of such branch or agency or permanent establishment.

Under the treaty capital gains on dispositions of the shares or ADSs are generally subject to tax only in the country of residence of the relevant holder as determined under both the laws of the UK and the US and as required by the terms of the treaty. However, the treaty provides that individuals who are residents of either the UK or the US and who have been residents of the other jurisdiction (the US or the UK, as the case may be) at any time during the six years immediately preceding the relevant disposal of shares or ADSs may be subject to tax with respect to capital gains arising from the dispositions of the shares or ADSs not only in the country of which the holder is resident at the time of the disposition but also in that other country (although, in respect of UK taxation, generally only to the extent that such an individual comprises a temporary non-resident).

We published tax information relating to the return of value here: vodafone.com/investor.

US federal income taxation

Subject to the passive foreign investment company rules described below, a US holder that sells or otherwise disposes of our shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder’s tax basis, determined in US dollars, in the shares or ADSs. Generally a capital gain of a non-corporate US holder is taxed at a maximum US federal income tax rate of 20% provided the holder has a holding period of more than one year and does not have taxable income in excess of certain thresholds. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of losses is subject to limitations.
Additional tax considerations

**UK inheritance tax**
An individual who is domiciled in the US (for the purposes of the Estate Tax Convention) and is not a UK national will not be subject to UK inheritance tax in respect of our shares or ADSs on the individual’s death or on a transfer of the shares or ADSs during the individual’s lifetime, provided that any applicable US federal gift or estate tax is paid, unless the shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the US and was not a UK national. Where the shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the estate tax convention generally provides a credit against US federal tax liabilities for UK inheritance tax paid.

**UK stamp duty and stamp duty reserve tax**
Stamp duty will, subject to certain exceptions, be payable on any instrument transferring our shares to the custodian of the depositary at the rate of 1.5% on the amount or value of the consideration if on sale or on the value of such shares if not on sale. Stamp duty reserve tax (‘SDRT’), at the rate of 1.5% of the price or value of the shares, could also be payable in these circumstances and on issue to such a person but no SDRT will be payable if stamp duty equal to such SDRT liability is paid.

A ruling by the European Court of Justice has determined that the 1.5% SDRT charges on issue of shares to a clearance service is contrary to EU law. As a result of that ruling, HMRC indicated that where new shares are first issued to a clearance service or to a depositary within the EU, the 1.5% SDRT charge will not be levied. Subsequently, a decision by the first-tier tax tribunal in the UK extended this ruling to the issue of shares (or, where it is integral to the raising of new capital, the transfer of shares) to depositary receipts systems wherever located. HMRC have stated that they will not seek to appeal this decision and, as such, will no longer seek to impose 1.5% SDRT on the issue of shares (or, where it is integral to the raising of new capital, the transfer of shares) to a clearance service or to a depositary, wherever located. Investors should, however, be aware that this area may be subject to further developments in the future.

No stamp duty will be payable on any transfer of our ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the UK. A transfer of our shares in registered form will attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

SDRT is generally payable on an unconditional agreement to transfer our shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but is repayable if, within six years of the date of the agreement, an instrument transferring the shares is executed or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled. However, an agreement to transfer our ADSs will not give rise to SDRT.

**PFIC rules**
We do not believe that our shares or ADSs will be treated as stock of a PFIC for US federal income tax purposes. This conclusion is a factual determination that is made annually and thus is subject to change. If we are treated as a PFIC, any gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain unless a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs. Otherwise a US holder would be treated as if he or she has realised such gain and certain “excess distributions” rateably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated. An interest charge in respect of the tax attributable to each such year would also apply. Dividends received from us would not be eligible for the preferential tax rate applicable to qualified dividend income for certain noncorporate holders.

**Backup withholding and information reporting**
Payments of dividends and other proceeds to a US holder with respect to shares or ADSs, by a US paying agent or other US intermediary will be reported to the Internal Revenue Service (‘IRS’) and to the US holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US holders are not subject to backup withholding. US holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

**Foreign financial asset reporting**
US taxpayers that own certain foreign financial assets, including debt and equity of foreign entities, with an aggregate value in excess of US$50,000 at the end of the taxable year or US$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The shares constitute foreign financial assets subject to these requirements unless the shares are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). US holders should consult their tax advisors regarding the application of the rules relating to foreign financial asset reporting.
The Company was incorporated under English law in 1984 as Racial Strategic Radio Limited (registered number 1838679). After various name changes, 20% of Racial Telecom Plc share capital was offered to the public in October 1988. The Company was fully demerged from Racial Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc.

Since then we have entered into various transactions which enhanced our international presence. The most significant of these transactions were as follows:

→ the merger with AirTouch Communications, Inc. which completed on 30 June 1999. The Company changed its name to Vodafone AirTouch Plc in June 1999 but then reverted to its former name, Vodafone Group Plc, on 28 July 2000;

→ the completion on 10 July 2000 of the agreement with Bell Atlantic and GTE to combine their US cellular operations to create the largest mobile operator in the United States, Verizon Wireless, resulting in the Group having a 45% interest in the combined entity;

→ the acquisition of Mannesmann AG which completed on 12 April 2000. Through this transaction we acquired businesses in Germany and Italy and increased our indirect holding in Société Française du Radiotéléphone S.A. (‘SFR’);

→ through a series of business transactions between 1999 and 2004 we acquired a 97.7% stake in Vodafone Japan. This was then disposed of on 27 April 2006;

→ on 8 May 2007 we acquired companies with controlling interests in Vodafone India Limited (‘VIL’), formerly Vodafone Essar Limited, for US$10.9 billion (£5.5 billion); and

→ on 20 April 2009 we acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR 20.6 billion (£1.6 billion). On 18 May 2009 Vodacom became a subsidiary.

Other transactions that have occurred since 31 March 2010 are as follows:

10 September 2010 – China Mobile Limited: We sold our entire 3.2% interest in China Mobile Limited for cash consideration of €4.3 billion.

30/31 March 2011 – India: The Essar Group exercised its written put option over 22.0% of VIL, following which we exercised our call option over the remaining 11.0% of VIL owned by the Essar Group. The total consideration due under these two options was US$5 billion (£3.1 billion).

16 June 2011 – SFR: We sold our entire 44% interest in SFR to Vivendi for a cash consideration of €7.75 billion (£6.8 billion) and received a final dividend from SFR of €200 million (£176 million).

1 June/1 July 2011 – India: We acquired an additional 22% stake in VIL from the Essar Group for a cash consideration of US$4.2 billion (£2.6 billion) including withholding tax.

18 August 2011/8 February 2012 – Vodafone assigned its rights to purchase 11% of VIL to Piramal Healthcare Limited (‘Piramal’). On 18 August 2011 Piramal purchased 5.5% of VIL from the Essar Group for a cash consideration of INR 28.6 billion (£368 million). On 8 February 2012, they purchased a further 5.5% of VIL from the Essar Group for a cash consideration of approximately INR 30.1 billion (£399 million) taking Piramal’s total shareholding in VIL to approximately 11%.

9 November 2011 – Poland: We sold our entire 24.4% interest in Polkomtel in Poland for cash consideration of approximately €920 million (£784 million) before tax and transaction costs.

27 July 2012 – UK: We acquired the entire share capital of Cable & Wireless Worldwide plc for a cash consideration of approximately £1,050 million.

31 October 2012 – New Zealand: We acquired TelstraClear Limited, for a cash consideration of NZ$840 million (£440 million).

13 September 2013 – Germany: We acquired a 76.57% interest in Kabel Deutschland Holding AG for a cash consideration of €5.8 billion (£4.9 billion).

21 February 2014 – On 2 September 2013 Vodafone announced that it had reached agreement to dispose of its US Group whose principal asset was its 45% interest in Verizon Wireless (‘VZW’) to Verizon Communications Inc. (‘Verizon’). Vodafone’s joint venture partner, for a total consideration of US$130 billion (£79 billion) including the remaining 23.1% minority interest in Verizon Italy. Following completion on 21 February 2014, Vodafone shareholders received Verizon shares and cash totalling US$85 billion (£51 billion).

17 March 2014 – Spain: We agreed to acquire Group Corporativo Ono, S.A. (‘Ono’) for a total consideration equivalent to €7.2 billion (£6.0 billion) on a debt and cash free basis. The acquisition, which is subject to customary terms and conditions including anti-trust clearances by the relevant authorities, is expected to complete in calendar Q3 2014.
Our operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities.

The following section describes the regulatory frameworks and the key regulatory developments at the global and supranational level and in selected countries in which we have significant interests during the year ended 31 March 2014. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union (‘EU’)
In September 2013, the European Commission (the ‘Commission’) delivered major regulatory proposals aimed at building a telecoms single market and delivering a “Connected Continent”. These proposals have been amended by the European Parliament and will now be reviewed by the European Council. The Commission’s proposals include the following:

- a simplified notification process for telecommunications operators across the EU;
- removal of all roaming surcharges after June 2016;
- increased transparency requirements for consumers;
- harmonisation of Spectrum allocation rules; and
- net neutrality requirements, which include restrictions on blocking, slowing down or discriminating against any internet content.

Roaming
The current roaming regulation came into force in July 2012 and requires mobile operators to supply voice, text and data roaming services under retail price caps. Wholesale price caps also apply to voice, text and data roaming services.

The roaming regulation also requires a number of additional measures which are intended to increase competition in the retail market for roaming and thereby facilitate the withdrawal of price caps. These include a requirement that users be able, from July 2014, to purchase roaming services from a provider other than their current domestic provider and to retain the same phone number when roaming.

Fixed network regulation
In September 2013, the Commission published its recommendation on costing methodologies and non-discrimination which aims to encourage Next Generation Access (‘NGA’) investment. NGA networks of operators with Significant Market Power (‘SMP’) may be exempt from cost-oriented wholesale prices if access is provided on

The national regulator is currently consulting on new mobile termination rates (‘MTR’s), with a decision due to be announced in December 2014.

Italy
Vodafone Italy, along with other Italian mobile operators, is the subject of an investigation by the Italian Antitrust Authority following a dawn raid in November 2012. This followed a complaint from an MVNO that it had been excluded from the market. The investigation is ongoing and Vodafone Italy is cooperating with the Antitrust Authority.

Vodafone Italy has appealed against the injunction of the national regulator (‘AGCOM’) ordering them to adopt all measures required under the Roaming Regulation in relation to roaming charges within a tariff.

For information on litigation in Italy, see note 30 “Contingent liabilities”.

United Kingdom
In October 2013, the national regulator (‘Ofcom’) began a consultation on revising the annual licence fees payable on licences for the use of spectrum in the 900MHz and 1800MHz bands, to reflect market value and with regard to the sums bid in the 4G auction. The 900MHz, 1800MHz and 2.1GHz licences have been made technology-neutral, allowing them to be used for 4G.

Spain
In June 2013, the Spanish Parliament adopted Act 3/2013 creating the National Markets and Competition Commission (‘CNMC’) as the new national regulator, responsible for both competition and regulatory matters.

In August 2013, Vodafone Spain filed a competition complaint with the competition authority against Telefónica and Yoigo for an alleged unauthorised transfer of the use of Yoigo’s spectrum to Telefónica with a parallel complaint filed to the Ministry in September 2013. The Ministry rejected that complaint in November 2013 and Vodafone Spain has submitted an administrative appeal against this decision in December 2013, stating that Yoigo and Telefónica are undertaking an unauthorised spectrum sharing arrangement. The Ministry has not yet announced its decision.

In February 2014, Vodafone Spain lodged a competition claim before the national regulator against Telefónica citing abuse of its dominant position in both its fibre roll-out and fibre retail offers as well as subscribing to anticompetitive agreements with Jazztel.

In March 2014, the national regulator concluded there were no sanctions to apply against Telefónica, Orange and Vodafone in the margin squeeze case that was originally brought to them by a MVNO in January 2012.

The fines applied to Telefónica, Orange and Vodafone Spain in December 2012 for abuse of dominant position by imposing excessive pricing of wholesale SMS/MMSS services on MVNOs, remain suspended until the judicial review is concluded.

Netherlands

the basis of equivalence of inputs (i.e. exactly the same products, prices and processes are offered to competitors) with effective margin squeeze tests to ensure technical and economic replicability. Copper wholesale network prices are expected to remain within a guide price band of €8 to €10 per month.

**Europe region**

**Germany**

The Federal Network Agency (‘BNetzA’) has indicated that the envisaged merger of Telefónica Deutschland and E-plus will have implications for spectrum allocation, and this is expected to impact the current proceedings on 700MHz, 900MHz, 1500MHz and 1800MHz licensing (Project 2016). BNetzA is unlikely to decide on the further procedure until the envisaged Telefónica Deutschland/E-plus merger is finally decided in mid-2014. In November 2013, the investigation of the Dutch competition authority (‘ACM’) into the three mobile operators (KPN, T-Mobile and Vodafone Netherlands) concluded without any fine being imposed. ACM determined that there were no price-fixing agreements in the mobile-telecommunications market. However, ACM did establish that public statements about future market behaviour could carry antitrust risks. The three operators have therefore made a commitment to ACM that they will refrain from making certain statements about future market behaviour in public to avoid any risk of illegal collusive behaviour in the future.
Ireland
In December 2012, Vodafone Ireland judicially challenged the decision of the Commission for Communications Regulation (‘ComReg’), to impose an interim MTR based on a BEREC benchmark rather than a MTR based on a full cost model. In August 2013, the Irish High Court found the decision to be unlawful and by Court order, set a maximum MTR rate for the Irish market of 2.60 eurocents per minute, to apply from 1 July 2013. This rate will apply until a MTR based on a fully modelled price is available which is expected in September 2014. ComReg has appealed the Irish High Court’s decision, to the Irish Supreme Court.

Portugal
In July 2013, following a complaint from Optimus, the Portuguese Competition Authority (‘PCA’) opened an administrative inquiry into TMN, Vodafone Portugal and Optimus to assess the existence of a potential abuse of individual dominant position by TMN and Vodafone Portugal or a potential abuse of collective dominant position by these companies on the mobile communications services retail markets, consisting of a rate discrimination (i.e. the application of dissimilar conditions to equivalent services) between the on-net prices of voice calls and SMS and the off-net prices of voice calls and SMS. The inquiry also covers the potential abuse of individual dominant position by TMN and Vodafone Portugal in their respective wholesale SMS termination markets. We submitted preliminary remarks in September 2013.

Romania
An investigation by the Romanian Competition Council (‘RCA’) commenced in April 2011 for alleged margin squeeze by all MNOs between 2006 and 2011 on wholesale termination tariffs. In May 2012, at the request of the MNOs, the RCA accepted to enter into a commitment procedure in order to close the investigation. Their concerns on MTRs have been resolved by the national regulator’s decision on a new long-run incremental cost model that means from 1 April 2014, the maximum termination rates in Romania will decrease from 0.67 eurocents per minute to 0.14 eurocents per minute for fixed call termination and, respectively, from 3.07 eurocents per minute to 0.96 eurocents per minute for mobile call termination.

A cross-border spectrum coordination agreement with Ukraine was signed in June 2013, ensuring interference free use of the E-GSM 900MHz band at the border. Although the agreement entered into force on 1 January 2014, the Ukrainian operators are not currently fulfilling their obligations under the agreement, resulting in Vodafone Romania E-GSM technology neutral licence, we launched a 4G network on 2x3MHz in the 900MHz band, in November 2013.

Albania
In January 2014, the Albanian Competition Authority (‘ACA’) issued recommendations to the Electronic and Postal Communications Authority (‘AKEP’) for measures to reduce the differentiation between on-net and off-net calls. The AKEP has imposed new account separation rules, which apply to the mobile operators and fixed incumbent from 2014. AKEP is also reviewing MTR rates, targeting pure long run incremental cost (‘LRIC’) benchmarking levels with glide-path reducing current MTRs to 1.0 eurocents per minute in 2015. Vodafone Albania is opposing the proposal to apply asymmetric rates for the two smaller players.

In February 2014, following an investigation into the potential abuse of dominance by Vodafone Albania in the telephony market, the ACA found that Vodafone was dominant in the retail market for the period from January 2011 to December 2012. No abuse of this status has been found and no charges were imposed.

Malta
In March 2014, the MCA set the MTR at 0.40 eurocents per minute to which Vodafone has no objections and no charges were imposed.

Africa, Middle East and Asia Pacific region
India
In January 2013, Vodafone India’s application for a ten year extension to their existing 900MHz licences in Delhi, Mumbai and Kolkata was unsuccessful and the Department of
Offers for tender for the National Rural Broadband Network construction opened in February 2014. The fixed incumbent (OTE) and the consortium of Intrakat, Intracom Holdings and Hellas Online (Vodafone Greece has an 18.5% interest in Hellas Online) are the only two parties in the tender process.

In March 2014, the Hellenic Telecommunications & Post Commission (‘EETT’) announced that spectrum in the 800MHz and 2.6 GHz bands is expected to be auctioned after July 2014.

Czech Republic
The Czech Telecommunications Office (‘CTU’), the national regulator, has not resolved the issues with their draft analysis on access and call origination published in 2012.

Telecommunications (‘DoT’) included that spectrum in their 2013 auction plan. Vodafone India challenged this decision in the courts and in February 2014, the Supreme Court found in favour of the DoT. The 900MHz spectrum along with the 1800MHz spectrum was auctioned in February 2014 and Vodafone India acquired an aggregate of 2x23MHz of spectrum in the 900MHz band and 2x49MHz of spectrum in the 1800MHz band at a cost of INR 19.6 billion, which will be paid as an initial up-front payment followed by 10 annual instalments (following a two year moratorium).
As a mandatory condition of acquiring the 900MHz spectrum in Delhi, Mumbai and Kolkata, Vodafone India has applied for the new Unified Licence and is negotiating the agreement of specific terms prior to the commencement of the new spectrum in November 2014. Further spectrum licences expire in December 2016 and new licences are expected to be auctioned later in the current financial year.

For information on litigation in India, see note 30 “Contingent liabilities”

Vodacom: South Africa

The Ministry of Trade and Industry (‘DTI’) published revised generic Codes of Good Practice on Broad-based Black Economic Empowerment (‘BEE’) during October 2013, following an intensive consultation process. These revised codes will come into effect in April 2015. In addition, the Broad-based Black Economic Empowerment Amendment Act No. 46 of 2013 was promulgated in January 2014. This Act will come into force on a date still to be proclaimed by the President. A provision for BEE legislation to take precedence over sectoral legislation contained in the Act will only be effective 12 months after the proclamation date.

In October 2013, Cell C lodged a complaint with the Competition Commission of South Africa (‘CompCom’) against Vodacom (and MTN), in relation to alleged discriminatory pricing of on-net and off-net calls. Vodacom submitted its response in January 2014 however CompCom has decided to proceed with the formal investigation of Cell C’s complaint.

In December 2013, the Ministry of Communications published the final National Broadband Policy which sets out the Government’s national broadband policy objective of 100% broadband penetration by 2030. Amongst the measures being considered to achieve this objective is the establishment of a single national wholesale network. The Ministry of Communications Technology Policy White Paper (the ‘White Paper’). The tentative timeline for the publication of the White Paper is August 2014. In February 2014, the NRA published Call Termination Regulations (‘CTR’) determining the cost of terminating a call on a Mobile Network Operator (‘MNO’) to be ZAR 0.10. The target rate of ZAR 0.20 in year one followed by another decline to ZAR 0.15 in year two. Asymmetrical rates, as an additional regulatory remedy ranging between ZAR 0.10, so the NRA decreed, would be reached over three years after a decline to ZAR 0.20.

Turkey

From January 2014, the price cap for national SMS was reduced by 20% from 41.54 Kr to 33.25 Kr. In addition, the requirement for the on-net price to be higher than 1.7 times MTR has been extended to tariff campaigns for operators who have significant market power.

In February 2014, the new Basket Law amending Law No. 5651 (Internet Cyber Crimes) provides that an Access Providers Union shall be established to require telecommunications operators to monitor and intercept internet services, where required by the law.

Australia

In September 2013, a range of fixed services reviews were initiated by the Australian Communications and Media Authority (‘ACMA’) including for unbundled local loop and regional transmission services. In addition, the change of Government has resulted in a range of reviews to reduce the cost of the roll-out of the National Broadband Network. This will reduce the amount of fibre to the premises (‘FTTP’) to be deployed and increase more fibre to the node (‘FTTN’) technology.

Egypt

In October 2013, the Administrative Court issued a ruling in the lawsuit for the case filed by Vodafone Egypt against Telecom Egypt and the national regulator (‘NTRA’) regarding the authority to set MTRs between mobile and fixed operators and we expect to receive the formal Court ruling later this year.

In April 2014, the Minister of Communications and Information Technology announced the proposed framework of the unified telecoms licence, with the expectation that all matters would be finalised in June 2014. The Minister’s proposal, which is subject to negotiation, provides the opportunity for Telecom Egypt to purchase their own mobile licence whilst providing Vodafone Egypt with a number of options on purchasing virtual local unbundling (‘VLLU’), part ownership of an infrastructure licence and its own international gateway licence. A requirement of the current proposal is for Telecom Egypt to sell its 45% share in Vodafone Egypt within 12 months of 30 June 2014.

New Zealand

In January 2014, Vodafone New Zealand secured 2x15MHz of 700MHz spectrum for the reserve price of NZ$66 million. A second phase of the auction to determine the allocation of specific sub-bands to licensees is ongoing.

Safaricom: Kenya

Safaricom Limited is in the process of renewing its operating licence for ten years with effect from 1 July 2014. The renewed licence will include Safaricom Limited’s spectrum resources in 900MHz and 1800MHz. Safaricom also holds spectrum resources in the 2.1GHz band, under its 3G licence.

Qatar

In December 2013, the Ministry of Information and Communications Technology (‘MICIT’) released a national broadband plan to guide policy on the development of broadband. One objective of the plan, is for 98% of households to
120% and 300%, were also imposed in the same CTRs for the benefit of Cell C and Telkom Mobile (the ‘two smallest MNOs’). Vodacom and MTN (the ‘two largest mobile MNOs’) challenged the validity and legality of the NRA 2014 CTRs in the Johannesburg High Court, South Africa (the ‘High Court’) on the grounds that in setting the new MTRs, the NRA had acted arbitrarily and irrationally without any regard to the requirements of the Promotion of Administrative Justice Act (‘PAJA’) and the Electronic Communications Act (the ‘ECA’).

On 31 March 2014, the High Court upheld Vodacom and MTN’s challenge and ruled that the NRA 2014 CTRs were invalid and unlawful. However, the High Court invoked its judicial discretion to suspend this order – in the public interest – for a period of six months. During this period, MTRs will decline from ZAR 0.40 to ZAR 0.20. Vodacom and MTN will pay an asymmetrical rate of ZAR 0.44 for their calls terminating on Cell C and Telkom Mobile’s networks. ICASA is required during this window period of six months to develop legally tenable CTRs.

have access to 100 Mbps download and 50 Mbps upload speeds and a choice of at least two service providers. This includes an intention to consolidate the access network infrastructure of the incumbent Ooredoo and the Qatar National Broadband Network, both of which are deploying FTTP networks.

An Emiri Decree was issued in February 2014, establishing the MICT and the national regulator, the Communications Regulatory Authority (‘CRA’), as separate bodies. Formerly, the two entities were part of the secretariat of the Supreme Council of Information and Communication Technology (‘ictQATAR’).

During 2014, the Communications Regulatory Authority intends to grant Vodafone Qatar additional spectrum of 2x5MHz in the 1800MHz band and 2x10MHz in the 800MHz band, to support 4G deployment subject to speed and coverage obligations.
### Overview of spectrum licences

<table>
<thead>
<tr>
<th>Country by region</th>
<th>Expiry date</th>
<th>Quantity</th>
<th>Expiry date</th>
<th>Quantity</th>
<th>Expiry date</th>
<th>Quantity</th>
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<tr>
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<td>2020</td>
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<td>2013</td>
<td>2x25</td>
<td>2020</td>
<td>2x10</td>
<td>2020</td>
</tr>
</tbody>
</table>

Notes:
1. Single (or unpaired) blocks of spectrum are used for asymmetric data (downlink/voice) use.
2. Germany – 2x10MHz (2x20MHz) of 2.1GHz spectrum will expire in December 2025.
3. Italy – 2x20 MHz (out of 2x20MHz) of 1800MHz spectrum will expire in 2027.
4. UK – 2x50MHz, 1800MHz and 2.1GHz – indefinite licence with a five year notice of revocation.
5. Ireland – The licences for 2x50MHz spectrum commences in 2015.
6. Portugal – 2x25MHz (out of 2x130MHz) of 1800MHz must be released by December 2015 and 2x14MHz (out of 2x25MHz) of 1800MHz spectrum does not expire until December 2029.
7. Greece – 2x10MHz (out of 2x20MHz) of the 1800MHz spectrum will expire in August 2016.
9. Hungary – 2x10MHz and 1800MHz – options to extend these licences.
10. India comprises 23 separate service area licences with a variety of expiry dates.
11. Vodafone’s South African spectrum licences are renewed annually. As part of the migration to a new licensing regime the national regulator has issued Vodafone a service licence and a network licence which will permit Vodafone to offer mobile and fixed services. The service and network licences have a 20 year duration and will expire in 2030. Vodafone also holds licences to provide 2G and/or 3G services in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.
12. Australia – VHA has 2x20MHz in 800MHz rural; 2x25MHz in 1800MHz and 2x20MHz in 2.1GHz in Brisbane/Adelaide/Perth, 2x5MHz in 1800MHz and 2.1GHz in Canberra/Darwin/Hobart, 2x5MHz in 2.1GHz in rural.
13. Ghana – The national regulator has issued provisional licences with the intention of converting these to full licences once the national regulator board has been reconvened.
Mobile Termination Rates (‘MTRs’)

National regulators are required to take utmost account of the Commission’s existing recommendation on the regulation of fixed and mobile termination rates. This recommendation requires MTRs to be set using a long run incremental cost methodology. At March 2014, the MTRs effective for our subsidiaries within the EU, were as follows:

<table>
<thead>
<tr>
<th>Country by region</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>1 April 2014</th>
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<tr>
<td>Germany (€ cents)</td>
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<tr>
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<td>2.40</td>
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<tr>
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<td>1.27</td>
<td>1.27</td>
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<tr>
<td>Romania (€ cents)</td>
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<td>3.07</td>
<td>0.96</td>
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<tr>
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<td>1.19</td>
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<tr>
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<td>2.07</td>
<td>0.40</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>India (ruppees)</td>
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<tr>
<td>Vodacom: South Africa (ZAR)</td>
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<td>Australia (AUD cents)</td>
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<td>Egypt (PTS/piastres)</td>
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<td>Ghana (peswas)</td>
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<td>4.50</td>
<td>4.00</td>
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<td>Qatar (dirhams)</td>
<td>16.60</td>
<td>16.60</td>
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</tr>
</tbody>
</table>

Notes:
1. All MTRs are based on end of financial year values.
2. MTRs established from 1 April 2014 are included where a glide path or a final decision has been determined by the regulatory authority.
3. Please see Vodacom on page 193.
Identification and assessment of the Group’s key risks

The Board acknowledges it is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. A Group wide risk assessment exercise is formally conducted annually to help fulfil this responsibility.

Local market risk assessment

Risk coordinators in each local market facilitate the identification of the “top 10” risks and associated mitigating actions for their entity. With the oversight and approval of local executive teams and Audit Committees, these risks are assessed for their likelihood and impact after consideration is given to existing mitigating controls.

An overall market view of the major risks is obtained by identifying similar risks that are then aggregated and categorised into the following risk categories:

- strategy;
- reputational damage;
- legal and regulatory compliance;
- financial;
- operational; and
- malicious events.

Assess the current risk exposure for the Group

Using the market view of the major risks, an exercise is conducted with Group executives and functional leaders to determine the top Group risks and identify the current net risk exposure level for each risk.

Compare the current risk exposure to the acceptable level of risk

The exposure from each of the Group’s top risks is then compared with the desired level of acceptable risk. The result of this assessment highlights the perceived “tolerance” for the exposure associated with a particular risk and indicates whether specific, additional action is required.

Three “tolerance” categories are used:

1. We don’t believe that Vodafone should do more;
2. We believe that Vodafone should do more and has plans in place to reduce the net risk to an acceptable level; and
3. We are not sufficiently prepared and immediate action is necessary.

Confirmation of key risks and mitigations commensurate with Vodafone’s risk tolerances

The risk exposure assessment and comparison to the acceptable level of risk identifies the key

Revised existing risks

Two existing risks from prior year have been revised into a single combined risk:

- “Our business could be adversely affected by a failure or significant interruption to our telecommunications networks or IT systems” and “Failure to deliver enterprise service offerings may adversely affect our business” have been combined into the former risk: “Our business could be adversely affected by a failure or significant interruption to our telecommunications networks or IT systems”.

The description of the risk has been revised to more specifically reflect the level of dependence enterprise customers have on our telecommunications infrastructure to provide their services and the resilience needed in our infrastructure to meet our committed service level agreements.

The Group’s key risks are outlined below:

1. Our business could be adversely affected by a failure or significant interruption to our telecommunications networks or IT systems. Risk: We are dependent on the continued operation of our telecommunications networks. The importance of mobile and fixed communication in everyday life is increasing, especially during times of crisis. Individuals and organisations who rely on our networks and systems 24 hours per day, 365 days per year to provide their products and services, look to us to maintain service. Major failures in the network, our IT systems or a failure to maintain our infrastructure to the required levels of resilience (and associated service level agreement) may result in our services being interrupted, resulting in serious damage to our reputation, a consequential customer and revenue loss and the risk of financial penalties.

There is a risk that an attack by a malicious individual or group could be successful on our networks and impact the availability of critical systems. Our network is also susceptible to interruption due to a physical attack and theft of our network components as the value and market for network components increases (for example copper, batteries, generators and fuel).
risks and associated mitigations that are reviewed and approved by the Group Executive Committee, the Audit and Risk Committee and the Board.

**Changes from prior year risk assessment**

One new risk for 2014 has been added:

→ “The integration of newly acquired businesses does not provide the benefits anticipated at the time of acquisition”. The risk is that we do not deliver the revenue benefits and/or the cost synergies expected from recently acquired businesses and that, as a consequence of this, we subsequently need to write down the carrying value of the assets.
2. We could suffer loss of consumer confidence and/or legal action due to a failure to protect our customer information.
Risk: Our networks carry and store large volumes of confidential personal and business voice traffic and data. We host increasing quantities and types of customer data in both enterprise and consumer segments. We need to ensure our service environments are sufficiently secure to protect us from loss or corruption of customer information. Failure to adequately protect customer information could have a material adverse effect on our reputation and may lead to legal action against the Group.

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

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

5. Our existing service offerings could become disadvantaged as compared to those offered by converged competitors or other technology providers (“over the top” – OTT competitors).
Risk: In a number of markets, we face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, public Wi-Fi, TV and mobile) on their existing infrastructure which we cannot either replicate or cannot provide at a similar price point. Additionally, the combination of services may allow competitors to subsidise the mobile component of their offering. This could lead to an erosion of our customer base and reduce the demand for our core mobile services and impact our future profitability.
Advances in smartphone technology places more focus on applications, operating systems, and devices, rather than the underlying services provided by mobile operators. The development of applications which make use of the internet as a substitute for some of our more traditional services, such as messaging and voice, could erode revenue. Reduced demand for our core services of voice, messaging and data and the development of services by application developers, operating system providers, and handset suppliers (commonly referred to as “over the top” or OTT competition) could significantly impact our future profitability.
6. Continuing weak economic conditions could impact one or more of our markets. 
Risk: Economic conditions in many of the markets we operate, especially in Europe, continue to stagnate or show nominal levels of growth. These conditions combined with the impact of continuing austerity measures results in lower levels of disposable income and may result in significantly lower revenues as customers give up their mobile phones or move to cheaper tariffs.

There is also a possibility of adverse economic conditions impacting currency exchange rates in countries where the Group has operations, leading to a reduction in our revenue and impairment of our financial and non-financial assets.

7. Our business may be impacted by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment.
Risk: Concerns have been expressed that electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. Authorities including the World Health Organization (‘WHO’) agree there is no evidence that convinces experts that exposure to radio frequency fields from mobile devices and base stations operated within guideline limits has any adverse health effects. A change to this view could result in a range of impacts from a change to national legislation, to a major reduction in mobile phone usage or to major litigation.

8. The integration of newly acquired businesses do not provide the benefits anticipated at the time of acquisition. 
Risk: In line with its strategy to be a scale data player, a strong player in Enterprise, a leader in emerging markets and a selective innovator in services, we have acquired, and will continue to acquire, new businesses. The price paid for these businesses is based upon their current cash flows, as well as the expected incremental cash flows that will be generated from increased revenues and lower costs that being part of the Vodafone Group will generate. There is a risk that we fail to deliver these expected benefits and synergies which could result in an impairment of the carrying value of the acquired business.

9. We depend on a number of key suppliers to operate our business. 
Risk: We depend on a limited number of suppliers for strategically important network and IT infrastructure and associated support services to operate and upgrade our networks and provide key services to our customers. Our operations could be adversely impacted by the failure of a key supplier who could no longer support our existing infrastructure; from a key supplier commercially exploiting their monopolistic/oligopolistic position in a product area following the corporate failures of, or the withdrawal from, a specific market by competitors; or from major suppliers significantly increasing prices on long term programmes where the cost or technical feasibility of switching supplier becomes a significant barrier.
10. We may not satisfactorily resolve major tax disputes.
Risk: We operate in many jurisdictions around the world and from time to time have disputes on the amount of tax due. In particular, in spite of the positive India Supreme Court decision relating to an on-going tax case in India, the Indian Government has introduced retroactive tax legislation which would in effect overturn the Court’s decision and has raised challenges around the pricing of capital transactions. Such or similar types of action in other jurisdictions, including changes in local or international tax rules or new challenges by tax authorities, may expose us to significant additional tax liabilities which would affect the results of the business.

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

Currency related risks
The Group continues to face currency, operational and financial risks resulting from the challenging economic conditions particularly in the Eurozone. We continue to keep our policies and procedures under review to endeavour to minimise the Group’s economic exposure and to preserve our ability to operate in a range of potential conditions that may exist in the future.

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

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

The “Operating results” section of the annual report on pages 40 to 45 sets out a discussion and analysis of the relative contributions from each of our regions and the major geographical markets within each, to the Group’s service revenue on a management basis and adjusted EBITDA performance. On a management basis our markets in Greece, Ireland, Italy, Portugal and Spain continue to be the most directly impacted by the current market conditions and in order of contribution represent 12% (Italy), 6% (Spain), 3% (Ireland and Greece combined) and 2% (Portugal) of the Group’s adjusted EBITDA for the year ended 31 March 2014. An average 3% decline in the sterling equivalent of these combined geographical markets due to currency revaluation would reduce the Group’s adjusted EBITDA by approximately £0.1 billion. Our foreign currency earnings were for the year ended 31 March 2014, diversified through our 45% equity interest in Verizon Wireless ('VZW'), which operates in the United States and generates its earnings in US dollars. Our interest in VZW, which was equity accounted to 2 September 2013, contributed 40% of the Group’s adjusted operating profit for the year ended 31 March 2014. Our interest in VZW was disposed of on 21 February 2014.

We employ a number of mechanisms to manage elements of exchange rate risk at a transaction, translation and economic level. At the transaction level our policies require foreign exchange risks on transactions denominated in other currencies above certain de minimis levels to be hedged. Further, since the Company’s sterling share price represents the value of its future multi-currency cash flows, principally in euro and to a lesser extent sterling, the Indian rupee and South African rand following the disposal of our interest in VZW, we aim to align the currency of our debt and interest charges in proportion to our expected future principal multi-currency cash flows, thereby providing an economic hedge in terms of reduced volatility in the sterling equivalent value of the Group and a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.
In the event of a country’s exit from the Eurozone, this may necessitate changes in one or more of our entities’ functional currency and potentially higher volatility of those entities’ trading results when translated into sterling, potentially adding further currency risk.

A summary of this sensitivity of our operating results and our foreign exchange risk management policies is set out within note 23 “Capital and financial risk management” to the consolidated financial statements.
Principal risk factors and uncertainties (continued)

Risk of change in carrying amount of assets and liabilities

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

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

We have performed impairment testing for each country in Europe as at 31 March 2014 and identified aggregate impairment charges of £6.6 billion in relation to Vodafone Germany, Spain, Portugal, Czech Republic and Romania. See note 4 “Impairment losses” to the consolidated financial statements for further detail on this exercise, together with the sensitivity of the results to reasonably possible adverse assumptions.

Our operating companies in Italy, Ireland, Greece, Portugal and Spain have billed and unbilled trade receivables totalling £2.1 billion. IFRS contains specific requirements for impairment assessments of financial assets. We have a range of credit exposures and provisions for doubtful debts that are generally made by reference to consistently applied methodologies overlaid with judgements determined on a case-by-case basis reflecting the specific facts and circumstances of the receivable. See note 23 "Capital and financial risk management" to the consolidated financial statements for detailed disclosures on provisions against loans and receivables as well as disclosures about any loans and receivables that are past due at the end of the period, concentrations of risk and credit risk more generally.

Additional risk

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

Financial/investment risk: We remain focused on counterparty risk management and in particular the protection and availability of cash deposits and investments. We carefully manage counterparty limits with financial institutions holding the Group’s liquid investments and maintain a significant proportion of liquid investments in sterling and US dollar denominated holdings. Our policies require cash sweep arrangements, to ensure no operating company has more than £5 million on deposit on any one day. Further, we have had collateral support agreements in place for a number of years, with a significant number of counterparties, to pass collateral to the Group under certain circumstances. We have a net £1,055 million of collateral assets in our statement of financial position at 31 March 2014. For further details see note 13 “Other investments” and note 23 “Capital and financial risk management” to the consolidated financial statements.

Going concern

The Group believes it adequately manages or mitigates its solvency and liquidity risks through two primary processes, described below.

Business planning process and performance management

The Group’s forecasting and planning cycle consists of three in year forecasts, a budget and a long range plan. These cycles all consist of a bottom up process whereby the Group’s operating companies submit income statement, cash flow and net debt projections. These are then consolidated and the results assessed by Group management and the Board. Each forecast is compared with prior forecasts and actual results so as to identify variances and understand the drivers of the changes and their future impact so as to allow management to take action where appropriate. Additional analysis is undertaken to review and sense check the key assumptions underpinning the forecasts as well as stress-testing the results through sensitivity analysis.

Cash flow and liquidity reviews

The business planning process provides outputs for detailed cash flow and liquidity reviews, to ensure that the Group maintains adequate liquidity throughout the forecast periods. The prime output is a two year liquidity forecast which is prepared and updated on a daily basis which highlights the extent of the Group’s liquidity based on controlled cash flows and the under the Group’s undrawn revolving credit facility (’RCF’).

The key inputs into this forecast are:

- free cash flow forecasts, with the first three months inputs being sourced directly from the operating companies (analysed on a daily basis), with information beyond this taken from the latest forecast/budget cycle;
- bond and other debt maturities; and
- expectations for shareholder returns, spectrum auctions and M&A activity.

The liquidity forecast shows two scenarios assuming either maturing commercial paper is refinanced or no new commercial paper issuance. The liquidity forecast is reviewed by the Group CFO and included in each of his reports to the Board.

In addition, the Group continues to manage its foreign exchange and interest rate risks within the framework of policies and guidelines authorised and reviewed by the Board, with oversight provided by the Treasury Risk Committee.
Trading risks: We continue to monitor and assess the structure of certain procurement contracts to place the Group in a better position in the event of the exit of a country from the Eurozone.

Business continuity risks: Key business continuity priorities are focused on planning to facilitate migration to a more cash-based business model in the event banking systems are frozen, developing dual currency capability in contract customer billing systems or ensuring the ability to move these contract customers to prepaid methods of billing, and the consequential impacts to tariff structures. We also have in place contingency plans with key suppliers that would assist us to continue to support our network infrastructure, retail operations and employees. We continue to maintain appropriate levels of cash and short-term investments in many currencies, with a carefully controlled group of counterparties, to minimise the risks to the ongoing access to that liquidity and therefore our ability to settle debts as they become due. For further details see “Capital and financial risk management” in note 23 to the consolidated financial statements.
Non-GAAP information

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

Management basis

The discussion of our operating results and cash flows in the strategic report on pages 1 to 47 is shown on a management basis, consistent with how the business is managed, operated and reviewed by management, and includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis. This differs to the “Consolidated financial statements” which are presented on an IFRS basis, and includes the results of the Group’s joint ventures using the equity accounting basis. Pursuant to IFRS 8 our segmental results are presented within note 2 “Segmental analysis” to the Consolidated Financial Statements on a management basis because that is the basis on which performance of the operating segments is assessed by management. Therefore when presented on a country basis these management basis figures represent a GAAP measure. However, when presented on a consolidated basis management basis amounts are considered to be non-GAAP performance measures. A reconciliation of country revenue on a management basis to consolidated revenue on an IFRS basis is presented in note 2 “Segmental analysis” to the Consolidated Financial Statements.

We present certain consolidated performance measures on a management basis because we believe that the management basis metrics, which are not intended to be a substitute for, or superior to, our reported metrics, provide useful and necessary information to investors and other interested parties as they are used internally for performance analysis and resource allocation purposes of the operations where we have control or joint control. A reconciliation of management basis adjusted EBITDA to IFRS adjusted operating profit is summarised below. A reconciliation of adjusted operating profit (IFRS basis) to IFRS operating profit is presented in note 2 “Segmental analysis” to the Consolidated Financial Statements and a reconciliation from operating profit to net profit is presented on the face of the consolidated income statement.

Adjusted EBITDA

Adjusted EBITDA is operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. We use adjusted EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that adjusted EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive on a management basis (see above) to assess internal performance in conjunction with adjusted EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report adjusted EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because adjusted EBITDA does not take into account certain items that affect operations and performance, adjusted EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse adjusted EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. Adjusted EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance. A reconciliation of adjusted EBITDA to the closest equivalent GAAP measure, operating profit, is provided in note 2 “Segmental analysis” to the consolidated financial statements and to “Profit for the financial year”, below.

<table>
<thead>
<tr>
<th>2014</th>
<th>2013 Restated</th>
<th>2012 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA (management basis)</td>
<td>12,831</td>
<td>13,566</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(8,181)</td>
<td>(7,543)</td>
</tr>
<tr>
<td>Share of results in associates and joint ventures</td>
<td>3,224</td>
<td>6,554</td>
</tr>
<tr>
<td>Adjusted operating profit (management basis)</td>
<td>7,874</td>
<td>12,577</td>
</tr>
<tr>
<td>Presentation adjustments</td>
<td>(395)</td>
<td>(487)</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>(3,169)</td>
<td>(6,500)</td>
</tr>
<tr>
<td>Adjusted operating profit (IFRS basis)</td>
<td>4,310</td>
<td>5,590</td>
</tr>
</tbody>
</table>

Presentation adjustments relate to the restatement of the Group’s joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.

Adjusted EBITDA

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>11,084</td>
<td>11,466</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(7,038)</td>
<td>(6,502)</td>
</tr>
<tr>
<td>Share of results in associates and joint ventures</td>
<td>324</td>
<td>626</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>4,310</td>
<td>5,590</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>(4,600)</td>
<td>(7,700)</td>
</tr>
<tr>
<td>Restructuring costs and other</td>
<td>(355)</td>
<td>(311)</td>
</tr>
<tr>
<td>Amortisation of acquired customer bases and brand intangible assets</td>
<td>(551)</td>
<td>(249)</td>
</tr>
<tr>
<td>Other income/(expense)</td>
<td>(717)</td>
<td>468</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>(3,913)</td>
<td>(2,202)</td>
</tr>
<tr>
<td>Non-operating income and expense</td>
<td>(149)</td>
<td>10</td>
</tr>
<tr>
<td>Net financing costs</td>
<td>(1,208)</td>
<td>(1,291)</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>16,582</td>
<td>(476)</td>
</tr>
<tr>
<td>Profit/(loss) for the financial year from continuing operations</td>
<td>11,312</td>
<td>(3,959)</td>
</tr>
<tr>
<td>Profit for the financial year from discontinued operations</td>
<td>48,108</td>
<td>4,616</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>567</td>
</tr>
</tbody>
</table>

Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressively permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.
Restatement of adjusted EBITDA and adjusted operating profit

In the year ended 31 March 2014 we have redefined adjusted EBITDA and adjusted operating profit to exclude restructuring costs and adjusted operating profit to exclude amortisation charges in relation to acquired customer base and acquired brand intangible assets. This change was made to allow management to clearly assess ongoing internal performance, enable better comparability with other companies and in relation to the adjustment for amortisation charges for acquired customer base and acquired brand intangible assets, to facilitate the comparison of the performance of acquired and non-acquired businesses. We have restated comparatives to reflect this new presentation.

Group adjusted operating profit and adjusted earnings per share

Group adjusted operating profit excludes non-operating income of associates, impairment losses, restructuring costs, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used in setting director and management remuneration; and
- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of adjusted operating profit to the respective closest equivalent GAAP measure, operating profit, is provided above and in note 2 “Segmental analysis” to the consolidated financial statements. A reconciliation of adjusted earnings per share to basic earnings per share, is provided in the “Operating Review” on page 45.

Cash flow measures

In presenting and discussing our reported results, management basis free cash flow and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow does not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- these measures are used by management for planning, reporting and incentive purposes; and
- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided below.

Other

Certain of the statements within the section titled “Chief Executive’s review” on pages 12 and 13 contain forward-looking non-GAAP financial information for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information. Certain of the statements within the section titled “Guidance” on pages 13 and 39 contain forward-looking non-GAAP financial information which at this time cannot be quantitatively reconciled to comparable GAAP financial information.
Organic growth

All amounts in this document marked with an "**" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates. We believe that "organic growth", which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;

- it is used for internal performance analysis; and

- it facilitates comparability of underlying growth with other companies, although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

Reconciliation of organic growth to reported growth is shown where used, or in the table below:

<table>
<thead>
<tr>
<th>3T March 2014</th>
<th>Organic change £bn</th>
<th>Other activity%</th>
<th>Foreign exchange%</th>
<th>Reported change £bn</th>
<th>Presentation adjustments £bn</th>
<th>Reported change £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>(3.5)</td>
<td>3.7</td>
<td>(2.1)</td>
<td>(1.9)</td>
<td>2.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Service revenue</td>
<td>(4.3)</td>
<td>3.8</td>
<td>(1.9)</td>
<td>(2.4)</td>
<td>2.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Other revenue</td>
<td>4.9</td>
<td>2.7</td>
<td>(4.1)</td>
<td>3.5</td>
<td>0.2</td>
<td>3.7</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>(7.4)</td>
<td>3.8</td>
<td>(1.8)</td>
<td>(5.4)</td>
<td>2.1</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>(9.3)</td>
<td>4.7</td>
<td>2.5</td>
<td>(2.1)</td>
<td>3.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Service revenue</td>
<td>(9.1)</td>
<td>4.6</td>
<td>2.5</td>
<td>(2.0)</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Other revenue</td>
<td>(10.8)</td>
<td>4.4</td>
<td>2.5</td>
<td>(3.9)</td>
<td>(1.8)</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Europe – mobile in-bundle revenue</td>
<td>3.1</td>
<td>0.4</td>
<td>2.6</td>
<td>6.1</td>
<td>(0.1)</td>
<td>6.0</td>
</tr>
<tr>
<td>Europe – enterprise revenue</td>
<td>(8.5)</td>
<td>14.2</td>
<td>2.8</td>
<td>8.5</td>
<td>4.4</td>
<td>12.9</td>
</tr>
<tr>
<td>Germany – service revenue</td>
<td>(6.2)</td>
<td>9.0</td>
<td>3.6</td>
<td>6.4</td>
<td>–</td>
<td>6.4</td>
</tr>
<tr>
<td>Germany – mobile in-bundle revenue</td>
<td>2.7</td>
<td>–</td>
<td>3.5</td>
<td>6.2</td>
<td>–</td>
<td>6.2</td>
</tr>
<tr>
<td>Germany – mobile out-of-bundle revenue</td>
<td>(22.6)</td>
<td>0.3</td>
<td>2.9</td>
<td>(19.4)</td>
<td>–</td>
<td>(19.4)</td>
</tr>
<tr>
<td>Italy – service revenue</td>
<td>(17.1)</td>
<td>2.2</td>
<td>3.1</td>
<td>(11.8)</td>
<td>11.8</td>
<td>–</td>
</tr>
<tr>
<td>Italy – mobile in-bundle revenue</td>
<td>15.2</td>
<td>4.0</td>
<td>3.8</td>
<td>23.0</td>
<td>(23.0)</td>
<td>–</td>
</tr>
<tr>
<td>Italy – fixed line revenue</td>
<td>(3.2)</td>
<td>3.1</td>
<td>3.6</td>
<td>3.5</td>
<td>(3.5)</td>
<td>–</td>
</tr>
<tr>
<td>Italy – operating expenses</td>
<td>7.1</td>
<td>(2.7)</td>
<td>(3.5)</td>
<td>0.9</td>
<td>(0.9)</td>
<td>–</td>
</tr>
<tr>
<td>UK – service revenue</td>
<td>(4.4)</td>
<td>31.9</td>
<td>–</td>
<td>27.5</td>
<td>–</td>
<td>27.5</td>
</tr>
<tr>
<td>UK – mobile in-bundle revenue</td>
<td>0.6</td>
<td>–</td>
<td>–</td>
<td>0.6</td>
<td>–</td>
<td>0.6</td>
</tr>
<tr>
<td>UK – mobile out-of-bundle revenue</td>
<td>(7.2)</td>
<td>–</td>
<td>–</td>
<td>(7.2)</td>
<td>–</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Spain – service revenue</td>
<td>(13.4)</td>
<td>(0.7)</td>
<td>3.1</td>
<td>(11.0)</td>
<td>–</td>
<td>(11.0)</td>
</tr>
<tr>
<td>Spain – mobile in-bundle revenue</td>
<td>(0.4)</td>
<td>–</td>
<td>3.4</td>
<td>3.0</td>
<td>–</td>
<td>3.0</td>
</tr>
<tr>
<td>Spain – fixed line revenue</td>
<td>(0.2)</td>
<td>–</td>
<td>3.4</td>
<td>3.2</td>
<td>–</td>
<td>3.2</td>
</tr>
<tr>
<td>Spain – operating expenses</td>
<td>9.4</td>
<td>–</td>
<td>(3.3)</td>
<td>6.1</td>
<td>–</td>
<td>6.1</td>
</tr>
<tr>
<td>Netherlands – service revenue</td>
<td>(5.6)</td>
<td>(0.6)</td>
<td>3.4</td>
<td>(2.8)</td>
<td>–</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Netherlands – mobile in-bundle revenue</td>
<td>3.4</td>
<td>–</td>
<td>3.5</td>
<td>6.9</td>
<td>–</td>
<td>6.9</td>
</tr>
<tr>
<td>Portugal – service revenue</td>
<td>(8.4)</td>
<td>(0.6)</td>
<td>3.3</td>
<td>(5.7)</td>
<td>–</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Greece – service revenue</td>
<td>(14.1)</td>
<td>(0.8)</td>
<td>3.2</td>
<td>(11.7)</td>
<td>–</td>
<td>(11.7)</td>
</tr>
<tr>
<td>Other Europe – service revenue growth</td>
<td>(7.1)</td>
<td>(17.5)</td>
<td>1.8</td>
<td>(22.8)</td>
<td>–</td>
<td>(22.8)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>(18.3)</td>
<td>5.6</td>
<td>2.5</td>
<td>(10.2)</td>
<td>5.2</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Germany – adjusted EBITDA</td>
<td>(18.2)</td>
<td>10.2</td>
<td>3.3</td>
<td>(4.7)</td>
<td>–</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Germany – percentage point change in adjusted EBITDA margin</td>
<td>(4.3)</td>
<td>0.8</td>
<td>0.1</td>
<td>(3.4)</td>
<td>–</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Italy – adjusted EBITDA</td>
<td>(24.9)</td>
<td>2.2</td>
<td>2.8</td>
<td>(19.9)</td>
<td>19.9</td>
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<td>Italy – percentage point change in adjusted EBITDA margin</td>
<td>(4.8)</td>
<td>–</td>
<td>0.1</td>
<td>(4.7)</td>
<td>39.5</td>
<td>34.8</td>
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<tr>
<td>UK – adjusted EBITDA</td>
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<td>26.9</td>
<td>0.1</td>
<td>17.2</td>
<td>–</td>
<td>17.2</td>
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<tr>
<td>UK – percentage point change in adjusted EBITDA margin</td>
<td>(1.0)</td>
<td>(0.4)</td>
<td>–</td>
<td>(1.4)</td>
<td>–</td>
<td>(1.4)</td>
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<tr>
<td>Spain – adjusted EBITDA</td>
<td>(23.9)</td>
<td>(1.8)</td>
<td>2.8</td>
<td>(22.9)</td>
<td>–</td>
<td>(22.9)</td>
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<tr>
<td>Spain – percentage point change in adjusted EBITDA margin</td>
<td>(3.4)</td>
<td>(0.4)</td>
<td>0.1</td>
<td>(3.7)</td>
<td>–</td>
<td>(3.7)</td>
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<tr>
<td>Other Europe – adjusted EBITDA margin</td>
<td>(14.0)</td>
<td>(6.2)</td>
<td>2.1</td>
<td>(18.1)</td>
<td>(0.1)</td>
<td>(18.2)</td>
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<td>Other Europe – percentage point change in adjusted EBITDA margin</td>
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<td>3.6</td>
<td>0.1</td>
<td>1.6</td>
<td>–</td>
<td>1.6</td>
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</table>

| Reduction in European and common functions operating expenses | (0.3) | 0.5 | 0.1 | 0.3 | 0.2 | 0.5 |

The term "organic" is not intended to be a substitute for or superior to reported growth, although the term "organic" is not a defined term under IFRS.
### Vodafone Group Plc

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<table>
<thead>
<tr>
<th>Region</th>
<th>Service Revenue</th>
<th>Adjusted EBITDA</th>
<th>Presentation adjustments</th>
<th>Foreign exchange pps</th>
<th>Organic change %</th>
<th>Other activity/adjustments %</th>
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</thead>
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<tr>
<td>Australia</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Ghana</td>
<td>(13.4)</td>
<td>(0.4)</td>
<td>–</td>
<td>(0.4)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>India</td>
<td>(25.5)</td>
<td>(3.2)</td>
<td>–</td>
<td>(3.2)</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Portugal</td>
<td>9.7</td>
<td>(8.2)</td>
<td>–</td>
<td>(8.2)</td>
<td>–</td>
<td>–</td>
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<td>South Africa</td>
<td>204</td>
<td>1.8</td>
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<td>(1.8)</td>
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**31 March 2013**

<table>
<thead>
<tr>
<th>Group</th>
<th>Revenue</th>
<th>Service Revenue</th>
<th>Other revenue</th>
<th>Adjusted EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>(1.4)</td>
<td>(2.8)</td>
<td>(5.6)</td>
<td>(4.2)</td>
</tr>
<tr>
<td></td>
<td>(1.9)</td>
<td>(2.6)</td>
<td>(5.6)</td>
<td>(4.9)</td>
</tr>
<tr>
<td></td>
<td>4.0</td>
<td>5.3</td>
<td>6.3</td>
<td>3.0</td>
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<tr>
<td></td>
<td>(1.9)</td>
<td>(6.6)</td>
<td>(5.8)</td>
<td>(7.1)</td>
</tr>
</tbody>
</table>

**United Kingdom**

- Revenue: 8.4
- Service revenue: 6.1
- Other revenue: 2.3
- Adjusted EBITDA: (8.1)
- Service revenue: (13.4)
- Other revenue: 2.7
- Adjusted EBITDA: (13.9)
- Service revenue: (19.3)
- Other revenue: 2.8
- Adjusted EBITDA: (13.4)

**Foreign Exchange Rate Adjustments**

- 2009: 3.1
- 2010: (0.2)
- 2011: –
- 2012: (1.3)

**Group**

- Revenue: 16.2
- Service revenue: 13.7
- Other revenue: 10.7
- Adjusted EBITDA: 8.3
- Service revenue: 0.8
- Other revenue: 3.2
- Adjusted EBITDA: 8.3

**Organic Change**

- 2009: (24.0)
- 2010: (24.0)
- 2011: (24.0)
- 2012: (24.0)

**Reported Change**

- 2009: (14.6)
- 2010: (14.6)
- 2011: (14.6)
- 2012: (14.6)

**Additional Notes**

- Vodafone’s international operations – service revenue: 1.8
- Group – service revenue: 1.8
- Adjusted EBITDA: (4.7)
- Group – service revenue: (15.9)
- Adjusted EBITDA: 4.3
- Group – service revenue: (18.8)
- Adjusted EBITDA: (18.8)
- Group – service revenue: (18.8)
- Adjusted EBITDA: 18.1
- Group – service revenue: (18.8)
- Adjusted EBITDA: 18.1

**Other AMAP**

- Service revenue: 27.4
- Revenue: 8.7
- Other revenue: 6.3
- Service revenue: 11.8
- Revenue: 6.3
- Other revenue: 4.9
- Service revenue: 11.8
- Revenue: 6.3
- Other revenue: 4.9

**Organic Change**

- 2009: (5.2)
- 2010: (4.5)
- 2011: (4.5)
- 2012: (4.5)

**Reported Change**

- 2009: (0.3)
- 2010: 0.8
- 2011: (0.4)
- 2012: 0.8

**Vodafone’s Percentage Point Change in Adjusted EBITDA Margin**

- (0.3)
- 0.8
- (0.4)
- 0.8
- (0.3)
- 0.8
- (0.4)
- 0.8

**Vodafone’s Percentage Point Change in Adjusted EBITDA Margin**

- (0.3)
- 0.8
- (0.4)
- 0.8
- (0.3)
- 0.8
- (0.4)
- 0.8
## 1. Management basis

Includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis.

## Notes

1. Management basis includes the results of the Group’s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis.

2. “Other activity” includes the impact of M&A activity, the revision to intra-group roaming charges from 1 October 2011, and the impact of Indus Towers revising its accounting for energy cost recharges. Refer to “Organic growth” on page 202 for further detail.

<table>
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<tr>
<th>AMAP</th>
<th>Organic change</th>
<th>Other activity</th>
<th>Foreign exchange</th>
<th>Reported change</th>
<th>Presentation adjustment</th>
<th>Reported change</th>
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</thead>
<tbody>
<tr>
<td>Spain – adjusted EBITDA</td>
<td>(9.8)</td>
<td>(0.5)</td>
<td>(5.3)</td>
<td>(15.6)</td>
<td>–</td>
<td>(15.6)</td>
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<tr>
<td>Spain – percentage point change in adjusted EBITDA margin</td>
<td>0.9</td>
<td>(0.1)</td>
<td>0.0</td>
<td>0.8</td>
<td>–</td>
<td>0.8</td>
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<tr>
<td>Other Europe – adjusted EBITDA</td>
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<td>8.1</td>
<td>(6.3)</td>
<td>(1.9)</td>
<td>–</td>
<td>(1.9)</td>
</tr>
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<td>Other Europe – percentage point change in adjusted EBITDA margin</td>
<td>0.1</td>
<td>(3.6)</td>
<td>(0.1)</td>
<td>(3.6)</td>
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<tr>
<td>Verizon Wireless (VZW)</td>
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<td></td>
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<td>1.1</td>
<td>9.2</td>
<td>(9.2)</td>
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<td>Adjusted EBITDA</td>
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<td>0.1</td>
<td>1.2</td>
<td>14.9</td>
<td>(14.9)</td>
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<td>Group’s share of result of VZW</td>
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<td>1.4</td>
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### 31 March 2012

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<td>(0.9)</td>
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<td>Other revenue</td>
<td>13.6</td>
<td>1.8</td>
<td>1.0</td>
<td>16.4</td>
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<tr>
<td>Adjusted EBITDA</td>
<td>(4.8)</td>
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<td>1.4</td>
<td>(3.4)</td>
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### AMAP

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<tr>
<td>9.6</td>
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<td>(5.5)</td>
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<tr>
<td>17.5</td>
<td>–</td>
<td>(4.6)</td>
</tr>
<tr>
<td>10.7</td>
<td>(0.3)</td>
<td>(5.5)</td>
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</table>
This annual report on Form 20-F for the fiscal year ended 31 March 2014 has not been approved or disapproved by the SEC nor has the SEC passed judgement upon the adequacy or accuracy of this document. The table below sets out the location in this document of the information required by SEC Form 20-F.

<table>
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<td>Selected financial data</td>
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<td>3B Capitalisation and indebtedness</td>
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<td>3C Reasons for the offer and use of proceeds</td>
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<td>3D Risk factors</td>
<td>Principal risk factors and uncertainties</td>
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<td>Information on the Company</td>
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<td>4A History and development of the Company</td>
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<td>Our year</td>
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<td>Where we do business</td>
<td>8 and 9</td>
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<td>Crystallising value from Verizon Wireless</td>
<td>14 and 15</td>
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<td>Key performance indicators</td>
<td>16 and 17</td>
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<td>Market overview</td>
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<td>Strategy: Our strategy</td>
<td>21</td>
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<td>Strategy: Consumer Europe</td>
<td>22 and 23</td>
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<td>Strategy: Unified communications</td>
<td>24 and 25</td>
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<td>Strategy: Consumer emerging markets</td>
<td>26 and 27</td>
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<td>Strategy: Enterprise</td>
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<td>Strategy: Operations</td>
<td>32 and 33</td>
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<td>4C Organisational structure</td>
<td>Note 32 “Principal subsidiaries”</td>
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<td>How we do business</td>
<td>10 and 11</td>
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<td>Commentary on the consolidated statement of financial position</td>
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<td>5A Operating results</td>
<td>Operating results and 96 to 97</td>
<td>Page 40 to 45</td>
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<td>5B Liquidity and capital resources</td>
<td>Commentary on the consolidated statement of cash flows</td>
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<td>5C Research and development, patents and licences, etc</td>
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<td>5D Trend information</td>
<td>Chief Executive’s review</td>
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<td>5E Off-balance sheet arrangements</td>
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<td>5F Tabular disclosure of contractual obligations</td>
<td>Commentary on the consolidated statement of financial position – Contractual obligations and contingencies</td>
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<td>Board of directors and Group management</td>
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<td>Directors’ remuneration</td>
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<td>6C Board practices</td>
<td>Corporate governance</td>
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<td>Page 36 and 37</td>
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<td>7A Major shareholders</td>
<td>Shareholder information – Major shareholders</td>
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<td>Page 69 to 85</td>
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<td>7C Interests of experts and counsel</td>
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<td>8A Consolidated statements and other financial information</td>
<td>Financials</td>
<td>Page 96 to 170</td>
<td></td>
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<td>8B Significant changes</td>
<td>Subsequent events</td>
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<td>9A Offer and listing details</td>
<td>Shareholder information – Share price history</td>
<td>Page 183 and 184</td>
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<td>Additional Information</td>
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<td>Share capital</td>
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<td>10B</td>
<td>Memorandum and articles of association</td>
<td>Shareholder information – Articles of association and applicable English law</td>
<td>184 to 187</td>
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<td>Shareholder information – Material contracts</td>
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<td>10D</td>
<td>Exchange controls</td>
<td>Shareholder information – Exchange controls</td>
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<td>10E</td>
<td>Taxation</td>
<td>Shareholder information – Taxation</td>
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<td>Dividends and paying agents</td>
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<td>Statement by experts</td>
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<td>Shareholder information – Documents on display</td>
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<td>Quantitative and qualitative disclosures about market risk</td>
<td>Note 23 “Capital and financial risk management”</td>
<td>146 to 151</td>
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<td>12</td>
<td>Description of securities other than equity securities</td>
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<td>Debt securities</td>
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<td>Warrants and rights</td>
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<td>Other securities</td>
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<td>12D</td>
<td>American depositary shares</td>
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<td>Defaults, dividend arrearages and delinquencies</td>
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<td>Material modifications to the rights of security holders and use of proceeds</td>
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Forward-looking statements

This document contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group’s financial condition, results of operations and businesses and certain of the Group’s plans and objectives.

In particular, such forward-looking statements include statements with respect to:

- the Group’s expectations and guidance regarding its financial and operating performance, including statements contained within the Chief Executive’s review on pages 12 to 13, statements regarding the Group’s future dividends and the guidance statement for the 2015 financial year and free cash flow guidance on page 13 and 39, the performance of associates and joint ventures, other investments and newly acquired businesses including CWV, KDG, Ono and Neotel and expectations regarding the Project Spring organic investment programme;

- intentions and expectations regarding the development of products, services and initiatives introduced by, or together with, Vodafone or by third parties, including new mobile technologies, such as the Vodafone M-Pesa money transfer service, M2M connections, Vodafone Red, cloud hosting, tablets and an increase in download speeds, Vodafone One-Net, mWallet, Smartpass and 4G/3G services;

- expectations regarding the global economy and the Group’s operating environment and market position, including future market conditions, growth in the number of worldwide mobile phone users and other trends, including increased mobile data usage and increased mobile penetration in emerging markets;

- revenue and growth expected from the Group’s enterprise and total communications strategy, including data revenue growth, and its expectations with respect to long-term shareholder value growth;

- mobile penetration and coverage rates, mobile termination rate cuts, the Group’s ability to acquire spectrum, expected growth prospects in the Europe and AMP regions and growth in customers and usage generally, and plans for sustained investment in high speed data networks and the anticipated Group standardisation and simplification programme;

- anticipated benefits to the Group from cost efficiency programmes;

- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments, including licence and spectrum acquisitions, and the expected funding required to complete such acquisitions or investments;

- expectations and assumptions regarding the Group’s future revenue, operating profit, adjusted EBITDA, adjusted EBITDA margin, free cash flow, depreciation and amortisation charges, foreign exchange rates, tax rates and capital expenditure;

- expectations regarding the Group’s access to adequate funding for its working capital requirements and share buyback programmes, and the Group’s future dividends or its existing investments; and

- the impact of regulatory and legal proceedings involving the Group and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. 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. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments;

- increased competition, from both existing competitors and new market entrants, including mobile virtual network operators;

- levels of investment in network capacity and the Group’s ability to deploy new technologies, products and services in a timely manner, particularly data content and services;

- rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations, including as a result of third-party or vendor marketing efforts;

- the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services;

- the Group’s ability to generate and grow revenue from both voice and non-voice services and achieve expected cost savings;

- a lower than expected impact of new or existing products, services or technologies on the Group’s future revenue, cost structure and capital expenditure outlooks;

- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;

- the Group’s ability to expand its spectrum position, win 3G and 4G allocations and realise expected synergies and benefits associated with 3G and 4G.
Forward-looking statements (continued)

† the Group’s ability to secure the timely delivery of high quality, reliable handsets, network equipment and other key products from suppliers;
† loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets;
† changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes;
† the impact of a failure or significant interruption to the Group’s telecommunications, networks, IT systems or data protection systems;
† the Group’s ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties, particularly those related to the development of data and internet services;
† acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities which may have a negative impact on the Group’s financial condition and results of operations;
† the Group’s ability to integrate acquired business or assets and the imposition of any unfavourable conditions, regulatory or otherwise, on any pending or future acquisitions or dispositions;
† the extent of any future write-downs or impairment charges on the Group’s assets, or restructuring charges incurred as a result of an acquisition or disposition;
† developments in the Group’s financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
† the Group’s ability to satisfy working capital requirements through borrowing in capital markets, bank facilities and operations;
† changes in foreign exchange rates, including particularly the exchange rate of pounds sterling to the euro, Indian rupee, South African rand and the US dollar;
† changes in the regulatory framework in which the Group operates, including the commencement of legal or regulatory action seeking to regulate the Group’s permitted charging rates;
† the impact of legal or other proceedings against the Group or other companies in the communications industry; and
† changes in statutory tax rates and profit mix, the Group’s ability to resolve open tax issues and the timing and amount of any payments in respect of tax liabilities.

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 “Principal risk factors and uncertainties” on pages 196 to 200 of this document. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

The Company’s independent auditors, Deloitte LLP have not compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.
### Definition of terms

#### 2G
2G networks are operated using global system for mobile (‘GSM’), technology which offer services such as voice, text messaging and low speed data. In addition, all the Group’s controlled networks support general packet radio services (‘GPRS’), often referred to as 2.5G. GPRS allows mobile devices to access IP based data services such as the internet and email.

#### 3G
A cellular technology based on wide band CDMA delivering voice and faster data services.

#### 4G/LTE
4G or long-term evolution (‘LTE’) technology offers even faster data transfer speeds than 3G/HSPA.

### Acquisition costs
The total of connection fees, trade commissions and equipment costs relating to new customer connections.

#### ADR
American Depositary Receipts (‘ADR’), are used to hold shares of non-US companies in the US stock market.

#### ADS
American Depositary Shares (‘ADS’), are used to hold shares of non-US companies in the US stock markets.

#### AGM
Annual General Meeting (‘AGM’), is a channel access method used by various radio communication technologies.

#### AMAP
Africa, Middle East and Asia Pacific (‘AMAP’), includes South Africa, the Middle East and Asia Pacific.

#### Applications (‘apps’)
Apps are software applications usually designed to run on a smartphone or tablet device and provide a convenient means for the user to perform certain tasks. They cover a wide range of activities including banking, ticket purchasing, travel arrangements, social networking and games. For example, the My Vodafone app lets customers check their bill totals on their smartphone and see the minutes, texts and data allowance remaining.

#### ARPU
Average revenue per customer, defined as mobile in-bundle customer revenue plus mobile out-of-bundle customer revenue and mobile incoming revenue divided by average customers.

#### Capital expenditure (‘capex’)
This measure includes the aggregate of capitalised property, plant and equipment additions and capitalised software costs.

#### CDMA
This is a channel access method used by various radio communication technologies.

#### Churn
Total gross customer disconnections in the period divided by the average total customers in the period.

#### Cloud services
This means the customer has little or no equipment at their premises and all the equipment and capability associated with the service is run from the Vodafone network and data centres instead. This removes the need for customers to make capital investments and instead they have an operating cost model with a recurring monthly fee.

#### Controlled and jointly controlled
Controlled and jointly controlled measures include 100% for the Group’s mobile operating subsidiaries and the Group’s share for joint ventures. and the Group’s proportionate share for joint operations.

#### Customer costs
Customer costs include acquisition costs and retention costs.

#### Depreciation and other amortisation
The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant and equipment and computer software.

#### Direct costs
Direct costs include interconnect costs and other direct costs of providing services.

#### Enterprise
The Group’s customer segment for businesses.

#### Adjusted EBITDA
Operating profit excluding share of results in associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs and other operating income and expense. The Group’s definition of adjusted EBITDA may not be comparable with similarly titled measures and disclosures by other companies.

#### Fixed broadband customer
A fixed broadband customer is defined as a customer with a connection or access point to a fixed line data network.

#### Free cash flow
Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries but before licence and spectrum payments. For the year ended 31 March 2014 and 31 March 2013 other items excluded the income dividends received from Verizon Wireless and payments in respect of a tax case settlement.

#### FCA
Financial Conduct Authority (previously Financial Services Authority).

#### HSPA+
An evolution of high speed packet access (‘HSPA’) or third generation (‘3G’) technology that enhances the existing 3G network with higher speeds for the end user.

#### Impairment
A downward revaluation of an asset.

#### Interconnect costs
A charge paid by Vodafone to other fixed line or mobile operators when a Vodafone customer calls a customer connected to a different network.

#### ICT
Information and communications technology.

#### IFRS
International Financial Reporting Standards.

#### IP
Internet Protocol (‘IP’) is the format in which data is sent from one computer to another on the internet.

#### IP-VPN
A virtual private network (‘VPN’) is a network that uses a shared telecommunications infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation’s network.

#### M2M
Machine-to-machine: M2M communications, or telemetry, enable devices to communicate with one another via built-in mobile SIM cards.

#### Mark-to-market
Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability.

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<table>
<thead>
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<th>Term</th>
<th>Description</th>
</tr>
</thead>
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<td>ADR</td>
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<td>ADS</td>
<td>American depositary shares are shares evidenced by American depositary receipts. ADSs are issued by a depository bank and represent one or more shares of a non-US issuer held by the depository bank. The main purpose of ADSs is to facilitate trading in shares of non-US companies in the US markets and, accordingly, ADSs which evidence ADSs are in a form suitable for holding in US clearing systems.</td>
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</tr>
</tbody>
</table>
Mobile broadband | Also known as mobile internet (see below).
Mobile customer | A mobile customer is defined as a subscriber identity module (SIM), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose, including data usage.
Mobile internet | Mobile internet allows internet access anytime, anywhere through a browser or a native application using any portable or mobile device such as smartphone, tablet, laptop connected to a wireless network.
Mobile termination rate (MYR) | A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.
MVNO | Mobile virtual network operators, companies that provide mobile phone services under wholesale contracts with a mobile network operator, but do not have their own licence of spectrum or the infrastructure required to operate a network.
Net debt | Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents.
Net promoter score (NPS) | Net promoter score is a customer loyalty metric used to monitor customer satisfaction.
Operating expenses | Operating expenses comprise primarily network and IT related expenditure, support costs from HR and finance and certain intercompany items.
Operating free cash flow | Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment.
Organic growth | All amounts marked with an “*” represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. From 1 April 2013 the Group revised its intra-group roaming charges. These changes have had an impact on reported service revenue for the Group and by country and regionally since 1 April 2013. Whilst prior period reported revenue has not been restated, to ensure comparability in organic growth rates, Group, country and regional revenue in the prior financial periods have been recalculated based on the new pricing structure to form the basis for our organic calculations.
Partner markets | Markets in which the Group has entered into a partner agreement with a local mobile operator enabling a range of Vodafone’s global products and services to be marketed in that operator’s territory and extending Vodafone’s reach into such markets.
Penetration | Number of SIMs in a country as a percentage of the country’s population. Penetration can be in excess of 100% due to customers’ owning more than one SIM.
Petabyte | A petabyte is a measure of data usage. One petabyte is a million gigabytes.
Pps | Percentage points.
Reported growth | Reported growth is based on amounts reported in pound sterling as determined under IFRS.
RAN | Radio access network is the part of a mobile telecommunications system which provides cellular coverage to mobile phones via a radio interface, managed by thousands of base stations installed on towers and rooftops across the coverage area, and linked to the core nodes through a backhaul infrastructure which can be owned, leased or a mix of both.
Retention costs | The total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrade.
Roaming | Allows customers to make calls, send and receive texts and data on other operators’ mobile networks while travelling abroad.
Service revenue | Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls.
Smartphone devices | A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
Smartphone penetration | The number of smartphone devices divided by the number of registered SIMs (excluding data only SIMs) and telemetric applications.
SME | Small to medium-sized enterprises.
SoHo | Small-office home-office.
Spectrum | The radio frequency bands and channels assigned for telecommunication services.
Supranational | An international organisation, or union, whereby member states go beyond national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.
Tablets | A tablet is a slate shaped, mobile or portable computing device equipped with a finger operated touchscreen or stylus, for example, the Apple iPad.
Telemetrics | Telemetric applications include, but are not limited to, asset and equipment tracking, mobile payment and billing functionality, e.g. vending machines and meter readings, and include voice enabled customers whose usage is limited to a central service operation, e.g. emergency response applications in vehicles. Telemetric customers are not included in mobile customers.
VZW | Verizon Wireless, the Group’s former associate in the United States.
VZW income dividends | Distributions (other than tax distributions) by Verizon Wireless as agreed from time to time by the Board of Verizon Wireless.
VZW tax distributions | Specific distributions made by the Verizon Wireless to its partners based on the taxable income.
Selected financial data

The selected financial data shown below for the years ended 31 March 2014, 2013 and 2012 is presented on an IFRS basis, reflecting the Group’s adoption of IFRS 11, “Joint Arrangements” and the revisions to IAS 19, “Employee benefits”, and includes the Group’s joint ventures using the equity accounting basis as detailed in note 1 “Basis of preparation” to the consolidated financial statements. The financial data for the years ended 31 March 2011 and 2010 has not been restated as it would involve unreasonable effort and expense. The financial data for the years ended 31 March 2011 and 2010 therefore includes the Group’s joint ventures on a proportionate consolidation basis, rather than on an equity accounting basis.

<table>
<thead>
<tr>
<th>After the year ended 31 March</th>
<th>2014</th>
<th>Restated 2013</th>
<th>Restated 2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated income statement data (€m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>38,346</td>
<td>38,041</td>
<td>38,821</td>
<td>45,884</td>
<td>44,472</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>(3,913)</td>
<td>(2,203)</td>
<td>5,616</td>
<td>1,086</td>
<td>5,368</td>
</tr>
<tr>
<td>(Loss)/profit before taxation</td>
<td>(5,270)</td>
<td>(3,483)</td>
<td>4,144</td>
<td>5,067</td>
<td>4,626</td>
</tr>
<tr>
<td>Profit/(loss) for financial year from continuing operations</td>
<td>11,312</td>
<td>(3,959)</td>
<td>3,439</td>
<td>4,566</td>
<td>5,537</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>59,420</td>
<td>657</td>
<td>6,994</td>
<td>7,870</td>
<td>8,618</td>
</tr>
<tr>
<td>Consolidated statement of financial position data (€m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>121,840</td>
<td>136,324</td>
<td>135,450</td>
<td>151,220</td>
<td>156,985</td>
</tr>
<tr>
<td>Total equity</td>
<td>71,781</td>
<td>72,488</td>
<td>78,202</td>
<td>87,561</td>
<td>90,810</td>
</tr>
<tr>
<td>Total equity shareholders’ funds</td>
<td>70,802</td>
<td>71,477</td>
<td>76,935</td>
<td>87,555</td>
<td>90,381</td>
</tr>
<tr>
<td>Earnings per share1,2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of shares (millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Basic</td>
<td>26,472</td>
<td>26,831</td>
<td>27,624</td>
<td>52,408</td>
<td>52,595</td>
</tr>
<tr>
<td>– Diluted</td>
<td>26,682</td>
<td>26,831</td>
<td>27,938</td>
<td>52,748</td>
<td>52,849</td>
</tr>
<tr>
<td>Basic earnings per ordinary share</td>
<td>223.84p</td>
<td>1.54p</td>
<td>25.15p</td>
<td>15.20p</td>
<td>16.44p</td>
</tr>
<tr>
<td>Diluted basic earnings per ordinary share</td>
<td>222.07p</td>
<td>1.54p</td>
<td>24.87p</td>
<td>15.11p</td>
<td>16.36p</td>
</tr>
<tr>
<td>Basic earnings per share from continuing operations</td>
<td>42.10p</td>
<td>(15.66)p</td>
<td>12.28p</td>
<td>8.90p</td>
<td>10.58p</td>
</tr>
<tr>
<td>Cash dividends1,3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount per ordinary share (pence)</td>
<td>11.00p</td>
<td>10.19p</td>
<td>13.52p</td>
<td>8.60p</td>
<td>8.31p</td>
</tr>
<tr>
<td>Amount per ADS (pence)</td>
<td>110.0p</td>
<td>101.9p</td>
<td>135.2p</td>
<td>89.0p</td>
<td>83.1p</td>
</tr>
<tr>
<td>Amount per ordinary share (US cents)</td>
<td>18.31c</td>
<td>15.49c</td>
<td>21.63c</td>
<td>14.33c</td>
<td>12.62c</td>
</tr>
<tr>
<td>Amount per ADS (US cents)</td>
<td>183.1c</td>
<td>154.8c</td>
<td>216.3c</td>
<td>143.3c</td>
<td>126.2c</td>
</tr>
<tr>
<td>Other data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of earnings to fixed charges4</td>
<td>0.7</td>
<td>1.7</td>
<td>4.3</td>
<td>5.8</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Notes:
1 See note 8 to the consolidated financial statements. “Earnings per share”, Earnings and dividends per ADS is calculated by multiplying earnings per ordinary share by the number of ordinary shares per ADS. Dividend per ADS is calculated on the same basis.
2 On 19 February 2014, we announced a 1 for 11 share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) to 4,835,687,474 ordinary shares immediately after the share consolidation on 24 February 2014. Earnings per share for the years ended 31 March 2013 and 2012 have been restated accordingly.
3 The final dividend for the year ended 31 March 2014 was proposed by the directors on 20 May 2014 and is payable on 6 August 2014 to holders of record as of 13 June 2014. The total dividends have been translated into US dollars at 31 March 2014 for purposes of the above disclosure but the dividends are payable in US dollars under the terms of the ADS depositary agreement.
4 For the purposes of calculating these ratios, earnings consist of loss or profit before tax adjusted for fixed charges, dividend income from associates, share of profits and losses from associates, interest capitalised and interest amortised. Fixed charges comprise one third of payments under operating leases, representing the estimated interest element of these payments, interest payable and similar charges, interest capitalised and preferred share dividends.
Cellco Partnership
(d/b/a Verizon Wireless)
Report of Independent Registered Public Accounting Firm
Consolidated Financial Statements
For the years ended
December 31, 2013, 2012 and 2011

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**Cellco Partnership (d/b/a Verizon Wireless)**

- **Report of Independent Registered Public Accounting Firm**
  
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- **Consolidated Statements of Income**
  For the years ended December 31, 2013, 2012 and 2011

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- **Consolidated Statements of Comprehensive Income**
  For the years ended December 31, 2013, 2012 and 2011

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- **Consolidated Balance Sheets**
  As of December 31, 2013 and 2012

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- **Consolidated Statements of Cash Flows**
  For the years ended December 31, 2013, 2012 and 2011

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- **Consolidated Statements of Changes in Partners’ Capital**
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- **Notes to Consolidated Financial Statements**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Representatives of
Cellco Partnership d/b/a Verizon Wireless:

We have audited the accompanying consolidated balance sheets of Cellco Partnership and subsidiaries d/b/a Verizon Wireless (the "Partnership") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows and changes in partners' capital for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
New York, New York
February 27, 2014

B-3
### Consolidated Statements of Income

Cellco Partnership (d/b/a Verizon Wireless)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong> (including $102, $83 and $87 from affiliates)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service revenue</td>
<td>$69,033</td>
<td>$63,733</td>
<td>$59,157</td>
</tr>
<tr>
<td>Equipment and other</td>
<td>11,990</td>
<td>12,135</td>
<td>10,997</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>81,023</td>
<td>75,868</td>
<td>70,154</td>
</tr>
<tr>
<td><strong>Operating Costs and Expenses</strong> (including $2,295, $1,949 and $1,708 from affiliates)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of service (exclusive of items shown below)</td>
<td>7,295</td>
<td>7,711</td>
<td>7,994</td>
</tr>
<tr>
<td>Cost of equipment</td>
<td>16,353</td>
<td>16,779</td>
<td>16,092</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>22,663</td>
<td>21,696</td>
<td>19,655</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>8,202</td>
<td>7,960</td>
<td>7,962</td>
</tr>
<tr>
<td><strong>Total operating costs and expenses</strong></td>
<td>54,513</td>
<td>54,146</td>
<td>51,703</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>26,510</td>
<td>21,722</td>
<td>18,451</td>
</tr>
<tr>
<td><strong>Other Income (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(65)</td>
<td>(442)</td>
<td>(610)</td>
</tr>
<tr>
<td>Other income, net</td>
<td>40</td>
<td>96</td>
<td>56</td>
</tr>
<tr>
<td><strong>Income Before Provision for Income Taxes</strong></td>
<td>26,485</td>
<td>21,376</td>
<td>17,897</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(150)</td>
<td>(201)</td>
<td>(947)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$26,335</td>
<td>$21,175</td>
<td>$16,950</td>
</tr>
<tr>
<td>Net income attributable to noncontrolling interests</td>
<td>$ 422</td>
<td>$ 304</td>
<td>$ 280</td>
</tr>
<tr>
<td>Net income attributable to Cellco Partnership</td>
<td>25,913</td>
<td>20,871</td>
<td>16,670</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$26,335</td>
<td>$21,175</td>
<td>$16,950</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
## Consolidated Statements of Comprehensive Income

**Cellco Partnership (d/b/a Verizon Wireless)**

See Notes to Consolidated Financial Statements.

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$26,335</td>
<td>$21,175</td>
<td>$16,950</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss), net of taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) on cash flow hedges</td>
<td>(32)</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Defined benefit pension and postretirement plans</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss) attributable to Cellco Partnership</strong></td>
<td>(32)</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>$26,303</td>
<td>$21,196</td>
<td>$16,952</td>
</tr>
<tr>
<td>Comprehensive income attributable to noncontrolling interests</td>
<td>$ 422</td>
<td>$ 304</td>
<td>$ 280</td>
</tr>
<tr>
<td>Comprehensive income attributable to Cellco Partnership</td>
<td>25,881</td>
<td>20,892</td>
<td>16,672</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>$26,303</td>
<td>$21,196</td>
<td>$16,952</td>
</tr>
</tbody>
</table>

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Consolidated Balance Sheets
Cellco Partnership (d/b/a Verizon Wireless)

(dollars in millions)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 4,005</td>
<td>$ 1,354</td>
</tr>
<tr>
<td>Receivables, net of allowances of $399 and $350</td>
<td>7,204</td>
<td>6,657</td>
</tr>
<tr>
<td>Due from affiliates, net</td>
<td>245</td>
<td>106</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>990</td>
<td>1,044</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>1,459</td>
<td>525</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>13,903</td>
<td>9,686</td>
</tr>
<tr>
<td>Plant, property and equipment, net</td>
<td>35,932</td>
<td>34,546</td>
</tr>
<tr>
<td>Wireless licenses</td>
<td>75,796</td>
<td>77,642</td>
</tr>
<tr>
<td>Goodwill</td>
<td>17,941</td>
<td>17,737</td>
</tr>
<tr>
<td>Other intangibles and other assets, net</td>
<td>2,249</td>
<td>2,102</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$145,821</td>
<td>$141,713</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Partners’ Capital</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt, including current maturities</td>
<td>$ 41</td>
<td>$ 1,448</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>7,012</td>
<td>7,534</td>
</tr>
<tr>
<td>Advance billings</td>
<td>2,750</td>
<td>2,550</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>337</td>
<td>274</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>10,140</td>
<td>11,806</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5,231</td>
<td>8,665</td>
</tr>
<tr>
<td>Deferred tax liabilities, net</td>
<td>11,001</td>
<td>10,939</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,139</td>
<td>2,056</td>
</tr>
<tr>
<td><strong>Partners’ capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>114,979</td>
<td>106,119</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>52</td>
<td>84</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>2,279</td>
<td>2,044</td>
</tr>
<tr>
<td><strong>Total Partners’ capital</strong></td>
<td>117,310</td>
<td>108,247</td>
</tr>
<tr>
<td><strong>Total liabilities and Partners’ capital</strong></td>
<td>$145,821</td>
<td>$141,713</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
Consolidated Statements of Cash Flows  
Celco Partnership (d/b/a Verizon Wireless)  

(dollars in millions)

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$26,335</td>
<td>$21,175</td>
<td>$16,950</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>8,202</td>
<td>7,960</td>
<td>7,962</td>
</tr>
<tr>
<td>Provision for uncollectible receivables</td>
<td>703</td>
<td>634</td>
<td>689</td>
</tr>
<tr>
<td>Provision for deferred income taxes</td>
<td>72</td>
<td>123</td>
<td>368</td>
</tr>
<tr>
<td>Changes in current assets and liabilities, net of the effects of acquisition/disposition of businesses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(1,371)</td>
<td>(1,238)</td>
<td>(624)</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>54</td>
<td>(137)</td>
<td>166</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(35)</td>
<td>(107)</td>
<td>124</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(120)</td>
<td>674</td>
<td>(728)</td>
</tr>
<tr>
<td>Other operating activities, net</td>
<td>(487)</td>
<td>(419)</td>
<td>371</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>33,353</td>
<td>28,665</td>
<td>25,278</td>
</tr>
</tbody>
</table>

| Cash Flows from Investing Activities |      |      |      |
| Capital expenditures (including capitalized software) | (9,425) | (8,857) | (8,973) |
| Acquisitions of investments and businesses, net of cash acquired | (52) | (188) | (144) |
| Acquisitions of wireless licenses | (14) | (4,287) | (26) |
| Proceeds from dispositions of wireless licenses | 2,111 | — | — |
| Other investing activities, net | (873) | 843 | (490) |
| **Net cash used in investing activities** | (8,253) | (12,489) | (9,633) |

| Cash Flows from Financing Activities |      |      |      |
| Repayments of long-term debt and capital lease obligations | (4,960) | (1,569) | (4,862) |
| Distributions to partners | (17,046) | (25,681) | (3,082) |
| Other financing activities, net | (443) | (328) | (276) |
| **Net cash used in financing activities** | (22,449) | (27,578) | (8,220) |

| Increase (decrease) in cash and cash equivalents | 2,651 | (11,402) | 7,425 |
| Cash and cash equivalents, beginning of year | 1,354 | 12,756 | 5,331 |
| **Cash and cash equivalents, end of year** | $4,005 | $1,354 | $12,756 |

See Notes to Consolidated Financial Statements.
## Consolidated Statements of Changes in Partners’ Capital
### Cellco Partnership (d/b/a/ Verizon Wireless)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partners’ Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>$106,119</td>
<td>$100,961</td>
<td>$97,399</td>
</tr>
<tr>
<td>Net income attributable to Cellco Partnership</td>
<td>25,913</td>
<td>20,871</td>
<td>16,670</td>
</tr>
<tr>
<td>Contributed capital</td>
<td>(7)</td>
<td>(32)</td>
<td>(26)</td>
</tr>
<tr>
<td>Distributions declared to partners</td>
<td>(17,046)</td>
<td>(15,681)</td>
<td>(13,082)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>114,979</td>
<td>106,119</td>
<td>100,961</td>
</tr>
<tr>
<td><strong>Accumulated Other Comprehensive Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>84</td>
<td>63</td>
<td>61</td>
</tr>
<tr>
<td>Unrealized gain (loss) on cash flow hedges</td>
<td>(32)</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Defined benefit pension and postretirement plans</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>(32)</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>52</td>
<td>84</td>
<td>63</td>
</tr>
<tr>
<td><strong>Total Partners’ Capital Attributable to Cellco Partnership</strong></td>
<td>115,031</td>
<td>106,203</td>
<td>101,024</td>
</tr>
<tr>
<td><strong>Noncontrolling Interests</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>2,044</td>
<td>1,952</td>
<td>1,962</td>
</tr>
<tr>
<td>Net income attributable to noncontrolling interests</td>
<td>422</td>
<td>304</td>
<td>280</td>
</tr>
<tr>
<td>Distributions</td>
<td>(403)</td>
<td>(342)</td>
<td>(280)</td>
</tr>
<tr>
<td>Other</td>
<td>216</td>
<td>130</td>
<td>(10)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>2,279</td>
<td>2,044</td>
<td>1,952</td>
</tr>
<tr>
<td><strong>Total Partners’ Capital</strong></td>
<td>$117,310</td>
<td>$108,247</td>
<td>$102,976</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
Notes to Consolidated Financial Statements
Cellco Partnership (d/b/a Verizon Wireless)

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Cellco Partnership (the Partnership), a Delaware general partnership doing business as Verizon Wireless, provides wireless communication services across one of the most extensive wireless networks in the United States (U.S.) and has the largest fourth-generation (4G) Long-Term Evolution (LTE) technology and third-generation (3G) Evolution-Data Optimized (EV-DO) networks of any U.S. wireless service provider. The Partnership has one segment and operates domestically only. References to “the Partners” refers to Verizon Communications, and its subsidiaries (Verizon) and Vodafone Group Plc, and its subsidiaries (Vodafone). At December 31, 2013 Verizon owned 55% of the Partnership and Vodafone owned 45% of the Partnership. On February 21, 2014, Verizon acquired Vodafone’s interest in the Partnership and now owns 100% of the Partnership.

These consolidated financial statements include transactions between the Partnership and Verizon and Vodafone (Affiliates) for the provision of services and financing pursuant to various agreements (see Notes 5 and 11).

Consolidated Financial Statements and Basis of Presentation

The consolidated financial statements of the Partnership include the accounts of its majority-owned subsidiaries and the partnerships in which the Partnership exercises control. Investments in businesses and partnerships which the Partnership does not control, but has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method of accounting. Investments and partnerships which the Partnership does not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method of accounting. Equity and cost method investments are included in Other intangibles and other assets, net in the Partnership’s consolidated balance sheets. All significant intercompany accounts and transactions have been eliminated.

The Partnership has reclassified prior year amounts to conform to current year presentation.

The Partnership has evaluated subsequent events through February 27, 2014, the date these consolidated financial statements were available to be issued.

Use of Estimates

The Partnership prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), which requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include: the allowances for doubtful accounts, the recoverability of plant, property and equipment, the recoverability of intangible assets and other long-lived assets, unbilled revenues, fair values of financial instruments, unrecognized tax benefits, valuation allowances on tax assets, accrued expenses, contingencies and allocation of purchase prices in connection with business combinations.

Revenue Recognition

The Partnership offers products and services to its customers through bundled arrangements. These arrangements involve multiple deliverables which may include products, services, or a combination of products and services.

The Partnership earns revenue primarily by providing access to and usage of its network. In general, access revenue is billed one month in advance and recognized when earned; the unearned portion is classified in Advance billings in the consolidated balance sheets. Usage revenue is generally billed in arrears and recognized when service is rendered and included in unbilled revenue, within Receivables, net in the consolidated balance sheets. Equipment sales revenue associated with the sale of wireless handsets and accessories is recognized when the products are
delivered to and accepted by the customer, as this is considered to be a separate earnings process from providing wireless services. For agreements involving the resale of third-party services in which the Partnership is considered the primary obligor in the arrangements, the Partnership records revenue gross at the time of sale. For equipment sales, the Partnership generally subsidizes the cost of wireless devices. The amount of this subsidy is generally contingent on the arrangement and terms selected by the customer. In multiple deliverable arrangements which involve the sale of equipment and a service contract, the equipment revenue is recognized up to the amount collected when the wireless device is sold.

The Partnership reports taxes imposed by governmental authorities on revenue-producing transactions between the Partnership and its customers on a net basis.

Advertising Costs
Costs for advertising products and services as well as other promotional and sponsorship costs are charged to Selling, general and administrative expense in the periods in which they are incurred (see Note 9).

Vendor Rebates and Discounts
The Partnership recognizes vendor rebates or discounts for purchases of wireless devices from a vendor as a reduction of Cost of equipment when the related wireless devices are sold. Vendor rebates or discounts that have been earned as a result of completing the required performance under the terms of the underlying agreements but for which the wireless devices have not yet been sold are recognized as a reduction of inventory cost. Advertising credits are granted by a vendor to the Partnership as reimbursement of specific, incremental, identifiable advertising costs incurred by the Partnership in selling the vendor’s wireless devices. These advertising credits are restricted based upon a marketing plan agreed to by the vendor and the Partnership, and accordingly, advertising credits received are recorded as a reduction of those advertising costs when recognized in the Partnership’s consolidated statements of income.

Cash and Cash Equivalents
The Partnership considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates quoted market value, and includes approximately $3.5 billion and $0.7 billion at December 31, 2013 and 2012, respectively, held in money market funds that are considered cash equivalents.

Inventory
Inventory consists primarily of wireless equipment held for sale, which is carried at the lower of cost (determined using a first-in, first-out method) or market. The Partnership maintained inventory valuation reserves which were not significant as of December 31, 2013 and 2012.

Capitalized Software
Capitalized software consists primarily of direct costs incurred for professional services provided by third parties and compensation costs of employees which relate to software developed for internal use either during the application stage or for upgrades and enhancements that increase functionality. Costs are capitalized and amortized on a straight-line basis over their estimated useful lives. Costs incurred in the preliminary project stage of development and maintenance are expensed as incurred. For a discussion of the Partnership’s impairment policy for capitalized software costs, see “Valuation of Assets” below. Also see Note 3 for additional detail of internal-use non-network software reflected in the Partnership’s consolidated balance sheets.

Plant, Property and Equipment
Plant, property and equipment primarily represents costs incurred to construct and expand capacity and network coverage on Mobile Telephone Switching Offices and cell sites. The cost of plant, property and equipment is depreciated on a straight-line basis over its estimated useful life. Periodic reviews are performed to identify any
category or group of assets within plant, property and equipment where events or circumstances may change the remaining estimated economic life. This principally includes changes in the Partnership’s plans regarding technology upgrades, enhancements, and planned retirements. Changes in these estimates resulted in an increase of $0.4 billion for the year ended December 31, 2011. Major improvements to existing plant and equipment are capitalized. Routine maintenance and repairs that do not extend the life of the plant and equipment are charged to expense as incurred. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the related lease.

Upon the sale or retirement of plant, property and equipment, the cost and related accumulated depreciation or amortization is deducted from the plant accounts and any gains or losses on disposition are recognized in income. Interest expense and network engineering costs incurred during the construction phase of the Partnership’s network and real estate properties under development are capitalized as part of plant, property and equipment and recorded as construction in progress until the projects are completed and placed into service.

Valuation of Assets

Long-lived assets, including plant, property and equipment and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Wireless Licenses

The Partnership’s principal intangible assets are licenses, which provide the Partnership with the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the Federal Communications Commission (FCC). License renewals have occurred routinely and at nominal costs, which are expensed as incurred. Moreover, the Partnership has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the Partnership’s wireless licenses. As a result, the wireless licenses are treated as an indefinite lived intangible asset, and are not amortized. The Partnership reevaluates the useful life determination for wireless licenses at least annually to determine whether events and circumstances continue to support an indefinite useful life.

The Partnership tests its wireless licenses for potential impairment annually. In 2013, the Partnership performed a qualitative assessment to determine whether it is more likely than not that the fair value of its wireless licenses was less than the carrying amount. As part of the assessment, the Partnership considered several qualitative factors including the business enterprise value of the Partnership, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations (including industry revenue and EBITDA (Earnings before interest, taxes, depreciation and amortization) margin projections), the projected financial performance of the Partnership, as well as other factors. Based on our assessment in 2013, we qualitatively concluded that it was more likely than not that the fair value of our wireless licenses significantly exceeded their carrying value and therefore, did not result in an impairment. In 2012, the Partnership’s quantitative assessment consisted of comparing the estimated fair value of the Partnership’s wireless licenses to the aggregated carrying amount as of the test date. Using the quantitative assessment, the Partnership evaluated its licenses on an aggregate basis using a direct value approach. The direct value approach estimates fair value using a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized. The Partnership’s annual quantitative impairment test for 2012 indicated that the fair value significantly exceeded the carrying value and, therefore, did not result in an impairment. The Partnership evaluated its wireless licenses for potential impairment as of December 15, 2013 and 2012.

Interest expense incurred while qualifying activities are performed to ready wireless licenses for their intended use is capitalized as part of wireless licenses. The capitalization period ends when a license is substantially complete and the license is ready for its intended use.
Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually in the fourth fiscal quarter or more frequently if impairment indicators are present. The Partnership has the option to perform a qualitative assessment to determine if the fair value of the entity is less than its carrying value. However, the Partnership may elect to perform an impairment test even if no indications of a potential impairment exist. The impairment test for goodwill uses a two-step approach, which is performed for the Partnership’s one reporting unit. Step one compares the fair value of the reporting unit (calculated using a market approach and/or a discounted cash flow method) to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit’s goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit’s assets and liabilities, including identifiable intangible assets). If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment is recognized. The Partnership completed its goodwill impairment test as of December 15, 2013 and 2012. The Partnership’s annual impairment tests for 2013 and 2012 indicated that the fair value significantly exceeded the carrying value and, therefore, did not result in an impairment.

Fair Value Measurements

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities
- Level 3 – No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Partnership’s assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

See Note 4 for further details on the Partnership’s fair value measurements.

Foreign Currency Translation

The functional currency for all of the Partnership’s operations is the U.S. dollar. However, the Partnership has transactions denominated in a currency other than the local currency, principally debt denominated in Euros and British Pounds Sterling. Gains and losses resulting from exchange-rate changes in transactions denominated in a foreign currency are included in earnings.

Derivative Instruments

The Partnership uses derivatives from time to time to manage the Partnership’s exposure to fluctuations in the cash flows of certain transactions. The Partnership measures all derivatives at fair value and recognizes them as either assets or liabilities on its consolidated balance sheets. The Partnership’s derivative instruments are valued primarily using models based on readily observable market parameters for all substantial terms of the Partnership’s derivative contracts and thus are classified as Level 2. Changes in the fair values of derivative instruments not qualifying as hedges or any ineffective portion of hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in Other comprehensive income (loss) and recognized in earnings when the hedged item is recognized in earnings.
Employee Benefit Plans

The Partnership maintains a defined contribution plan, the Verizon Wireless Savings and Retirement Plan (the Savings and Retirement Plan), for the benefit of its employees. The Savings and Retirement Plan includes both an employee savings and profit sharing component. Under the employee savings component, employees may contribute a percentage of eligible compensation to the Savings and Retirement Plan. Up to the first 6% of an employee’s eligible compensation contributed to the Savings and Retirement Plan is matched 100% by the Partnership. Under the profit sharing component, the Partnership may elect, at the sole discretion of the Human Resources Committee of the Board of Representatives, to contribute an additional amount in the form of a profit sharing contribution to the accounts of eligible employees (see Note 9).

Long-Term Incentive Compensation

The Partnership measures compensation expense for all stock-based compensation awards made to employees and directors based on estimated fair values (see Note 6).

Income Taxes

The Partnership is not a taxable entity for federal income tax purposes. Any federal taxable income or loss is included in the respective partners’ consolidated federal return. Certain states, however, impose taxes at the partnership level and such taxes are the responsibility of the Partnership and are included in the Partnership’s tax provision. The consolidated financial statements also include provisions for federal and state income taxes, prepared on a stand-alone basis, for all corporate entities within the Partnership. Deferred income taxes are recorded using enacted tax law and rates for the years in which the taxes are expected to be paid or refunds received. Deferred income taxes are provided for items when there is a temporary difference in recording such items for financial reporting and income tax reporting.

The Partnership uses a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. The first step is recognition: the Partnership determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Partnership presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.

The Partnership recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Concentrations

The Partnership relies on local and long-distance telephone companies, some of whom are related parties (see Note 11), and other companies to provide certain communication services. Although management believes alternative telecommunications facilities could be found in a timely manner, any disruption of these services could potentially have an adverse impact on the Partnership’s business, results of operations and financial condition.

No single customer receivable is large enough to present a significant financial risk to the Partnership.

Recently Adopted Accounting Standards

During the first quarter of 2013, the Partnership adopted the accounting standard update regarding testing of intangible assets for impairment. This standard update allows companies the option to perform a qualitative
assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not the asset is impaired. The adoption of this standard update did not have an impact on the Partnership's consolidated financial statements.

During the first quarter of 2013, the Partnership adopted the accounting standard update regarding reclassifications out of Accumulated other comprehensive income. This standard update requires companies to report the effect of significant reclassifications out of Accumulated other comprehensive income on the respective line items in the Partnership’s consolidated statements of income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other required disclosures that provide additional detail about those amounts. See Note 12 for additional details.

During the third quarter of 2013, the Partnership adopted the accounting standard update regarding the ability to use the Federal Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes. Previously the interest rates on direct Treasury obligations of the U.S. government and the London Interbank Offered Rate (LIBOR) were considered to be the only benchmark interest rates. The adoption of this standard update did not have a significant impact on the Partnership’s consolidated financial statements.

Recent Accounting Standards
In July 2013, the accounting standard update relating to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists was issued. The standard update provides that a liability related to an unrecognized tax benefit should be offset against same jurisdiction deferred tax assets for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The Partnership will adopt this standard update during the first quarter of 2014. The Partnership is currently evaluating the consolidated balance sheet impact related to this standard update.

2. Acquisitions and Divestitures

Wireless Transaction
On September 2, 2013, Verizon entered into a stock purchase agreement (the Stock Purchase Agreement) with Vodafone and Vodafone 4 Limited (Seller), pursuant to which Verizon agreed to acquire Vodafone’s indirect 45% interest in the Partnership, (and such interest, the Vodafone Interest) for aggregate consideration of approximately $130 billion.

On February 21, 2014, pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, Verizon acquired (the Wireless Transaction) from Seller all of the issued and outstanding capital stock (the Transferred Shares) of Vodafone Americas Finance 1 Inc., a subsidiary of Seller (VF1 Inc.), which indirectly through certain subsidiaries (together with VF1 Inc., the Purchased Entities) owned the Vodafone Interest. In consideration for the Transferred Shares, upon completion of the Wireless Transaction, Verizon (i) paid approximately $58.89 billion in cash, (ii) issued approximately $60.15 billion of Verizon’s common stock, par value $0.10 per share (the Stock Consideration), (iii) issued senior unsecured Verizon notes in an aggregate principal amount of $5.0 billion (the Verizon Notes), (iv) sold Verizon’s indirectly owned 23.1% interest in Vodafone Omnitel N.V. (Omnitel, and such interest, the Omnitel Interest), valued at $3.5 billion and (v) provided other consideration of approximately $2.5 billion. As a result of the Wireless Transaction, Verizon issued approximately 1.27 billion shares. The total cash paid to Vodafone and the other costs of the Wireless Transaction, including financing, legal and bank fees, were financed through the incurrence of third-party indebtedness.
Spectrum License Transactions

Since 2012, the Partnership has entered into several strategic spectrum transactions including:

- During the third quarter of 2012, after receiving the required regulatory approvals, the Partnership completed the following previously announced transactions in which the Partnership acquired wireless spectrum that will be used to deploy additional 4G LTE capacity:
  - The Partnership acquired Advanced Wireless Services (AWS) spectrum in separate transactions with SpectrumCo, LLC (SpectrumCo) and Cox TMI Wireless, LLC for which it paid an aggregate of $3.9 billion at the time of the closings. The Partnership has also recorded a liability of $0.4 billion related to a three-year service obligation to SpectrumCo’s members pursuant to commercial agreements executed concurrently with the SpectrumCo transaction.
  - The Partnership completed license purchase and exchange transactions with Leap Wireless, Savary Island Wireless, which is majority owned by Leap Wireless, and a subsidiary of T-Mobile USA, Inc. (T-Mobile USA). As a result of these transactions, the Partnership received an aggregate $2.6 billion of AWS and Personal Communication Services (PCS) licenses at fair value and net cash proceeds of $0.2 billion, transferred certain AWS licenses to T-Mobile USA and a 700 megahertz (MHz) lower A block license to Leap Wireless, and recorded an immaterial gain.
- During the first quarter of 2013, the Partnership completed license exchange transactions with T-Mobile License LLC and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain AWS licenses. These non-cash exchanges include a number of intra-market swaps that the Partnership expects will enable it to make more efficient use of the AWS band. As a result of these exchanges, the Partnership received an aggregate $0.5 billion of AWS licenses at fair value and recorded an immaterial gain.
- During the third quarter of 2013, after receiving the required regulatory approvals, the Partnership sold 39 lower 700 MHz B block spectrum licenses to AT&T Inc. (AT&T) in exchange for a payment of $1.9 billion and the transfer by AT&T to the Partnership of AWS (10 MHz) licenses in certain markets in the western United States. The Partnership also sold certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0.2 billion. As a result, the Partnership received $0.5 billion of AWS licenses at fair value and the Partnership recorded a pre-tax gain of approximately $0.4 billion in Selling, general and administrative expense on its consolidated statement of income for the year ended December 31, 2013.
- During the fourth quarter of 2013, the Partnership entered into license exchange agreements with T-Mobile USA to exchange certain AWS and PCS licenses. These non-cash exchanges, which are subject to approval by the FCC and other customary closing conditions, are expected to close in the first half of 2014. The exchange includes a number of swaps that the Partnership expects will result in more efficient use of the AWS and PCS bands. As a result of these agreements, $0.9 billion of Wireless licenses are classified as held for sale and included in Prepaid expenses and other current assets on the Partnership’s consolidated balance sheet at December 31, 2013. Upon completion of the transaction, the Partnership expects to record an immaterial gain.
- Subsequent to the transaction with T-Mobile USA in the fourth quarter of 2013, on January 6, 2014, the Partnership announced two agreements with T-Mobile USA with respect to its remaining 700 MHz A block spectrum licenses. Under one agreement, the Partnership will sell certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2.4 billion, and under the second agreement the Partnership will exchange the remainder of these licenses for AWS and PCS spectrum licenses. These transactions are subject to the approval of the FCC as well as other customary closing conditions. These transactions are expected to close in the middle of 2014.
During 2013, the Partnership acquired various other wireless licenses and markets for cash consideration that was not significant. Additionally, the Partnership obtained control of previously unconsolidated wireless partnerships, which were previously accounted for under the equity method and are now consolidated, which resulted in an immaterial gain. The Partnership recorded $0.2 billion of goodwill as a result of these transactions.

During 2012, the Partnership acquired various other wireless licenses and markets for cash consideration that was not significant and recorded $0.2 billion of goodwill as a result of these transactions.

3. Wireless Licenses, Goodwill and Other Intangibles, Net

Wireless Licenses
Changes in the carrying amount of Wireless licenses are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1, 2012</td>
<td>$73,097</td>
</tr>
<tr>
<td>Acquisitions (Note 2)</td>
<td>4,544</td>
</tr>
<tr>
<td>Capitalized interest on wireless licenses</td>
<td>205</td>
</tr>
<tr>
<td>Reclassifications, adjustments and other</td>
<td>(204)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2012</strong></td>
<td><strong>77,642</strong></td>
</tr>
<tr>
<td>Acquisitions (Note 2)</td>
<td>579</td>
</tr>
<tr>
<td>Dispositions (Note 2)</td>
<td>(2,195)</td>
</tr>
<tr>
<td>Capitalized interest on wireless licenses</td>
<td>540</td>
</tr>
<tr>
<td>Reclassifications, adjustments and other</td>
<td>(770)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2013</strong></td>
<td><strong>$75,796</strong></td>
</tr>
</tbody>
</table>

Reclassifications, adjustments and other includes $0.9 billion of Wireless licenses that are classified as held for sale and included in Prepaid expenses and other current assets on the Partnership's consolidated balance sheet at December 31, 2013 as well as the exchanges of wireless licenses in 2013 and 2012. See Note 2 for additional details.

At December 31, 2013 and 2012, approximately $7.7 billion and $7.3 billion, respectively, of wireless licenses were under development for commercial service for which the Partnership was capitalizing interest costs.

The average remaining renewal period of the Partnership's wireless license portfolio was 5.1 years as of December 31, 2013. See Note 1 for additional details.

Goodwill
Changes in the carrying amount of Goodwill are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2012</td>
<td>$17,528</td>
</tr>
<tr>
<td>Acquisitions (Note 2)</td>
<td>209</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2012</strong></td>
<td><strong>17,737</strong></td>
</tr>
<tr>
<td>Acquisitions (Note 2)</td>
<td>204</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2013</strong></td>
<td><strong>$17,941</strong></td>
</tr>
</tbody>
</table>
Other Intangibles, net

Other intangibles, net are included in Other intangibles and other assets, net and consist of the following:

<table>
<thead>
<tr>
<th>Other Intangible Assets</th>
<th>At December 31, 2013</th>
<th>At December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Amount</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td>Customer lists (6 to 8 years)</td>
<td>$2,232</td>
<td>$ (1,803)</td>
</tr>
<tr>
<td>Non-network internal-use software (5 to 7 years)</td>
<td>1,897</td>
<td>(802)</td>
</tr>
<tr>
<td>Other (2 to 3 years)</td>
<td>7</td>
<td>(1)</td>
</tr>
<tr>
<td>Total</td>
<td>$4,136</td>
<td>$ (2,606)</td>
</tr>
</tbody>
</table>

The amortization expense for other intangible assets was as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>(dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$476</td>
</tr>
<tr>
<td>2012</td>
<td>465</td>
</tr>
<tr>
<td>2011</td>
<td>513</td>
</tr>
</tbody>
</table>

Estimated annual amortization expense for other intangible assets is as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>(dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$434</td>
</tr>
<tr>
<td>2015</td>
<td>360</td>
</tr>
<tr>
<td>2016</td>
<td>279</td>
</tr>
<tr>
<td>2017</td>
<td>192</td>
</tr>
<tr>
<td>2018</td>
<td>146</td>
</tr>
</tbody>
</table>

4. Fair Value Measurements and Financial Instruments

The following table presents the balances of assets measured at fair value on a recurring basis as of December 31, 2013:

(dollars in millions)

<table>
<thead>
<tr>
<th>Assets: Other intangibles and other assets, net:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative contracts—Cross currency swaps (Non-current)</td>
<td>$ —</td>
<td>$166</td>
<td>$ —</td>
<td>$166</td>
</tr>
</tbody>
</table>

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of the Partnership’s derivative contracts and thus are classified within Level 2. The Partnership uses mid-market pricing for fair value measurements of its derivative instruments. The Partnership’s derivative instruments are recorded on a gross basis.
The Partnership recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the fair value hierarchy during 2013.

**Fair Value of Short-term and Long-term Debt**

The fair value of the Partnership’s debt is determined using various methods, including quoted market prices for identical terms and maturities, which is a Level 1 measurement, as well as quoted prices for similar terms and maturities in inactive markets and future cash flows discounted at current rates, which are Level 2 measurements. The fair value of the Partnership’s short-term and long-term debt, excluding capital leases, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>At December 31, 2013</th>
<th></th>
<th>At December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Value</td>
<td>Fair Value</td>
<td>Carrying Value</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Short- and long-term debt, excluding capital leases</td>
<td>$5,211</td>
<td>$6,386</td>
<td>$10,105</td>
<td>$12,235</td>
</tr>
</tbody>
</table>

**Derivative Instruments**

The Partnership has entered into derivative transactions to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Partnership employs risk management strategies which may include the use of a variety of derivatives including cross currency swaps agreements. The Partnership does not hold derivatives for trading purposes.

**Cross Currency Swaps**

The Partnership previously entered into cross currency swaps designated as cash flow hedges to exchange approximately $1.6 billion of British Pound Sterling and Euro-denominated debt into U.S. dollars and to fix its future interest and principal payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses. A portion of the gains and losses recognized in Other comprehensive income (loss) was reclassified to Other income, net to offset the related pretax foreign currency transaction gain or loss on the underlying debt obligations. The fair value of the outstanding swaps was not material at December 31, 2013 or December 31, 2012. During 2013 and 2012, the gains with respect to these swaps were not material.

**Concentrations of Credit Risk**

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, trade receivables and derivative contracts. The Partnership’s policy is to deposit its temporary cash investments with major financial institutions. Counterparties to the Partnership’s derivative contracts are also major financial institutions. The financial institutions have all been accorded high ratings by primary rating agencies. The Partnership limits the dollar amount of contracts entered into with any one financial institution and monitors its counterparties’ credit ratings. The Partnership generally does not give or receive collateral on swap agreements due to its credit rating and those of its counterparties. While the Partnership may be exposed to credit losses due to the nonperformance of its counterparties, the Partnership considers the risk remote and does not expect the settlement of these transactions to have a material effect on its results of operations or financial condition.
5. Debt

Changes to debt during 2013 are as follows:

<table>
<thead>
<tr>
<th>Date of Change</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2013</td>
<td>$1.25 billion of 7.375% Notes and $0.2 billion of 6.50% Notes matured and were repaid.</td>
<td>$1.460</td>
</tr>
<tr>
<td>February 2012</td>
<td>$0.8 billion of 5.25% Notes matured and were repaid.</td>
<td>$0.8 billion</td>
</tr>
<tr>
<td>July 2012</td>
<td>$0.8 billion of 7.0% Notes matured and were repaid.</td>
<td>$0.8 billion</td>
</tr>
</tbody>
</table>

Outstanding long-term debt obligations are as follows:

<table>
<thead>
<tr>
<th>Date of Change</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2013</td>
<td>Total long-term debt, including current maturities</td>
<td>$5,272</td>
</tr>
<tr>
<td>June 30, 2013</td>
<td>Total long-term debt maturing within one year</td>
<td>$41</td>
</tr>
</tbody>
</table>

Discounts, premiums, and capitalized debt issuance costs are amortized using the effective interest method.

2013

During November 2013, $1.25 billion of 7.375% Notes and $0.2 billion of 6.50% Notes matured and were repaid. Also during November 2013, the Partnership redeemed $3.5 billion of 5.55% Notes, due February 1, 2014 at a redemption price of 101% of the principal amount of the notes. Any accrued and unpaid interest was paid to the date of redemption.

2012

During February 2012, $0.8 billion of 5.25% Notes matured and were repaid. During July 2012, $0.8 billion of 7.0% Notes matured and were repaid.

Term Notes Payable to Affiliate

Under the terms of a fixed rate promissory note with Verizon Financial Services LLC (VFSL), a wholly-owned subsidiary of Verizon, the Partnership may borrow, repay and re-borrow up to a maximum principal amount of $0.8 billion. During July 2013, the maturity date of this note was extended to August 1, 2016 and the interest rate decreased from 5.8% to 4.5% per annum. As of December 31, 2013, outstanding borrowings under this note, included within Other current liabilities on the consolidated balance sheet, were immaterial.
Debt Covenants
As of December 31, 2013, the Partnership is in compliance with all of its debt covenants.

Maturities of Long-Term Debt
Maturities of long-term debt outstanding at December 31, 2013 are as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>(dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 41</td>
</tr>
<tr>
<td>2015</td>
<td>699</td>
</tr>
<tr>
<td>2016</td>
<td>299</td>
</tr>
<tr>
<td>2017</td>
<td>7</td>
</tr>
<tr>
<td>2018</td>
<td>3,226</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,000</td>
</tr>
</tbody>
</table>

6. Long-Term Incentive Plan

Verizon Wireless Long-Term Incentive Plan (Wireless Plan)

The Wireless Plan provides compensation opportunities to eligible employees and other participating affiliates of the Partnership. The plan provides rewards that are tied to the long-term performance of the Partnership. Under the Wireless Plan, Value Appreciation Rights (VARs) were granted to eligible employees. As of December 31, 2013, all VARs were fully vested. The Partnership has not granted new VARs since 2004.

VARs reflect the change in the value of the Partnership, as defined in the Wireless Plan. Similar to stock options, the valuation is determined using a Black-Scholes model. Once VARs become vested, employees can exercise their VARs and receive a payment that is equal to the difference between the VAR price on the date of grant and the VAR price on the date of exercise, less applicable taxes. All outstanding VARs are fully exercisable and have a maximum term of 10 years. All VARs were granted at a price equal to the estimated fair value of the Partnership, as defined in the Wireless Plan, at the date of the grant.

The Partnership employs the income approach, a standard valuation technique, to arrive at the fair value of the Partnership on a quarterly basis using publicly available information. The income approach uses future net cash flows discounted at market rates of return to arrive at an estimate of fair value, as defined in the plan.

The following table summarizes the assumptions used in the Black-Scholes model for the year ended December 31, 2013:

<table>
<thead>
<tr>
<th>Risk-free rate</th>
<th>0.11%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected term (in years)</td>
<td>0.12</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>43.27%</td>
</tr>
</tbody>
</table>

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the measurement date. Expected volatility was based on a blend of the historical and implied volatility of publicly traded peer companies for a period equal to the VARs expected life ending on the measurement date.
For the years ended December 31, 2013, 2012 and 2011, the intrinsic value of VARs exercised during the period was $0.1 billion, respectively.

Cash paid to settle VARs for the years ended December 31, 2013, 2012 and 2011 was $0.1 billion, respectively.

Awards outstanding at December 31, 2013, 2012 and 2011 under the Wireless Plan are summarized as follows:

<table>
<thead>
<tr>
<th>(shares in thousands)</th>
<th>VARs(a)</th>
<th>Weighted-Average Exercise Price of VARs(b)</th>
<th>Vested VARs(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1, 2011</td>
<td>11,569</td>
<td>$13.11</td>
<td>11,569</td>
</tr>
<tr>
<td>Exercised</td>
<td>(3,303)</td>
<td>14.87</td>
<td></td>
</tr>
<tr>
<td>Cancelled/Forfeited</td>
<td>(52)</td>
<td>14.74</td>
<td></td>
</tr>
<tr>
<td>Outstanding, December 31, 2011</td>
<td>8,214</td>
<td>12.39</td>
<td>8,214</td>
</tr>
<tr>
<td>Exercised</td>
<td>(3,427)</td>
<td>10.30</td>
<td></td>
</tr>
<tr>
<td>Cancelled/Forfeited</td>
<td>(21)</td>
<td>11.10</td>
<td></td>
</tr>
<tr>
<td>Outstanding, December 31, 2012</td>
<td>4,766</td>
<td>13.89</td>
<td>4,766</td>
</tr>
<tr>
<td>Exercised</td>
<td>(1,916)</td>
<td>13.89</td>
<td></td>
</tr>
<tr>
<td>Cancelled/Forfeited</td>
<td>(3)</td>
<td>13.89</td>
<td></td>
</tr>
<tr>
<td>Outstanding, December 31, 2013</td>
<td>2,847</td>
<td>$13.89</td>
<td>2,847</td>
</tr>
</tbody>
</table>

(a) The weighted average exercise price is presented in dollars; VARs are presented in units. At December 31, 2013 all outstanding VARs had an exercise price of $13.89 and substantially all of the VARs expire in March 2014.

As of December 31, 2013, the aggregate intrinsic value of VARs outstanding and vested was $0.1 billion.

Verizon Communications Inc. Long-Term Incentive Plan

The Verizon Plan provides for grants of Restricted Stock Units (RSUs) that generally vest at the end of the third year after the grant. The RSUs are classified as equity awards because the RSUs will be paid in Verizon common stock upon vesting. The RSU equity awards are measured using the grant date fair value of Verizon common stock and are not remeasured at the end of each reporting period. Dividend equivalent units are also paid to participants at the time the RSU award is paid, and in the same proportion as the RSU award.

The Partnership had approximately 4.1 million and 4.7 million RSUs outstanding under the Verizon Plan as of December 31, 2013 and 2012, respectively.

Performance Stock Units

The Verizon Plan also provides for grants of Performance Stock Units (PSUs) that generally vest at the end of the third year after the grant. The PSUs are classified as liability awards because the PSU awards are paid in cash upon vesting. The PSU award liability is measured at its fair value at the end of each reporting period and, therefore, will fluctuate based on the price of
Verizon common stock as well as performance relative to the targets. Dividend equivalent units are also paid to participants at the time that the PSU award is determined and paid, and in the same proportion as the PSU award.

The Partnership had approximately 6.0 million and 7.0 million PSUs outstanding under the Verizon Plans as of December 31, 2013 and 2012, respectively.

As of December 31, 2013, unrecognized compensation expense related to the unvested portion of the Partnership’s RSUs and PSUs was approximately $0.1 billion and is expected to be recognized over a weighted-average period of approximately two years.

Stock-Based Compensation Expense

For each of the years ended December 31, 2013, 2012 and 2011, the Partnership recognized compensation expense for stock based compensation related to VARs, RSUs and PSUs of $0.2 billion, $0.3 billion and $0.2 billion, respectively.

7. Income Taxes

Provision for Income Taxes

The provision for income taxes consists of the following:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax provision:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$47</td>
<td>$106</td>
<td>$476</td>
</tr>
<tr>
<td>State and local</td>
<td>31</td>
<td>(28)</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td>78</td>
<td>78</td>
<td>579</td>
</tr>
<tr>
<td>Deferred tax provision:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>60</td>
<td>35</td>
<td>369</td>
</tr>
<tr>
<td>State and local</td>
<td>12</td>
<td>88</td>
<td>(1)</td>
</tr>
<tr>
<td></td>
<td>72</td>
<td>123</td>
<td>368</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$150</td>
<td>$201</td>
<td>$947</td>
</tr>
</tbody>
</table>

A reconciliation of the income tax provision computed at the statutory tax rate to the Partnership’s effective tax rate is as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax provision at the statutory rate</td>
<td>$9,270</td>
<td>$7,481</td>
<td>$6,264</td>
</tr>
<tr>
<td>State and local income taxes, net of U.S. federal benefit</td>
<td>45</td>
<td>47</td>
<td>57</td>
</tr>
<tr>
<td>Other</td>
<td>(28)</td>
<td>3</td>
<td>(7)</td>
</tr>
<tr>
<td>Partnership income not subject to federal or state income taxes</td>
<td>(9,137)</td>
<td>(7,330)</td>
<td>(5,367)</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>$150</td>
<td>$201</td>
<td>$947</td>
</tr>
</tbody>
</table>

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Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of the Partnership's deferred taxes are shown in the following table:

<table>
<thead>
<tr>
<th>Deferred tax assets:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss carryforward</td>
<td>$165</td>
<td>$122</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(89)</td>
<td>(55)</td>
</tr>
<tr>
<td>Other</td>
<td>207</td>
<td>134</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>283</td>
<td>201</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:
- Intangible assets                          | 9,457  | 9,355  |
- Plant, property and equipment              | 1,407  | 1,445  |
- Other                                     | 354    | 264    |
| Total deferred tax liabilities             | 11,218 | 11,064 |

Net deferred tax asset-current\(^{(a)}\) | 66     | 76     |
Net deferred tax liability-non-current     | $11,001| $10,939|

(a) Included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

At December 31, 2013, the Partnership had state net operating loss carryforwards of $3.6 billion. These net operating loss carryforwards expire at various dates principally from December 31, 2018 through December 31, 2033.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1</td>
<td>$306</td>
<td>$267</td>
<td>$393</td>
</tr>
<tr>
<td>Additions based on tax positions related to the current year</td>
<td>16</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Additions for tax positions of prior years</td>
<td>9</td>
<td>72</td>
<td>53</td>
</tr>
<tr>
<td>Reductions for tax positions of prior years</td>
<td>(48)</td>
<td>(49)</td>
<td>(187)</td>
</tr>
<tr>
<td>Reductions due to lapse of applicable statute of limitations</td>
<td>(73)</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Settlements</td>
<td>—</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>$210</td>
<td>$306</td>
<td>$267</td>
</tr>
</tbody>
</table>

Included in the total unrecognized tax benefits balance is $0.1 billion, $0.2 billion and $0.2 billion as of December 31, 2013, 2012 and 2011, respectively, that, if recognized, would favorably affect the effective tax rate. The remaining unrecognized tax benefits relate to temporary items that would not affect the effective tax rate.

The after-tax accrual for the payment of interest and penalties in the balance sheet relating to the unrecognized tax benefits reflected above was not significant for the years ended December 31, 2013, 2012 and 2011.
The net after-tax benefits (expenses) related to interest in the provision for income taxes were not significant for the years ended December 31, 2013, 2012 and 2011.

The Partnership or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Partnership is generally no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) is currently examining some of the Partnership’s subsidiaries. As a result of the anticipated resolution of various income tax matters within the next twelve months, the Partnership believes that it is reasonably possible that the unrecognized tax benefits may be adjusted. An estimate of the amount of the change attributable to any such settlement cannot be made until issues are further developed or examinations close.

8. Leases

As Lessee

The Partnership has entered into operating leases for facilities and equipment used in its operations. Lease contracts contain renewal options that include rent expense adjustments based on the Consumer Price Index as well as annual and end-of-lease term adjustments. Rent expense is recorded on a straight-line basis over the noncancelable lease term which is generally determined to be the initial lease term. Total rent expense under operating leases amounted to $2.0 billion in 2013, $1.8 billion in 2012 and $1.7 billion in 2011.

The aggregate future minimum rental commitments under noncancelable operating leases, excluding renewal options that are not reasonably assured for the periods shown at December 31, 2013, are as follows:

(dollars in millions)

<table>
<thead>
<tr>
<th>Years</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$1,689</td>
</tr>
<tr>
<td>2015</td>
<td>1,518</td>
</tr>
<tr>
<td>2016</td>
<td>1,290</td>
</tr>
<tr>
<td>2017</td>
<td>1,043</td>
</tr>
<tr>
<td>2018</td>
<td>822</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,974</td>
</tr>
<tr>
<td>Total minimum rental commitments</td>
<td>$9,336</td>
</tr>
</tbody>
</table>

9. Supplementary Financial Information

Supplementary Balance Sheet Information

(dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables, Net:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$6,228</td>
<td>$5,848</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,067</td>
<td>864</td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>308</td>
<td>295</td>
</tr>
<tr>
<td></td>
<td>7,603</td>
<td>7,007</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(399)</td>
<td>(350)</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>$7,204</td>
<td>$6,657</td>
</tr>
</tbody>
</table>

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Supplementary Statements of Income Information

### Plant, Property and Equipment, Net:

<table>
<thead>
<tr>
<th></th>
<th>Lives (years)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
<td>$ 244</td>
<td>$ 244</td>
</tr>
<tr>
<td>Buildings</td>
<td>20-45</td>
<td>11,742</td>
<td>10,855</td>
</tr>
<tr>
<td>Wireless plant and equipment</td>
<td>3-15</td>
<td>60,550</td>
<td>54,867</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>3-10</td>
<td>3,700</td>
<td>3,603</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>5</td>
<td>4,728</td>
<td>4,310</td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>—</td>
<td>2,283</td>
<td>2,572</td>
</tr>
<tr>
<td><strong>Less: accumulated depreciation</strong></td>
<td></td>
<td>(47,315)</td>
<td>(41,905)</td>
</tr>
<tr>
<td><strong>Plant, property and equipment, net</strong></td>
<td></td>
<td>$ 35,932</td>
<td>$ 34,546</td>
</tr>
</tbody>
</table>

(a) Interest costs of $0.1 billion and network engineering costs of $0.5 billion and $0.4 billion were capitalized during the years ended December 31, 2013 and 2012, respectively.

(b) Construction-in-progress includes $0.9 billion and $1.2 billion of accrued but unpaid capital expenditures as of December 31, 2013 and 2012, respectively.

(c) Depreciation of plant, property and equipment was $7.7 billion, $7.5 billion and $7.4 billion, for the years ended December 31, 2013, 2012 and 2011, respectively.

### Accounts Payable and Accrued Liabilities:

<table>
<thead>
<tr>
<th>Account</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable, accrued interest and accrued expenses</td>
<td>$4,176</td>
<td>$4,538</td>
</tr>
<tr>
<td>Accrued payroll and related employee benefits</td>
<td>1,347</td>
<td>1,385</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>651</td>
<td>687</td>
</tr>
<tr>
<td>Accrued commissions</td>
<td>838</td>
<td>924</td>
</tr>
<tr>
<td><strong>Accounts payable and accrued liabilities</strong></td>
<td>$7,012</td>
<td>$7,534</td>
</tr>
</tbody>
</table>

### Advertising and Promotion Cost:

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and Promotion Cost</td>
<td>$1,856</td>
<td>$1,826</td>
<td>$1,925</td>
</tr>
</tbody>
</table>

### Employee Benefit Plans:

<table>
<thead>
<tr>
<th>Plan</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matching contribution expense</td>
<td>$ 251</td>
<td>$ 247</td>
<td>$ 231</td>
</tr>
<tr>
<td>Profit sharing expense</td>
<td>152</td>
<td>60</td>
<td>82</td>
</tr>
</tbody>
</table>

### Interest Expense, Net:

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>$(720)</td>
<td>$(776)</td>
<td>$(954)</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>655</td>
<td>334</td>
<td>344</td>
</tr>
<tr>
<td><strong>Interest expense, net</strong></td>
<td>$(65)</td>
<td>$(442)</td>
<td>$(610)</td>
</tr>
</tbody>
</table>

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Supplementary Cash Flows Information

10. Noncontrolling Interests

Noncontrolling interests in equity of subsidiaries were as follows:

Verizon Wireless of the East LP
Verizon Wireless of the East LP is a limited partnership formed in 2002 and is controlled and managed by the Partnership. Verizon held the noncontrolling interest of Verizon Wireless of the East LP at December 31, 2013 and 2012. As per the agreement between the Partnership and Verizon, Verizon has not been allocated any of the profits of Verizon Wireless of the East LP.

11. Other Transactions with Affiliates

In addition to transactions with Affiliates in Note 5, other significant transactions with Affiliates are summarized as follows:

Verizon Wireless of the East LP
Verizon Wireless of the East LP is a limited partnership formed in 2002 and is controlled and managed by the Partnership. Verizon held the noncontrolling interest of Verizon Wireless of the East LP at December 31, 2013 and 2012. As per the agreement between the Partnership and Verizon, Verizon has not been allocated any of the profits of Verizon Wireless of the East LP.

For the Years Ended December 31, 2013 (dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue related to transactions with affiliated companies</td>
<td>$102</td>
<td>$83</td>
<td>$87</td>
</tr>
<tr>
<td>Cost of service(a)</td>
<td>1,378</td>
<td>1,365</td>
<td>1,396</td>
</tr>
<tr>
<td>Selling, general and administrative expenses(b)</td>
<td>917</td>
<td>584</td>
<td>312</td>
</tr>
</tbody>
</table>

(a) Affiliate cost of service primarily represents charges for long distance, direct telecommunication and roaming services provided by affiliates.

(b) Affiliate selling, general and administrative expenses include charges from affiliates for services provided, including insurance, leases, office telecommunications, and billing and lockbox services, as well as services billed from Verizon Corporate Services, Verizon Sourcing LLC, Verizon Corporate Resources Group and Verizon Data Solutions for functions performed under service level agreements.
Other Transactions with Affiliates

Accounts payable and accrued liabilities as of December 31, 2013 and 2012 include $68 million and $92 million, respectively, due to affiliates primarily comprised of costs associated with services provided in the normal course of business and roaming services.

Distributions to Partners

In May 2013, the Board of Representatives of the Partnership declared a distribution to its owners, which was paid in the second quarter of 2013 in proportion to their partnership interests on the payment date, in the aggregate amount of $7.0 billion. As a result, Vodafone received a cash payment of $3.15 billion and the remainder of the distribution was received by Verizon.

In November 2012, the Board of Representatives of the Partnership declared a distribution to its owners, which was paid in the fourth quarter of 2012 in proportion to their partnership interests on the payment date, in the aggregate amount of $8.5 billion. As a result, Vodafone received a cash payment of $3.8 billion and the remainder of the distribution was received by Verizon.

In July 2011, the Board of Representatives of the Partnership declared a distribution to its owners, which was paid in the first quarter of 2012 in proportion to their partnership interests on the payment date, in the aggregate amount of $10 billion. As a result, Vodafone received a cash payment of $4.5 billion and the remainder of the distribution was received by Verizon.

As required under the Partnership Agreement, the Partnership paid aggregate tax distributions of $10.0 billion, $7.2 billion and $3.1 billion to its Partners during the years ended December 31, 2013, 2012 and 2011, respectively. In addition to quarterly tax distributions to its Partners, its Partners have directed the Partnership to make supplemental tax distributions to them, subject to the Partnership’s board of representatives’ right to reconsider these distributions based on significant changes in overall business and financial conditions. During the year ended December 31, 2013, the Partnership made supplemental tax distributions in the aggregate amount of $0.9 billion, which is included in the total distribution paid above.

During February 2014, the Partnership paid aggregate tax distributions of $1.8 billion to its Partners.

12. Accumulated Other Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting Partners’ capital that, under U.S. GAAP, are excluded from net income.

Accumulated Other Comprehensive Income

The changes in the balances of Accumulated other comprehensive income by component are as follows:

<table>
<thead>
<tr>
<th>(dollars in millions)</th>
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<th>Defined benefit pension and postretirement plans</th>
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<td>(45)</td>
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<td>Net other comprehensive loss</td>
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<td>(32)</td>
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<tr>
<td>Balance at December 31, 2013</td>
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<td>$4</td>
<td>52</td>
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The amounts presented above in net other comprehensive loss are net of taxes and noncontrolling interests, which are not significant. For the year ended December 31, 2013, all other amounts reclassified to net income in the table above are included in Other income, net on the Partnership’s consolidated statements of income.

13. Commitments and Contingencies

Bell Atlantic, now known as Verizon Communications, and Vodafone entered into an alliance agreement to create a wireless business composed of both companies’ U.S. wireless assets, as amended, which the Partnership refers to as the “Alliance Agreement”. The Alliance Agreement contains a provision, subject to specified limitations, that requires Verizon and Vodafone to indemnify the Partnership for certain contingencies, excluding PrimeCo Personal Communications L.P. contingencies, arising prior to the formation of the Partnership.

Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Partnership establishes an accrual. In none of the currently pending matters is the amount of accrual material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) uncertain damage theories and demands; (2) a less than complete factual record; (3) uncertainty concerning legal theories and their resolution by courts or regulators; and (4) the unpredictable nature of the opposing party and its demands. The Partnership continuously monitors these proceedings as they develop and adjusts any accrual or disclosure as needed. The Partnership does not expect that the ultimate resolution of any pending regulatory or legal matter in future periods will have a material effect on the Partnership’s financial condition, but it could have a material effect on the Partnership’s results of operations for a given reporting period.

Verizon has entered into reimbursement agreements with third-party lenders that permit these lenders to issue letters of credit to third parties on behalf of the Partnership and the Partnership’s subsidiaries.

The Partnership has several commitments primarily to purchase handsets and peripherals, equipment, software, programming and network services, and marketing activities, which will be used or sold in the ordinary course of business, from a variety of suppliers totaling $15.6 billion. Of this total amount, $13.6 billion is attributable to 2014, $1.0 billion is attributable to 2015 through 2016, $0.5 billion is attributable to 2017 through 2018 and $0.5 billion is attributable to years thereafter. These amounts do not represent the Partnership’s entire anticipated purchases in the future, but represent only those items that are the subject of contractual obligations. The Partnership’s commitments are generally determined based on the noncancelable quantities or termination amounts. Purchases against the Partnership’s commitments for 2013 totaled approximately $9.8 billion. The Partnership also purchases products and services as needed with no firm commitment.
### Fees Payable By ADR Holders

The Bank of New York Mellon, the depositary, collects its fees for delivery and surrender of ADRs directly from investors depositing shares or surrendering ADRs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors, including in connection with the payment of dividends, by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

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<td>$5.00 (or less) per 100 ADRs (or portion of 100 ADRs)</td>
<td>• Issuance of ADRs, including issuances resulting from a distribution of shares or rights or other property</td>
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<td>• Cancellation of ADRs for the purpose of withdrawal, including if the deposit agreement terminates</td>
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<td>$.02 (or less) per ADR (or portion thereof)</td>
<td>• Any cash distribution to ADR registered holders</td>
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<td>A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADRs</td>
<td>• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR registered holders</td>
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<td>Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes</td>
<td>• Converting foreign currency to US dollars</td>
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<tr>
<td>Any charges incurred by the depositary or its agents for servicing the deposited securities</td>
<td>• As necessary</td>
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C-1
Fees Payable By The Depositary To The Issuer

As set out above, pursuant to the deposit agreement, the depositary may charge up to $0.02 per ADR in respect of dividends paid by us. We have agreed with the depositary that any dividend fee collected by it is paid to us, net of any dividend collection fee charged by it. For the year ended 31 March 2014, we agreed with the depositary that it will charge $0.01 per ADR in respect of any interim dividend and $0.02 per ADR in respect of any final dividend paid during that year.

As at 31 March 2014, we have received approximately $31.4 million arising out of fees charged in respect of dividends paid during the year. We also have an agreement with the depositary that it will absorb any of its out-of-pocket maintenance costs for servicing the holders of the ADRs up to $1,000,000 per calendar year. However, any of the depositary's out-of-pocket maintenance costs which exceed the $1,000,000 annual aggregate limits will be reimbursed by us.
SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

VODAFONE GROUP PUBLIC LIMITED COMPANY
(Registrant)

/s/ R E S Martin
Rosemary E S Martin
Group General Counsel and Company Secretary

Date: 10 June 2014
Index of Exhibits to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2014


2.1 Indenture, dated as of February 10, 2000, between the Company and Citibank, N.A., as Trustee, including forms of debt securities (incorporated by reference to Exhibit 4(a) of Post Effective Amendment No. 1 to the Company’s Registration Statement on Form F-3, dated November 24, 2000).


2.3 Eleventh Supplemental Trust Deed dated July 11, 2013, between the Company and the Law Debenture Trust Corporation p.l.c. further modifying the provisions of the Trust Deed dated July 16, 1999 relating to a €30,000,000,000 Euro Medium Term Note Programme.

4.1 Agreement for US$4,015,000,000 five year Revolving Credit Facility dated March 9, 2011, among the Company and various lenders, subsequently amended when the Company exercised an option to extend the agreement by one year (incorporated by reference to Exhibit 4.3 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2011).


4.3 Agreement for €4,000,000,000 five year Revolving Credit Facility dated July 1, 2010 among the Company and various lenders (incorporated by reference to Exhibit 4.7 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2011).

4.4 Lender Accession Agreement with Bank of China Limited, London Branch, effective as of March 17, 2011 (incorporated by reference to Exhibit 4.8 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2011).

4.5 Notice of cancellation dated March 27, 2014 in respect of the €4,230,000,000 five year Revolving Credit Facility dated July 1, 2010.

4.6 Agreement for €3,860,000,000 five year Revolving Credit Facility dated March 28, 2014 among the Company and various lenders.

4.7 Vodafone Group 1999 Long Term Stock Incentive Plan (incorporated by reference to Exhibit 4.7 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2001).

4.8 Vodafone Group 2005 Global Incentive Plan (incorporated by reference to Exhibit 4.8 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2006).

4.9 Service Agreement of Andrew Halford (incorporated by reference to Exhibit 4.16 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2006).

4.10 Letter of Appointment of Dr. John Buchanan (incorporated by reference to Exhibit 4.11 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2003).
4.11 Letter of Appointment of Anne Lauvergeon (incorporated by reference to Exhibit 4.22 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2006).


4.14 Letter of Appointment of Philip Yea (incorporated by reference to Exhibit 4.27 to the Company’s Annual Report for the financial year ended March 31, 2006).

4.15 Service Agreement of Vittorio Colao (incorporated by reference to Exhibit 4.22 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2009).

4.16 Letter of Appointment of Alan Jebson (incorporated by reference to Exhibit 4.23 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2007).

4.17 Letter of Appointment of Nick Land (incorporated by reference to Exhibit 4.24 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2007).

4.18 Letter of Appointment of Samuel Jonah (incorporated by reference to Exhibit 4.26 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2009).

4.19 Service Agreement of Michel Combes (incorporated by reference to Exhibit 4.27 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2009).

4.20 Service Agreement of Stephen Pusey (incorporated by reference to Exhibit 4.28 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2009).

4.21 Letter of Indemnification for Andrew Halford (incorporated by reference to Exhibit 4.25 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2010).

4.22 Letter of Indemnification for Michel Combes (incorporated by reference to Exhibit 4.26 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2010).

4.23 Letter of Indemnification for Steve Pusey (incorporated by reference to Exhibit 4.27 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2010).

4.24 Letter of Indemnification for Dr. John Buchanan (incorporated by reference to Exhibit 4.28 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2010).

4.25 Letter of Indemnification for Philip Yea (incorporated by reference to Exhibit 4.29 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2010).

4.26 Letter of Indemnification for Luc Vandevelde (incorporated by reference to Exhibit 4.30 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2010).

4.27 Letter of Appointment of Renee James (incorporated by reference to Exhibit 4.35 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2011).


4.29 Letter of Appointment of Omid Kordestani (incorporated by reference to Exhibit 4.28 to the Company’s Annual Report on Form 20-F for the financial year ended March 31, 2013).

4.30 Letter of Appointment of Valerie Gooding.
4.31 Service Agreement of Nicholas Read.
4.32 Letter of Appointment of Sir Crispin Davis
4.33 Letter of Appointment of Dame Clara Furse
4.35 First Amendment to Stock Purchase Agreement dated December 5, 2013 by and among Vodafone Group Plc, Vodafone 4 Limited and Verizon Communications Inc, amending the terms of the Stock Purchase Agreement dated September 2, 2013.
8. The list of the Company’s subsidiaries is incorporated by reference to Note 32 to the Consolidated Financial Statements included in the Annual Report on Form 20-F for the financial year ended March 31, 2014.
12. Rule 13a – 14(a) Certifications.
13. Rule 13a – 14(b) Certifications. These certifications are furnished only and are not filed as part of the Annual Report on Form 20-F for the financial year ended March 31, 2014.
15.2 Consent letter of Deloitte & Touche LLP, New York.
Exhibit 1.1

The Companies Acts
Public Company Limited by Shares

ARTICLES OF ASSOCIATION

OF

VODAFONE GROUP PUBLIC LIMITED COMPANY
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THE COMPANIES ACTS

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

Adopted on 27 July 2010 pursuant to a Special Resolution passed on 27 July 2010.

of

VODAFONE GROUP PUBLIC LIMITED COMPANY

PRELIMINARY ARTICLES

1 Table A and other standard regulations do not apply

The regulations in Table A of the Companies Act 1948, and any similar articles or regulations in the Companies Acts do not apply to the Company.

2 The meaning of words and phrases used in the Articles

2.1 The following table gives the meaning of certain words and phrases as they are used in these Articles. However, the meaning given in the table does not apply if that is inconsistent with the context in which a word or phrase appears. After the Articles there is a glossary which explains various words and phrases. The glossary is not part of the Articles, and it does not affect their meaning. Throughout the Articles, those words and expressions explained in this Article 2.1 are printed in **bold** and those explained in the glossary are printed in *italics*.

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<thead>
<tr>
<th>Words and Phrases</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act</td>
<td>Any act of Parliament, enactment or statutory legislation.</td>
</tr>
<tr>
<td>Adjusted Total of Capital</td>
<td>This is defined in Article 114.2.</td>
</tr>
<tr>
<td>and Reserves</td>
<td></td>
</tr>
<tr>
<td>ADR Depositary</td>
<td>A custodian or other person or persons approved by the directors who:</td>
</tr>
<tr>
<td></td>
<td>holds shares in the Company under arrangements where either the custodian or some other person issues American Depositary Receipts which evidence American Depositary Shares representing shares in the Company; and/or</td>
</tr>
<tr>
<td></td>
<td>is appointed by or on behalf of the Company to hold Share Warrants.</td>
</tr>
</tbody>
</table>

- 1 -
Words and Phrases

alternate director
This is defined in Article 115.1.

American Depositary Receipts
These represent American Depositary Shares either physically or in the form of Direct Registration Receipts.

American Depositary Shares
These represent shares in the Company and are evidenced by American Depositary Receipts.

Appointed Number
The number of Depositary Shares to which each appointment as a Nominated Proxy relates.

Appointed Proxy
This is defined in Article 155.1.

Approved Depositary
Someone appointed:
to hold the shares in the Company or any rights or interests in any of the shares in the Company; and
to issue securities, documents of title or other documents which evidence that the holder of them owns or is entitled to receive the shares, rights or interests held by the Approved Depositary.

A nominee acting for someone appointed to do these things will also be treated as an Approved Depositary. The arrangements for the Approved Depositary to do the things described above must be approved by the directors. The trustees of any scheme or arrangements for or principally for the benefit of employees of the Group will also be treated as an Approved Depositary unless the directors decide otherwise. References in the Articles to an Approved Depositary or to shares held by it refer only to an Approved Depositary and to shares held by it in its capacity as an Approved Depositary.

approved transfer
This is defined in Article 67.11, for the purposes of Article 67.

Articles
The Company’s Articles of Association, including any changes made to them.

Associated Company
This is defined in Article 145.4, for the purposes of Article 145.

Bearer
This is defined in Article 147.1.

Borrowings
This is defined in Article 114.2, for the purposes of Article 114.

certificated form
This is defined in Article 2.18.

class meeting
This is defined in Article 35.1.

Common Seal
Any seal which the Company may have under the Companies Acts and which the Company may use to execute documents.
Words and Phrases | Meaning
---|---
Companies Act 2006 | The company law provisions of the Companies Act 2006 (as defined therein), for the time being in force.
Companies Acts | The Companies Acts as defined in Section 2 of the Companies Act 2006 (where provisions are for the time being in force), the CREST Regulations and other legislation relating to companies and affecting the Company (including any orders, regulations or other subordinated legislation made under them) in force from time to time.
Company Communications Provisions | The meaning of company communications provisions is given in the Companies Acts.
company | Includes any company, corporate body and any corporation established anywhere in the world.
company representative | This is defined in Article 74.
the Company | Vodafone Group Public Limited Company.
CREST Regulations | The Uncertificated Securities Regulations 2001.
default shares | This is defined in Article 67.1, for the purposes of Article 67.
Depositary Shares | The total number of Ordinary Shares which are registered in the name of the Approved Depositary or its nominee at that time.
Direct Registration Receipt | An American Depositary Receipt in uncertificated form, the ownership of which is recorded in the Direct Registration System.
Direct Registration System | The system maintained by the ADR Depositary in which the ADR Depositary records the ownership of Direct Registration Receipts.
direction notice | This is defined in Article 67.3 for the purposes of Article 67.
elected shares | This is defined in Article 131.10.
electronic form | This is defined in Article 2.21.
electronic means | This is defined in Article 2.21.
Fixed Rate Shares | The 7 per cent cumulative fixed rate shares of £1 each in the Company.
General Meeting | Any general meeting of the Company, including any general meeting held as the Company’s Annual General Meeting.
Group | This is defined in Article 114.2, for the purposes of Article 114.
Words and Phrases | Meaning
--- | ---
**London Stock Exchange** | London Stock Exchange plc.
**Nominated Proxy** | Each person the Approved Depositary has appointed as a proxy under Article 164.1.
**Nominated Proxy Register** | This is defined in Article 164.2, for the purposes of Articles 164 and 165.
**operator** | Euroclear UK & Ireland Limited or any other operator of a relevant system under the CREST Regulations.
**Ordinary Shareholder** | A holder of the Company’s Ordinary Shares.
**Ordinary Shares** | Ordinary shares of US$0.11³/₇ each in the Company.
**paid-up share or other security** | Includes a share or other security which is treated or credited as paid-up.
**pay** | Includes any kind of reward or payment for services.
**principal meeting place** | This is defined in Article 58.2.
**Procedural Resolution** | A resolution or question put to the vote of a General Meeting of a procedural nature (such as a resolution on a simple clerical amendment to correct an obvious error in a Substantive Resolution, a resolution to adjourn a General Meeting or a resolution on the choice of chairman of a General Meeting).
**proxy form** | This includes any document, electronic form or website based form which appoints a proxy.
**Proxy Register** | This is defined in Article 156.1.
**recognised clearing house** | A clearing house granted recognition under the Financial Services and Markets Act 2000.
**recognised investment exchange** | An investment exchange granted recognition under the Financial Services and Markets Act 2000.
**Record Date** | This is defined in Article 161.1, for the purposes of Article 161.
**Record Time** | This is defined in Article 165.4, for the purposes of Article 165.
**Registered Office** | The Company’s registered office or in the case of sending or supplying any document or information by electronic means or by means of a website in accordance with the Companies Acts and these Articles, the address stated for the purpose of receiving such document or information by electronic means or by means of a website.

³ To be amended pursuant to, and subject to the satisfaction of the conditions in, resolution 2 sub-paragraph 4 proposed at the General Meeting of the Company on 28 January 2013.
<table>
<thead>
<tr>
<th>Words and Phrases</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant Company</td>
<td>This is defined in Article 101.5, for the purposes of Article 101.</td>
</tr>
<tr>
<td>relevant system</td>
<td>A relevant system under the CREST Regulations whose operator allows shares or other securities of the Company to be transferred using that system.</td>
</tr>
<tr>
<td>relevant value</td>
<td>This is defined in Article 131.5, for the purposes of Article 131.</td>
</tr>
<tr>
<td>rights of any share</td>
<td>The rights attached to a share when it is issued, or afterwards.</td>
</tr>
<tr>
<td>satellite chairman</td>
<td>This is defined in Article 58.7.</td>
</tr>
<tr>
<td>satellite meeting</td>
<td>This is defined in Article 58.2.</td>
</tr>
<tr>
<td>Secretary</td>
<td>Any person appointed by the directors to do work as the company secretary including where the context allows any assistant or deputy secretary.</td>
</tr>
<tr>
<td>securities offer</td>
<td>This is defined in Article 152.3, for the purposes of Article 152.</td>
</tr>
<tr>
<td>Securities Seal</td>
<td>A seal used to stamp the Company’s securities as evidence that the Company has issued them. The Company’s Securities Seal is a facsimile of the Company’s Common Seal but with the addition of the word “securities”.</td>
</tr>
<tr>
<td>Share Warrant</td>
<td>A share warrant to bearer issued by the Company.</td>
</tr>
<tr>
<td>shareholder</td>
<td>A holder of the Company’s shares.</td>
</tr>
<tr>
<td>shareholders’ meeting</td>
<td>A meeting of shareholders including both a General Meeting of the Company and a class meeting.</td>
</tr>
<tr>
<td>shares</td>
<td>Shares which are in issue at the relevant time.</td>
</tr>
<tr>
<td>sterling</td>
<td>The currency of the United Kingdom.</td>
</tr>
<tr>
<td>subsidiary</td>
<td>A subsidiary as defined in Section 1159 of the Companies Act 2006.</td>
</tr>
<tr>
<td>subsidiary undertaking</td>
<td>A subsidiary undertaking as defined in Section 1162 of the Companies Act 2006.</td>
</tr>
<tr>
<td>Substantive Resolution</td>
<td>Any resolution or question put to the vote of a General Meeting which is not a Procedural Resolution.</td>
</tr>
<tr>
<td>takeover offer</td>
<td>A takeover offer as defined in Section 974 of the Companies Act 2006.</td>
</tr>
<tr>
<td>terms of a share</td>
<td>The terms on which a share was issued.</td>
</tr>
<tr>
<td>Words and Phrases</td>
<td>Meaning</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Transfer Office</td>
<td>The place where the Register is kept or in the case of sending or supplying any document or information by electronic means or by means of a website in accordance with the Companies Acts and these Articles, the address stated for the purpose of receiving such document or information by electronic means or by means of a website.</td>
</tr>
<tr>
<td>UK Listing Authority</td>
<td>The Financial Services Authority in its capacity as the competent authority for official listing under Part VI of the Financial Services and Markets Act 2000.</td>
</tr>
<tr>
<td>uncertificated form</td>
<td>This is defined in Article 2.19.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Great Britain and Northern Ireland.</td>
</tr>
<tr>
<td>working day</td>
<td>A day on which banks in the United Kingdom are generally open for business, excluding Saturdays, Sundays and public holidays.</td>
</tr>
</tbody>
</table>

2.2 References to a debenture include debenture stock and references to a debenture holder include a debenture stockholder.

2.3 Where the Articles refer to a person who is automatically entitled to a share by law, this includes a person who is entitled to the share as a result of the death, or bankruptcy, of a shareholder.

2.4 Words which refer to a single number also refer to plural numbers, and the other way around.

2.5 Words which refer to males also refer to females and to other persons.

2.6 The words “including” and “include” and words of similar effect shall not be deemed to limit the general effect of the words which precede them.

2.7 References to a person or people include companies, unincorporated associations and so on.

2.8 References to officers include directors, managers and the Secretary, but not the Company’s auditors.

2.9 References to the directors are to the board of directors unless the way in which directors is used does not allow this meaning.

2.10 Any headings in these Articles are only included for convenience. They do not affect the meaning of the Articles. References to an Article are to a numbered paragraph of these Articles.

2.11 When an Act or the Articles are referred to, the version which is current at any particular time will apply.

2.12 Where the Articles give any power or authority to anybody, this power or authority can be used on any number of occasions, unless the way in which the word is used does not allow this meaning.
2.13 Any word or phrase which is defined in the **Companies Acts** (excluding any modification to them by a further **Act** which is not in force when these **Articles** are adopted) means the same in the **Articles**, unless the **Articles** define it differently, or the way in which the word or phrase is used is inconsistent with the definition given in the **Companies Acts**.

2.14 Where the **Articles** say that anything can be done by passing an **ordinary resolution**, this can also be done by passing a **special resolution**.

2.15 Where the **Articles** refer to any document being **made effective** this means being signed, sealed, authenticated or **executed** in some other legally valid way.

2.16 Where the **Articles** refer to **months** or **years**, these are calendar months or years.

2.17 Where the **Articles** refer to any document being **made effective** this means being signed, sealed, authenticated or **executed** in some other legally valid way.

2.18 Where the **Articles** refer to shares in **certificated form**, this means that ownership of the **shares** can be transferred using a transfer document (rather than in accordance with the **CREST Regulations**) and that a share certificate is usually issued to the owner.

2.19 Where the **Articles** refer to shares in **uncertificated form**, this means that ownership of the **shares** can be transferred in accordance with the **CREST Regulations** without using a written transfer document and that no share certificate is issued to the owner.

2.20 Where the **Articles** refer to a **period of clear days**, the period does not include the date the notice is delivered, or treated as being delivered, nor the date of the General Meeting or other relevant event.

2.21 The expressions “**hard copy form**”, “**electronic form**” and “**electronic means**” shall have the same respective meanings as in the **Company Communications Provisions**.

2.22 The term **address** when used in relation to communications via **electronic means** or by means of a website includes any number or address used for the purposes of such communication.

2.23 Where the **Articles** refer to anything that should be **in writing**, this means it should be written or produced by any substitute for writing (including anything in electronic form) or partly one and partly another.

2.24 Where the **Articles** refer to any document being **made effective** this means being signed, sealed, authenticated or **executed** in some other legally valid way.

3 Each **shareholder**’s liability (as a **shareholder**) is limited to the amount (if any) that is unpaid on the **shares** that he or she holds.

**SHAREHOLDERS’ LIABILITIES**

- 7 -
FIXED RATE SHARES

4 Right of Fixed Rate Shares to profits

4.1 If the Company has profits which are available for distribution and the directors resolve that these should be distributed, the holders of the Fixed Rate Shares are entitled, before the holders of any other class of shares, to be paid in respect of each financial year or other accounting period of the Company a fixed cumulative preferential dividend ("preferential dividend") at the rate of 7 per cent. per annum on the nominal value of the Fixed Rate Shares which is paid-up or treated as paid-up.

4.2 Subject to Article 4.3 below, the preferential dividend will be paid yearly, on 31 March in respect of each financial year ending on or before that date. If this date is not a working day, the payment will be made on the next working day.

4.3 When the Company has to calculate a dividend on the Fixed Rate Shares for a period other than a calendar year ending on 31 March (being another accounting period, the first dividend period arising for the Fixed Rate Shares or otherwise), the daily dividend rate will be worked out by dividing the yearly dividend rate by 365 days. This daily rate will then be multiplied by the actual number of days which have passed in the relevant period, but not including the date of payment, to give the amount payable for that period.

4.4 Except as provided in this Article, the Fixed Rate Shares do not have any other right to share in the Company’s profits.

5 Right of Fixed Rate Shares to capital

5.1 If the Company is wound up (but in no other circumstances involving a repayment of capital or distribution of assets to shareholders whether by reduction of capital, redeeming or buying back shares or otherwise), the holders of the Fixed Rate Shares will be entitled, before the holders of any other class of shares to:

• repayment of the amount paid-up or treated as paid-up on the nominal value of each Fixed Rate Share;

• the amount of any dividend which is due for payment on, or after, the date the winding up commenced which is payable for a period ending on or before that date. This applies even if the dividend has not been declared or earned;

• any dividend arrears on any Fixed Rate Shares held by them. This applies even if the dividend has not been declared or earned; and

• a proportion of any dividend in respect of the financial year or other accounting period which began before the winding up commenced but ends after that date. The proportion will be the amount of the dividend that would otherwise have been payable for the period which ends on that date. This applies even if the dividend has not been declared or earned.

5.2 If there is a winding up to which Article 5.1 applies, and there is not enough to pay the amounts due on the Fixed Rate Shares, the holders of the Fixed Rate Shares will share what is available in proportion to the amounts to which they would otherwise be entitled. The holders of the Fixed Rate Shares will be given preference over the holders of other classes of shares which rank behind them in sharing in the Company’s assets.
5.3 Except as provided in this Article 5, the Fixed Rate Shares do not have any other right to share in the Company’s surplus assets.

6 Voting rights of Fixed Rate Shares

6.1 The holders of the Fixed Rate Shares are only entitled to receive notice of General Meetings, or to attend, speak and vote at General Meetings, as set out below.

- If a resolution is to be proposed at the General Meeting to wind up the Company, they are entitled to receive notice of the General Meeting and can attend, but are not entitled to speak or vote.
- If a resolution is to be proposed at the General Meeting which would vary or abrogate the rights attached to the Fixed Rate Shares, they are entitled to receive notice of the General Meeting and are entitled to attend, speak and vote but only in respect of such resolution or any motion to adjourn the General Meeting before such resolution is voted on.

6.2 If the holders of the Fixed Rate Shares are entitled to vote at a General Meeting, each holder of a Fixed Rate Share present in person or by proxy has one vote on a show of hands and on a poll every holder of a Fixed Rate Share who is present in person or by proxy shall have one vote in respect of each fully-paid Fixed Rate Share.

7 Varying the rights of Fixed Rate Shares

The rights of the holders of the Fixed Rate Shares will be regarded as being varied or abrogated if any resolution is passed for the reduction of the amount of capital paid-up on the Fixed Rate Shares but not for the repayment of the Fixed Rate Shares at par value.

Accordingly, this can only take place if:

- holders of at least three quarters in nominal value of the Fixed Rate Shares agree in writing; or
- a special resolution is passed at a separate class meeting by the holders of the Fixed Rate Shares approving the proposal,

in accordance with Article 35.

SHARES

8 Fractions of shares

8.1 If any shares are consolidated or divided, the directors have the power to deal with any fractions of shares which result or any other difficulty that arises. Subject to Article 8.3, if the directors decide to sell any shares representing fractions, they must do so for the best price reasonably obtainable and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements in accordance with their rights and interests. The directors can sell to any person (including the Company, if the Companies Acts allow this) and can authorise any person to transfer those shares to the buyer or in accordance with the buyer’s instructions. The buyer does not need to take any steps to see how any
money he paid is used. Nor will his ownership of the shares be affected if the sale was irregular or invalid in any way.

8.2 So far as the Companies Acts allow, when shares are consolidated or divided, the directors can treat a shareholder’s shares which are held in certificated form and in uncertificated form as separate shareholdings. The directors can also arrange for any shares which result from a consolidation or division and which represent rights to fractions of shares to be entered in the Register as shares in certificated form where this makes it easier to sell them.

8.3 Where any shareholder’s entitlement to a portion of the proceeds of sale amounts to less than £3, that shareholder’s portion may at the directors’ discretion be distributed to an organisation which is a charity for the purposes of the laws of England and Wales.

9 The power to reduce capital

The Company’s shareholders can pass a special resolution to reduce in any way:

• the Company’s share capital; or

• any capital redemption reserve, share premium account or other undistributable reserve.

This is subject to any restrictions under the Companies Acts.

10 The special rights of new shares

10.1 If the Company issues new shares, the new shares can have any rights or restrictions attached to them. The rights can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company’s profits or assets. Other rights and restrictions can also apply, for example to the right to vote.

10.2 The powers conferred by Article 10.1 are subject to the provisions of Article 10.5.

10.3 The rights and restrictions referred to in Article 10.1 can be decided by an ordinary resolution passed by the shareholders. The directors can also take these decisions if they do not conflict with any resolution passed by the shareholders.

10.4 The rights of any new shares can include rights for the holder and/or the Company to have them redeemed. The directors may determine the terms, conditions and manner of redemption of any such shares.

10.5 The ability to attach particular rights and restrictions to new shares may be restricted by special rights previously given to holders of any existing shares.

11 The directors’ power to deal with shares

11.1 Subject to the provisions of the Companies Acts, these Articles and any resolution of the Company, the directors may allot shares in the Company and grant rights to subscribe for shares, or to convert any security into shares, to such persons, at such times and on such
terms, including as to the ability of such persons to assign their rights to be issued such shares, as they think proper.

11.2 The directors shall be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise for each Allotment Period all the powers of the Company to (i) allot shares; (ii) grant rights to subscribe for shares; and (iii) convert any security into shares, but only up to an aggregate nominal amount equal to the Section 551 Amount. By such authority the directors may, during the Allotment Period, make offers or agreements which would or might require shares to be allotted, or rights to be granted, after the expiry of such period.

11.3 During each Allotment Period the directors shall be empowered to allot equity securities wholly for cash pursuant to and within the terms of the authority in Article 11.2 and to sell treasury shares wholly for cash:

- in connection with a pre-emptive offer; and
- otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount equal to the Section 561 Amount,

as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment or sale. Under such power the directors may, during the Allotment Period, make offers or agreements which would or might require equity securities to be allotted after the expiry of such period.

11.4 For the purposes of this Article:

- “Allotment Period” means (i) the period from the date of adoption of these Articles until 30 September 2011 or, if sooner, the end of the next Annual General Meeting, or (ii) any period specified as such by the Relevant Ordinary Resolution;
- “Section 551 Amount” means US$1 for the first Allotment Period and for any other Allotment Period means the amount specified as such by the Relevant Ordinary Resolution;
- “equity securities”, “ordinary shares” and references to the allotment of equity securities shall have the same meanings as in Section 560 of the Companies Act 2006;
- “Section 561 Amount” means US$1 for the first Allotment Period and for any other Allotment Period means the amount specified as such in the Relevant Special Resolution;
- “pre-emptive offer” means an offer of equity securities open for acceptance for a period fixed by the directors to (a) holders (other than the Company) on the register on a record date fixed by the directors of ordinary shares in proportion to their respective holdings and (b) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in both cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory;
- “Relevant Ordinary Resolution” means, at any time, the most recently passed resolution varying, renewing or further renewing the authority conferred by Article 11.2.
• “Relevant Special Resolution” means, at any time, the most recently passed special resolution renewing or further renewing the authority conferred by Article 11.3;

• in the case of rights to subscribe for shares, or to convert any securities into shares, of the Company, the nominal value of such securities shall be taken to be the nominal value of the shares which may be allotted pursuant to such rights.

12 Power to pay commission and brokerage

12.1 The Company can use all the powers given by the Companies Acts to pay commission or brokerage to any person who:

• applies, or agrees to apply, for any new shares; or

• gets anybody else to apply, or agree to apply for, any new shares.

12.2 The rate per cent or amount of the commission paid, or agreed to be paid, must be disclosed as required by the Companies Acts and must not exceed 10 per cent of the price at which the shares in respect of which the commission is paid are issued (or an equivalent amount). The commission can be paid in cash or by the allotment of fully-paid shares, or any combination of the two, or in any other way allowed by the Companies Acts.

13 No trusts or similar interests recognised

13.1 The Company will only be affected by, or recognise, a current and absolute right to whole shares. The fact that any share, or any part of a share, may not be owned outright by the registered owner is not of any concern to the Company, for example if a share is held on any kind of trust.

13.2 The only exception to what is said in Article 13.1 is for any right:

• which is expressly given by these Articles; or

• which the Company has a legal duty to recognise.

SHARES IN UNCERTIFICATED FORM

14 Holding shares in uncertificated form and effect of the CREST Regulations

14.1 Subject to the Articles and so far as the Companies Acts allow this, the directors can decide that any class of shares can:

• be held in uncertificated form and that title to such shares can be transferred using a relevant system; or

• no longer be held and transferred in uncertificated form.

14.2 These Articles do not apply to shares of any class which are held in uncertificated form to the extent that the Articles are inconsistent with the:

• holding of shares of that class in uncertificated form;
• transfer of title to shares of that class by means of a relevant system; or

• CREST Regulations.

14.3 The directors can also lay down regulations which:
• govern the issue, holding and transfer, and where appropriate, the mechanics of conversion and redemption, of these shares and securities;
• govern the conversion of certificated shares into uncertificated shares and the conversion of uncertificated shares into certificated shares;
• govern the mechanics for payments involving a relevant system; and
• make any other provisions which they consider are necessary to ensure that these Articles are consistent with the CREST Regulations, and with any rules or guidance of an operator of a relevant system.

These regulations will, if they say so, apply instead of the other provisions in the Articles relating to certificates, and the transfer, conversion and redemption of shares and other securities, and any other provisions which are not consistent with the CREST Regulations. If the directors do make any regulations under this Article 14.3, Article 14.2 will still apply to the Articles, read with those regulations.

14.4 The Company may by notice to the holder of a share require that a share:
• if it is in uncertificated form, be converted into certificated form; and
• if it is in certificated form, be converted into uncertificated form.

to enable it to be dealt with in accordance with the Articles.

14.5 If:
• the Articles give the directors power to take action, or require other persons to take action, in order to sell, transfer or otherwise dispose of shares; and
• shares in uncertificated form are subject to that power, but the power is expressed in terms which assume the use of a certificate or other written instrument,

the directors may take such action as is necessary or expedient to achieve the same results when exercising that power in relation to shares in uncertificated form.

14.6 The directors may take such action as they consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of a share in uncertificated form or otherwise to enforce a lien in respect of it. This may include converting such share to certificated form.

14.7 Unless the directors resolve otherwise, shares which a shareholder holds in uncertificated form must be treated as separate holdings from any shares which that shareholder holds in certificated form.

14.8 A class of shares must not be treated as two classes simply because some shares of that class are held in certificated form and others are held in uncertificated form.
SHARE CERTIFICATES

15 Certificates

15.1 When a shareholder is first registered as the holder of any class of shares in certificated form, he is entitled to receive, free of charge, one certificate for all the shares in certificated form of that class which he holds. If he holds shares of more than one class in certificated form, he is entitled to receive a separate share certificate for each class.

15.2 The Company must also observe any requirements of the CREST Regulations when issuing share certificates. Where the Companies Acts allow, the Company does not need to issue share certificates.

15.3 If a shareholder receives more shares in certificated form of any class he is entitled, without charge, to another certificate for the additional shares.

15.4 If a shareholder transfers part of his shares covered by a certificate, he is entitled, free of charge, to a new certificate for the balance if the balance is also held in certificated form. The old certificate will be cancelled.

15.5 The Company does not have to issue more than one certificate for any share in certificated form, even if that share is held jointly.

15.6 When the Company delivers a certificate to one joint holder of shares in certificated form, this is treated as delivery to all of the joint shareholders.

15.7 If requested in writing to do so, the Company can deliver a certificate to a broker or agent who is acting for a person who is buying shares in certificated form, or who is having shares transferred to him in certificated form.

15.8 The directors can decide how share certificates are made effective. For example, they can be:

- signed by two directors or one director and the Secretary;
- signed by one director in the presence of a witness who attests to the signature;
- sealed with the Common Seal or the Securities Seal (or in the case of shares on a branch Register, an official seal for use in the relevant territory); or
- printed, in any way, with a copy of the signature of those directors and the Secretary. The copy can be made or produced mechanically, electronically or in any other way the directors approve so long as it complies with the Companies Acts.

15.9 A share certificate must state the number and class of shares to which it relates and the amount paid-up on those shares. It cannot be for shares of more than one class.

15.10 If all the issued shares of the Company, or a particular class of shares, are fully-paid and rank equally with each other for all purposes, none of those shares will (unless the directors pass a resolution to the contrary) have a distinguishing number as long as it remains fully-paid and ranks equally for all purposes with all the shares of the same class which are issued and fully-paid.

15.11 The time limit for the Company to prepare a share certificate for shares in certificated form is:
• two months after the allotment of a new share;
• five working days after a valid transfer of fully-paid shares is presented for registration;
• two months after a valid transfer of partly-paid shares is presented for registration; or
• where a request relating to Share Warrants has been made in accordance with Article 154.1, as set out in Article 154.3.

15.12 Article 15.11 only applies to the extent that the terms of issue of shares do not provide otherwise.

15.13 Share certificates will also be prepared and sent earlier where either the London Stock Exchange or the UK Listing Authority requires it.

16 Replacement share certificates

16.1 If a shareholder has four or more share certificates for shares of the same class which are in certificated form, he can ask the Company for these to be cancelled and replaced by a single new certificate. The Company must comply with this request and the directors can require the shareholder to pay the Company’s reasonable administrative expenses for doing so.

16.2 A shareholder can ask the Company to cancel and replace a single share certificate with two or more certificates, for the same total number of shares. The Company must comply with this request and the directors can require the shareholder to pay the Company’s reasonable administrative expenses for doing so.

16.3 A shareholder can ask the Company for a new certificate if the original is:
• damaged or defaced; or
• lost, stolen, or destroyed.

16.4 If a certificate has been damaged or defaced, the Company can require satisfactory evidence and for the certificate to be delivered to it before issuing a replacement. If a certificate is lost, stolen or destroyed, the Company can require satisfactory evidence, together with an indemnity, before issuing a replacement. In each case the directors can impose such other terms as they think fit.

16.5 The directors can require the shareholder to pay the Company’s exceptional out-of-pocket expenses for issuing any share certificates under Article 16.3.

16.6 Any one joint shareholder can request replacement certificates under this Article 16.

CALLS ON SHARES

17 The directors can make calls on shares

The directors can call on shareholders to pay any money which has not yet been paid to the Company for their shares. This includes both the nominal value of the shares and any
premium which may be payable. If the terms of issue of the shares allow this, the directors can:

• make calls as often, and whenever, they think fit;
• decide when and where the money is to be paid;
• decide that the money can be paid by instalments; or
• wholly or partly revoke or postpone any call.

A call is treated as having been made as soon as the directors pass a resolution authorising it.

18 The liability for calls

18.1 A shareholder who has received at least 14 days’ notice giving details of the amount called, the time (or times) and place or address for payment must pay the call as required by the notice. Joint shareholders are liable jointly and severally to pay any money called for in respect of their shares.

18.2 A shareholder due to pay the amount called shall still have to pay the call even if, after the call was made, he transfers the shares to which the call related.

19 Interest and expenses on unpaid calls

If a call is made and the money due remains unpaid, the shareholder is liable to pay interest on the money and any expenses incurred by the Company because of his failure to pay the call on time. The interest will run from the day the money is due until it has actually been paid. The yearly interest rate will be a reasonable rate fixed by the directors (or, where they do not fix a reasonable rate, 10 per cent). The directors can decide not to charge any or all of such expenses and interest.

20 Sums which are payable when a share is allotted are treated as a call

If the terms of a share require any money to be paid at the time the share is allotted, or at any fixed date (whether in relation to the nominal value of the shares or any premium which may apply), then the liability to pay the money will be treated in the same way as a liability for a valid call for money on shares which is due on the same date. If this money is not paid, everything in the Articles relating to non-payment of calls applies. This includes Articles which allow the Company to forfeit or sell shares and to claim interest.

21 Calls can be for different amounts

On an issue of shares, if the terms of such shares allow, the directors can decide that allottees or the subsequent holders of such shares can be called on to pay different amounts, or that they can be called on at different times.

22 Paying calls early

22.1 The directors can accept payment in advance of some or all of the money due from a shareholder before he is called on to pay the money. Any payment accepted in advance of
a shareholder being called on shall, to the extent of such payment, extinguish the liability upon the shares in respect of which it is made. The Company can agree to pay interest on money paid in advance until it would otherwise be due to the Company at a rate (up to a maximum yearly interest rate of 10 per cent) agreed between the directors and the shareholder.

22.2 The money which is paid in advance in this way shall not be included in calculating the dividend payable on the shares in respect of which the money paid in advance has been paid.

FORFEITING SHARES

23 Notice following non-payment of a call
Articles 23 to 34 apply if a shareholder fails to pay the whole amount of a call, or an instalment of a call, by the date on which it is due. The directors can Serve a notice on him any time after the date on which the call or the instalment is due, if the whole amount immediately due has not been paid.

24 Contents of the notice
A notice served under Article 23 must:

- demand payment of the amount immediately payable, plus any interest and expenses incurred by the Company by reason of such non-payment;
- give a date by when the total must be paid, but this must be at least 14 days after the notice is served on the shareholder;
- state where the payment(s) must be made; and
- state that if the full amount demanded is not paid by the time and at the place or address stated, the Company can forfeit the shares on which the call or instalment was due.

25 Forfeiture if the notice is not complied with
If a notice served under Article 23 is not complied with, the shares to which it relates can be forfeited at any time while any amount (including interest) is still outstanding. This is done by the directors passing a resolution stating that the shares have been forfeited.

26 Forfeiture will include unpaid dividends
All dividends which are due on (and other money payable in respect of) the forfeited shares, but not yet paid, will also be forfeited.

27 Surrender
The directors may accept a surrender of any share liable to be forfeited pursuant to Article 25.
LIENS ON PARTLY-PAID SHARES

28  Dealing with forfeited shares

28.1  The directors can sell, dispose of or re-allot any forfeited or surrendered share on any terms and in any way that they decide. The Company may keep the consideration received from doing this. The directors can, if necessary, authorise any person to transfer a forfeited or surrendered share to any other person and may cause such other person to be registered as the holder of the share.

28.2  The new shareholder’s ownership of the share will not be affected if the steps taken to forfeit or surrender the share, or the sale or disposal of the share, were invalid or irregular, or if anything that should have been done was not done, and the new shareholder is not obliged to enquire as to how the purchase money (if any) is used.

29  Cancelling forfeiture

29.1  After a share has been forfeited or surrendered, the directors can cancel the forfeiture or surrender. But they can only do this before the share has been sold, re-allotted or disposed of. This can be on any terms that they decide.

29.2  If a share has not been sold or disposed of after three years from the date of forfeiture, the directors must cancel the share.

30  The position of shareholders after forfeiture

30.1  A shareholder loses all rights in connection with forfeited or surrendered shares and ceases to be a shareholder in respect of those shares. If the shares are in certificated form, he must surrender any certificate for those shares to the Company for cancellation. A person is still liable to pay calls which have been made, but not paid, before the forfeiture of his shares. He must also pay interest on the unpaid amount (at the rate of interest which was payable on the unpaid amount before the forfeiture) until it is paid. If no interest was payable before the forfeiture on the unpaid amount, the directors can fix the rate of interest on the unpaid amount, but it must not be more than 10 per cent a year, until it is paid.

30.2  The shareholder continues to be liable for all claims and demands which the Company could have made relating to the forfeited share. He is not entitled to any credit for the value of the share when it was forfeited or for money received by the Company under Article 28, unless the directors decide to allow credit for all or any of that value. The directors may also decide to waive any payment due either completely or in part.

31  The Company’s lien on shares

The Company has a lien on all partly-paid shares. This lien has priority over claims of others to the shares and extends to all dividends and other money payable on the shares or in respect of them. This lien is for any money owed to the Company for the shares. The directors can decide to give up any lien which has arisen or that any share for a specified period of time be entirely or partly exempt from this Article. They can also decide to suspend any lien which would otherwise apply to particular shares. Unless otherwise
agreed, the registration of a transfer of any share over which the Company has a lien shall operate as a waiver of that lien.

32 Enforcing the lien by selling the shares

32.1 If the directors want to enforce the lien referred to in Article 31, they can sell some or all of the shares in any way they decide. The directors can authorise someone to transfer the shares sold. But they cannot sell the shares until all of the following conditions are met:

- the money owed by the shareholder must be immediately payable;
- the directors must have given a notice in writing to the shareholder. This notice must specify the shares concerned and say how much is due. It must also demand that this money is paid, and say that the shareholder’s shares can be sold by the Company if the money is not paid;
- the notice in writing must have been sent to or served on the shareholder, or on any person who is automatically entitled to the shares by law; and
- the money has not been paid by at least 14 days after the notice has been served.

32.2 The new shareholder’s ownership of the share will not be affected if the sale or disposal of the share was invalid or irregular, or if anything that should have been done was not done and is not obliged to enquire as to how the purchase money (if any) is used.

33 Using the proceeds of the sale

If the directors sell any shares under Article 32, the net proceeds will first be used to pay off the amount which is then payable to the Company. The directors will pay any money left over to the former shareholder, or to any person who would otherwise be automatically entitled to the shares by law provided that the Company’s lien will also apply to any money left over, to cover any money still due to the Company which is not yet payable: the Company has the same rights over this money as it had over the shares immediately before they were sold. If the shares are in certificated form, the Company need not pay over anything left under this Article until the certificate representing the shares sold has been delivered to the Company for cancellation.

34 Evidence of forfeiture or enforcement of lien

A director, or the Secretary, can make a statutory declaration declaring:

- that he is a director or the Secretary of the Company;
- that a share has been properly forfeited or surrendered or sold to satisfy a lien under the Articles; and
- when the share was forfeited or sold.

This will be conclusive evidence of these facts which cannot be disputed as against all persons claiming to be entitled to the share. Such declaration shall constitute a good title to the share subject to compliance with any other transfer formalities required by law.

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CHANGING SHARE RIGHTS

35 Changing the special rights of shares

35.1 If the Company’s share capital is split into different classes of share, and if the Companies Acts allow this and unless the Articles or rights attached to any class of share say otherwise, the special rights which are attached to any of these classes of share can be varied or abrogated if this is approved by a special resolution in accordance with Articles 35 and 36. This must be passed at a separate meeting of the holders of the relevant class of shares. This is called a class meeting. Alternatively, the holders of at least three-quarters of the existing shares of the relevant class, excluding any shares held as treasury shares, (by nominal value) can give their consent in writing.

35.2 The special rights of a class of shares can be varied or abrogated while the Company is a going concern, or while the Company is being wound up, or if winding up is being considered.

35.3 All the Articles relating to General Meetings apply, with any necessary changes, to a class meeting, but with the following adjustments:

• At least two people who hold (or who act as proxies for) at least one third of the total nominal value of the existing shares of the class are a quorum. However, if this quorum is not present at an adjourned class meeting, one person who holds shares of the class, or his proxy, is a quorum, regardless of the number of shares he holds.

• Anybody who is personally present, or who is represented by a proxy, can demand a poll.

• On a poll, the holders of shares will have one vote for every share of the class which they hold.

• If a class meeting is adjourned for any reason including a lack of quorum, the adjourned meeting may be held less than 10 clear days after the original class meeting notwithstanding Article 55.1.

35.4 This Article also applies to the variation or abrogation of special rights of shares forming part of a class. Each part of the class which is being treated differently is viewed as a separate class in operating this Article.

36 More about the special rights of shares

The special rights of shares or of any class of shares are not regarded as varied or abrogated if:

• new shares are created, or issued, which rank equally with or behind those shares or that class of shares in sharing in profits or assets of the Company;

• the Company redeems or buys back its own shares.

But this does not apply if the terms of the shares or class of shares expressly provide otherwise.
TRANSFERRING SHARES

37  Share transfers

37.1 Unless the Articles provide otherwise, any shareholder can transfer some or all of his shares to another person.

37.2 Every transfer of shares in certificated form must be in writing, and either in the usual standard form, or in any other form approved by the directors.

37.3 Transfers of uncertificated shares are to be carried out using a relevant system and must comply with the CREST Regulations.

38  More about transfers of shares in certificated form

38.1 The transfer form for shares in certificated form must be delivered to the Transfer Office (or any other place the directors may decide). The directors may refuse to recognise a transfer unless the transfer form:
- has with it the share certificate for the shares to be transferred and any other evidence which the directors ask for to prove that the person wishing to make the transfer is entitled to do this;
- is properly stamped (for payment of stamp duty) where this is required;
- is being used to transfer only one class of shares; and
- is in favour of not more than four joint holders.

38.2 If the share being transferred is a fully-paid-up share, a share transfer form must be signed by the person making the transfer. If the transfer is being made by a company, the share transfer form does not need to be under that company's seal.

38.3 If the share being transferred is not a fully-paid-up share a share transfer form must also be signed by the person to whom the share is being transferred. If the transfer is being made to a company, the transfer form does not need to be under that company's seal.

38.4 The person making a transfer of shares will be treated as continuing to be the shareholder until the name of the person to whom a share is being transferred is put on the Register for that share.

38.5 No fee is payable to the Company for transferring shares or registering changes relating to the ownership of shares.

38.6 If a share transfer is registered, or if the directors have any grounds for suspecting fraud, the Company can keep the share transfer form. Otherwise, if the directors refuse to register a transfer, the share transfer form will be returned, when notice of refusal is given, to the person lodging it.

39  The Company can refuse to register certain transfers

39.1 The directors can refuse to register a transfer of any shares:
- in certificated form, if the relevant conditions in Article 38 are not satisfied; or
If the Company transacts business in a country or territory referred to in Section 129 of the Companies Act 2006, it may arrange for a branch register of the shareholders resident in that country or territory to be kept there.

PERSONS AUTOMATICALLY ENTITLED TO SHARES BY LAW

A person who becomes automatically entitled to a share by law can either be registered as the shareholder or can select some other person to whom the share is to be transferred. The person who is automatically entitled by law must provide any evidence of his entitlement which is reasonably required by the directors.

If a person who is automatically entitled to shares by law wants to be registered as a shareholder, he must deliver or send a notice to the Company saying that he has made this decision. He must sign this notice, or authenticate it in accordance with Article 141, and it must be in the form which the directors require. This notice will be treated as a transfer form and all of the provisions of these Articles about registering transfers of shares apply to it. The directors have the same power to refuse to register the automatically entitled person as they would have had in deciding whether to register a transfer by the person who was previously entitled to the shares.
If a person who is automatically entitled to a share by law wants the share to be transferred to another person, he must do the following:

- for a share in certificated form sign a transfer form to the person he has selected; and
- for a share in uncertificated form transfer such share using a relevant system.

The directors have the same power to refuse to register the person selected as they would have had in deciding whether to register a transfer by the person who was previously entitled to the shares.

The rights of people automatically entitled to shares by law

A person who is automatically entitled to a share by law is entitled to any dividends or other money relating to the share, upon supplying to the Company such evidence as the directors may reasonably require to show his title to the share, even though he is not registered as the holder of that share. However, if the directors have served a notice on any such person requesting him to choose between registering himself or transferring the share, and such person does not comply with the notice within 90 days, the directors can withhold the dividend and other money until the notice has been properly complied with. The directors can also withhold the dividend if the person who was previously entitled to the share could have had their dividend withheld.

Unless and until he is registered as a shareholder the person automatically entitled to a share by law is not entitled:

- to receive notices of General Meetings, or to attend or vote at these meetings; and
- (subject to Article 45.1) to any of the other rights and benefits of being a shareholder, unless the directors decide to allow this.

A person entitled to a share who has elected for that share to be transferred to some other person pursuant to Article 44 shall cease to be entitled to any rights or advantages in relation to such share upon that other person being registered as the holder of that share.

Prior notices binding

If a notice is given to a shareholder in respect of a share, a person entitled to that share is bound by the notice if it was given to the shareholder before the name of the person entitled was entered into the Register.

SHAREHOLDERS WHO CANNOT BE TRACED

The Company can sell any shares at the best price reasonably obtainable if:
• during the 12 years before the earliest of the advertisements referred to below, at least three dividends on the shares have been payable and none has been claimed;
• after this 12-year period, the Company announces that it intends to sell the shares by placing an advertisement in a United Kingdom national newspaper and in a newspaper appearing in the area which includes the address held by the Company for serving notices relating to the shares; and
• during this 12-year period, and for three months after the last advertisement appears in the newspapers, the Company has received no indication as to the whereabouts or existence of the shareholder or any person who is automatically entitled to the shares by law.

47.2 To sell any shares in this way, the Company can authorise any person to transfer the shares. This transfer will be just as effective as if it had been made by the registered holder of the shares, or by a person who is automatically entitled to the shares by law. The ownership of the person to whom the shares are transferred will not be affected even if the sale is irregular or invalid in any way.

47.3 The net sale proceeds belong to the Company until claimed under this Article, but it must pay these to the shareholder who could not be traced, or to the person who is automatically entitled to the shares by law, if that shareholder, or that other person, asks for it.

47.4 The Company must record the name of that shareholder, or the person who was automatically entitled to the shares by law, as a creditor for this money in its accounts. The money is not held on trust, and no interest is payable on the money. The Company can keep any money which it has earned on the net sale proceeds. The Company can use the money for its business, or it can invest the money in any way that the directors decide. However, the money cannot be invested in the Company’s shares, or in the shares of any holding company of the Company.

47.5 In the case of uncertificated shares, this Article is subject to any restrictions which apply under the CREST Regulations.

GENERAL MEETINGS

48 The Annual General Meeting

Except as provided in the Companies Acts, the Company must hold an Annual General Meeting once in each period of six months beginning with the day following the Company’s accounting reference date, in addition to any other General Meetings which are held in the year. The notice calling the Annual General Meeting must say that the meeting is the Annual General Meeting. The Annual General Meeting must be held in accordance with the Companies Acts. The directors must decide when and where to hold the Annual General Meeting.

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The directors can decide to call a General Meeting at any time in accordance with the Companies Acts. General Meetings must also be called promptly in response to a requisition by shareholders under the Companies Acts. If a General Meeting is not called in response to such a request by shareholders, it can be called by the shareholders who requested the General Meeting in accordance with the Companies Acts. Any General Meeting requisitioned in this way by shareholders shall be called in the same manner as nearly as possible to that in which General Meetings are called by the directors. The directors must decide when and where to hold a General Meeting.

50 Notice of General Meetings

50.1 Notices of General Meetings shall include all information required to be included by the Companies Acts.

50.2 Notices of General Meetings must be given to the shareholders, except in cases where the Articles or the rights attached to the shares state that the holders are not entitled to receive them from the Company. Notice must also be given to the Company's auditors. The day when the notice is served (see Article 137), or is treated as served, and the day of the General Meeting do not count towards the period of notice. In relation to any class of shares some of which are in uncertificated form the Company can decide that only people who are entered on the Register at the close of business on a particular day are entitled to receive such a notice. That day shall be a day chosen by the Company and falling not more than 21 days before the notice is sent.

50.3 For the purposes of determining which persons are entitled to attend a meeting, the Company may specify in the notice of the meeting a time by which a person must be entered on the Register in order to have the right to attend the meeting. For the purposes of determining which persons are entitled to vote at a meeting, and how many votes such persons may cast, the Company must specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the Register in order to have the right to vote at the meeting. The directors may at their discretion resolve that, in calculating such period, no account shall be taken of any part of any day that is not a working day (within the meaning of Section 1173 of the Companies Act 2006).

PROCEEDINGS AT GENERAL MEETINGS

51 The chairman of a General Meeting

51.1 The Chairman of the directors will be the chairman at every General Meeting, if he is present and willing to take the chair.

51.2 If the Company does not have a Chairman, or if the Chairman is not present and willing to chair the General Meeting, a Deputy Chairman will chair the meeting if he is present and willing to take the chair.
Where there is more than one Deputy Chairman at a General Meeting and there is more than one present, and the Chairman is not there, the Deputy Chairman to take the chair will be the longest serving Deputy Chairman present.

If the Company does not have a Chairman or a Deputy Chairman, or if neither the Chairman or any Deputy Chairman are present and willing to chair the General Meeting, after waiting ten minutes from the time that a meeting is due to start, the directors who are present will choose one of themselves to act as chairman. If there is only one director present, he will be chairman if he is willing.

If there is no director present and willing to be chairman, then a shareholder may be elected to be the chairman by a resolution of the Company passed at the General Meeting. A proxy, who is not also a director or shareholder, cannot be appointed as the chairman.

To avoid any doubt, nothing in these Articles restricts or excludes any of the powers or rights of a chairman of a meeting which are given by the general law.

The directors can put in place any arrangements or restrictions they think necessary to ensure the safety and security of people attending a General Meeting and the orderly conduct of the General Meeting, including requiring those attending to submit to searches.

Either the chairman of a General Meeting, or the Secretary, can take any action he considers necessary (including adjourning the General Meeting) for:

- the safety of people attending a General Meeting (for example, if there is not enough room for the shareholders and proxies who want to attend the General Meeting); or
- proper and orderly conduct at a General Meeting (for example, where the behaviour of someone present could prevent the business of the General Meeting being carried out in an orderly way); or
- any other reason to make sure that the business of the General Meeting can be properly carried out.

Where the chairman of a General Meeting or the Secretary decides to adjourn a General Meeting in this way, he can adjourn the General Meeting to a time, date and place he decides (or indefinitely). He does not need the agreement of those present at the General Meeting to do this.

The directors may refuse entry to, or remove from, a General Meeting any shareholder, proxy or other person who fails to comply with such arrangements or restrictions.

If anyone has gained entry to a General Meeting and refuses to comply with any security arrangements or restrictions, or disrupts the proper and orderly conduct of the General Meeting, the chairman can at any time, without the consent of the General Meeting, order this person to leave or be removed from the General Meeting.

The chairman of a General Meeting can invite any person to attend and speak at the General Meeting who they consider has the knowledge or experience of the business of the Company to assist in the deliberations of the meeting.
The chairman’s decision on points of order, matters of procedure or matters arising incidentally out of the business of a General Meeting will be final, as will his decision, acting in good faith, on whether a point or matter is of this nature.

53  **Overflow meeting rooms**

The directors can arrange for any people who they consider cannot be seated in the main meeting room, where the chairman will be, to attend and take part in a General Meeting in an overflow room or rooms. Any overflow room must have a live video and two way sound link with the main room for the General Meeting, where the chairman will be. The video and sound link must enable those in all the rooms to see and hear what is going on in the other rooms. The notice of the General Meeting does not have to give details of any arrangements under this Article. The directors can decide on how to divide people between the main room and any overflow room. If any overflow room is used, the General Meeting will be treated as being held, and taking place, in the main room.

54  **The quorum needed for General Meetings**

Before a General Meeting starts to conduct business, there must be a quorum present. If there is not, the meeting cannot carry out any business other than appointing a chairman. Unless other Articles say otherwise, a quorum for all purposes is two people who are entitled to vote. They can be personally present or proxies for shareholders or duly authorised company representatives or a combination of shareholders, duly authorised company representatives and proxies.

55  **The procedure if there is no quorum**

55.1 This Article 55 applies if a quorum is not present either within 30 minutes of the time fixed for a General Meeting to start or within any longer period (being no longer than an hour from the time fixed for the General Meeting to start) on which the chairman may decide and if during the meeting a quorum ceases to be present. If the General Meeting was called by shareholders it is cancelled. Any other General Meeting is adjourned to another day, time and place stated in the notice of General Meeting or (if not so specified) as the directors may decide, provided that the adjourned meeting shall be held not less than 10 clear days after the original General Meeting.

55.2 If a quorum is not present within 15 minutes of the time fixed for the start of the adjourned meeting, the adjourned General Meeting shall be cancelled.

56  **Adjourning meetings**

56.1 Subject to Article 52, the chairman of a General Meeting can adjourn a meeting which has a quorum present, if this is agreed by those present at the General Meeting. This can be to a time, date and place proposed by the chairman or may be an indefinite adjournment. The chairman must adjourn the General Meeting if the General Meeting directs him to. In these circumstances the General Meeting will decide how long the adjournment will be, and where it will adjourn to. If a General Meeting is adjourned indefinitely, the directors will fix the time, date and place of the adjourned General Meeting.
56.2 General Meetings can be adjourned more than once. But if a General Meeting is adjourned for more than 30 days or indefinitely, at least seven days’ notice must be given of the adjourned General Meeting in the same way as was required for the original General Meeting. If a General Meeting is adjourned for less than 30 days, there is no need to give notice of the adjourned General Meeting, or about the business to be considered there.

56.3 An adjourned General Meeting can only deal with business that could have been dealt with at the original General Meeting before it was adjourned.

57 Amending resolutions

57.1 A special resolution to be proposed at a General Meeting may be amended by ordinary resolution provided that no amendment may be made other than a mere clerical amendment to correct an obvious error.

57.2 An ordinary resolution to be proposed at a General Meeting may be amended by ordinary resolution provided that:

- notice of the proposed amendment has been:
  - lodged in writing at the Registered Office; or
  - received electronically at the address specified for receiving notices in electronic form,

- at least two clear business days before the time appointed for holding the General Meeting or adjourned General Meeting at which the resolution is to be proposed;

- such notice has been given by a person entitled to vote at the General Meeting in question; and

- the chairman of the General Meeting decides in good faith that the amendment is within the scope of the business of the meeting as described and does not impose further obligations on the Company.

57.3 If the chairman of a General Meeting, acting in good faith, rules an amendment to a resolution out of order, any error in that ruling will not affect the validity of a vote on the original resolution.

58 Satellite meeting places

58.1 To assist with the organisation and administration of any General Meeting, the directors may decide that the General Meeting will be held at more than one location.

58.2 For the purposes of these Articles, any General Meeting taking place at two or more locations will be treated as taking place where the chairman of the General Meeting is in attendance (to be known as the principal meeting place) and any other location where that meeting takes place is referred to in these Articles as a satellite meeting.

58.3 A shareholder present in person or by proxy at a satellite meeting may be counted in the quorum and can exercise all rights that they would have been able to exercise if they were present at the principal meeting place.

58.4 The directors can make and change such arrangements as they consider appropriate to:
• ensure that all shareholders and proxies for shareholders wanting to attend the meeting can do so;
• ensure that all persons attending the meeting are able to take part in the business of the meeting and to see and hear anyone else addressing the meeting;
• ensure the safety of persons attending the meeting and the orderly conduct of the meeting; and
• restrict the numbers of shareholders and proxies at any one location to a number that can be safely and conveniently accommodated there.

58.5 Whether any shareholder or proxy is entitled to attend a satellite meeting will depend on any arrangements then in force and stated in the notice of General Meeting or adjourned General Meeting.

58.6 If the communication equipment fails or if any other arrangements fail for shareholders to take part in the meeting at more than one place, the chairman may adjourn the meeting under Article 56. Such an adjournment will not affect the validity of such meeting, or any business conducted at such meeting up to the point it is adjourned, or any action taken following such a meeting.

58.7 A person (known as a satellite chairman) may be appointed by the directors to preside at each satellite meeting. Every satellite chairman appointed:
• will carry out all requests made by the chairman of the General Meeting;
• can take whatever action they think necessary to maintain the proper and orderly conduct of the satellite meeting; and
• will have all powers necessary or desirable to carry out these duties.

VOTING PROCEDURES

59 How votes are taken

59.1 All Substantive Resolutions will only be decided on a poll. All Procedural Resolutions will be decided by a show of hands, unless a poll is demanded before the resolution is put to the vote on a show of hands or on the result of the show of hands being declared by the chairman. A poll can be demanded by:
• the chairman of the General Meeting;
• at least five shareholders at the General Meeting (including proxies of shareholders entitled to vote) who are entitled to vote;
• one or more shareholders at the General Meeting who are entitled to vote (including proxies of shareholders entitled to vote) and who have, between them, at least 10 per cent of the total votes of all shareholders who have the right to vote at the General Meeting (excluding the rights attaching to shares held as treasury shares); or
• one or more shareholders who have shares which allow them to vote at the General Meeting (including proxies of shareholders entitled to vote), where the...
total amount which has been paid-up on their shares is at least 10 per cent of the total sum paid-up on all shares which give the right to vote at the General Meeting.

59.2 A demand for a poll can be withdrawn if the chairman agrees to this. If a poll is demanded, and this demand is then withdrawn, any declaration by the chairman of the result of a vote on that resolution by a show of hands, which was made before the poll was demanded, will stand.

60 How a poll is taken

60.1 If a poll is demanded or held in the way allowed by the Articles, the chairman of the General Meeting can decide where, when and how it will be carried out. The result is treated as the decision of the General Meeting where the poll was demanded, even if the poll is carried out after the General Meeting.

60.2 The chairman can:
   • decide that a ballot, voting papers, tickets, or electronic means, or any such combination, will be used;
   • appoint one or more scrutineers (who need not be shareholders);
   • decide to adjourn the General Meeting to such day, time and place as he decides for the result of the poll to be declared.

60.3 If a poll is called, a shareholder can vote either personally or by his proxy. If a shareholder votes on a poll, he does not have to use all of his votes or cast all his votes in the same way.

61 Where there cannot be a poll

Notwithstanding any other provision in these Articles, a poll is not allowed on a vote to elect a chairman of a General Meeting, nor is a poll allowed on a vote to adjourn a General Meeting, unless the chairman of the General Meeting demands a poll.

62 A General Meeting continues after a poll is demanded

A demand for a poll on a particular matter does not stop a General Meeting from continuing and dealing with matters other than the question on which the poll was demanded.

63 Timing of a poll

A poll on a resolution to adjourn the General Meeting must be taken immediately at the General Meeting. Any other poll can either be taken immediately at the General Meeting or within 30 days from the date it was demanded and at a time and place decided on by the chairman. No notice is required for a poll which is not taken immediately if the time and place at which it is to be taken are announced at the General Meeting at which it is demanded. In any other case, at least seven clear days’ notice must be given specifying the time and place at which the poll is to be taken.

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On a vote on a resolution at a General Meeting on a show of hands, a declaration by the chairman that the resolution:

- has or has not been passed; or
- has or has not been passed with a particular majority,

is conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. An entry in respect of such a declaration in minutes of the meeting recorded in accordance with the Companies Acts is also conclusive evidence of that fact without such proof. This Article does not have effect if a poll is demanded in respect of the resolution (and the demand is not subsequently withdrawn).

**VOTING RIGHTS**

**The effect of a declaration by the chairman**

On a vote on a resolution at a General Meeting on a show of hands, a declaration by the chairman that the resolution:

- has or has not been passed; or
- has or has not been passed with a particular majority,

is conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. An entry in respect of such a declaration in minutes of the meeting recorded in accordance with the Companies Acts is also conclusive evidence of that fact without such proof. This Article does not have effect if a poll is demanded in respect of the resolution (and the demand is not subsequently withdrawn).

**The votes of shareholders**

65.1 At a General Meeting:

(i) on a show of hands every shareholder (who is entitled to be present and to vote) who is present in person and, subject to Article 65.1(ii), every proxy present (who has been duly appointed) shall have one vote;

(ii) on a show of hands, a proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more than one shareholder entitled to vote on the resolution, and the proxy has been instructed:

- by one or more of those shareholders to vote for the resolution and by one or more other of those shareholders to vote against it; or
- by one or more of those shareholders to vote either for or against the resolution and by one or more other of those shareholders to use his discretion as to how to vote; and

(iii) on a poll, every shareholder (who is entitled to be present and to vote) who is present in person or by proxy (who has been duly appointed) shall have one vote for every share which he holds.

This is subject to Article 50.3 and any special rights or restrictions which are given to any class of shares by, or in accordance with, the Articles.

65.2 A proxy shall not be entitled to vote on a show of hands or on a poll where the shareholder appointing the proxy would not have been entitled to vote on the resolution had he been present in person.

66 Shareholders who owe money to the Company

Unless the Articles provide otherwise, the only people who are entitled to attend and/or vote at General Meetings or to exercise any other right conferred by being a shareholder in relation to General Meetings, are shareholders who have paid the Company all calls, and all other sums, relating to their shares which are due at the time of the General
Meeting. This applies both to attending the General Meeting personally and to appointing a proxy.

67 Suspension of rights on non-disclosure of interest

67.1 This Article applies if any shareholder, or any person appearing to be interested in shares (within the meaning of Part 22 of the Companies Act 2006) held by that shareholder, has been properly served with a notice under Section 793 of the Companies Act 2006, requiring information about interests in shares, and has failed for a period of 14 days from the date of the notice to supply to the Company the information required by that notice. Then (subject to the provisions of the Companies Acts and this Article, and unless the directors otherwise decide) the shareholder is not (for so long as the failure continues) entitled to attend or vote either personally or by proxy at a shareholders’ meeting or to exercise any other right in relation to a shareholders’ meeting as holder of:

- the shares in relation to which the default occurred (called default shares);
- any further shares which are issued in respect of default shares; and
- any other shares held by the shareholder holding the default shares.

67.2 Any person who acquires shares subject to restrictions under Article 67.1 is subject to the same restrictions, unless:

- the transfer was an approved transfer (see Article 67.11); or
- the transfer was by a shareholder who was not himself in default in supplying the information required by the notice under Article 67.1 and a certificate in accordance with Article 67.3 is provided.

67.3 Where the default shares represent 0.25 per cent or more of the existing shares of a class, the directors can in their absolute discretion by notice in writing (a direction notice) to the shareholder direct that:

- any dividend or part of a dividend or other money which would otherwise be payable on the default shares shall be retained by the Company (without any liability to pay interest when that dividend or money is finally paid to the shareholder);
- the shareholder will not be allowed to choose to receive shares in place of dividends in accordance with Article 131; and/or
- subject to Article 67.4, no transfer of any of the shares held by the shareholder will be registered unless:
  - either the transfer is an approved transfer (see Article 67.11); or
  - the shareholder is not himself in default as regards supplying the information required; and (in this case)
    - the transfer is of part only of his holding; and
    - when presented for registration, the transfer is accompanied by a certificate by the shareholder. This certificate must be in a form satisfactory to the directors and state that after due and careful

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enquiry the **shareholder** is satisfied that none of the **shares** included in the transfer are **default shares**.

67.4 Any **direction notice** can treat **shares** of a **shareholder** in **certificated** and **uncertificated form** as separate shareholdings and either apply only to **shares** in **certificated form** or to **shares** in **uncertificated form** or apply differently to **shares** in **certificated** and **uncertificated form**. In the case of **shares** in **uncertificated form** the directors can only use their discretion to prevent a transfer if this is allowed by the CREST Regulations.

67.5 The **Company** must send a copy of the **direction notice** to each other person who appears to be interested in the **shares** covered by the notice, but if it fails to do so, this does not invalidate the **direction notice**.

67.6 A **direction notice** has the effect which it states while the default resulting in the notice continues. It then ceases to apply when the directors decide (which they must do within one week of the default being cured), The **Company** must give the **shareholder** notice in writing of the directors’ decision as soon as reasonably practicable.

67.7 A **direction notice** also ceases to apply to any **shares** which are transferred by a **shareholder** in a transfer permitted under Article 67.3 even where a **direction notice** restricts transfers.

67.8 Where a person who appears to be interested in **shares** has been served with a notice under Section 793 of the **Companies Act 2006** and the **shares** in which he appears to be interested are held by an **Approved Depositary**, this Article shall be treated as applying only to the **shares** which are held by the **Approved Depositary** in which that person appears to be interested and not (so far as that person’s apparent interest is concerned) to any other **shares** held by the **Approved Depositary**.

67.9 Where the **shareholder** on which a notice under Section 793 of the **Companies Act 2006** is served is an **Approved Depositary**, the obligations of the **Approved Depositary** as a **shareholder** will be limited to disclosing to the **Company** any information relating to any person who appears to be interested in the **shares** held by it which has been recorded by it in accordance with the arrangement under which it was appointed as an **Approved Depositary**.

67.10 For the purposes of this Article a person is treated as appearing to be interested in any **shares** if the **shareholder** holding those **shares** has been served with a notice under Section 793 of the **Companies Act 2006** and:

- the **shareholder** has named that person as being so interested; or
- (after taking into account the response of the **shareholder** to the notice and any other relevant information) the **Company** knows or reasonably believes that the person in question is or may be interested in the **shares**.

67.11 For the purposes of this Article a transfer of **shares** is an **approved transfer** if:

- it is a transfer of **shares** to an offeror under an acceptance of a **takeover offer**; or
- the directors are satisfied that the transfer is made in connection with a sale in good faith of the whole of the beneficial ownership of the **shares** to a person unconnected with the **shareholder** or with any person appearing to be interested in the **shares**. This includes such a sale made through a **recognised investment**
Where a share is held by joint shareholders any one joint shareholder can vote at any General Meeting (either personally or by proxy) in respect of such share as if he were the only shareholder. If more than one of the joint shareholders votes (either personally or by proxy), the only vote which will count is the vote of that one of them who is listed first on the Register for the share.

67.12 Where a person who has an interest in American Depositary Shares receives a notice under this Article 67, that person is considered for the purposes of this Article 67 to have an interest in the number of shares represented by those American Depositary Shares which is specified in the notice and not in the remainder of the shares held by the ADR Depositary.

67.13 Where the ADR Depositary receives a notice under this Article 67, the ADR Depositary shall only be required to supply information relating to any person who has an interest in the shares held by the ADR Depositary which has been recorded by the ADR Depositary under the arrangements made with the Company (including in the Proxy Register maintained under Article 156) when it was appointed as the ADR Depositary.

67.14 This Article does not restrict in any way the provisions of the Companies Acts which apply to failures to comply with notices under Section 793 of that Companies Act 2006.

68 The votes of joint holders

Where a share is held by joint shareholders any one joint shareholder can vote at any General Meeting (either personally or by proxy) in respect of such share as if he were the only shareholder. If more than one of the joint shareholders votes (either personally or by proxy), the only vote which will count is the vote of that one of them who is listed first on the Register for the share.

PROXIES

69 Appointment of proxies

69.1 Any shareholder may appoint a proxy or (subject to Article 69.3) proxies to exercise all or any of his rights to attend or speak and vote at a General Meeting of the Company. A proxy need not be a shareholder.

69.2 Proxies may also be appointed to act at General Meetings in the circumstances, and in the manner, provided for in Articles 151.2, 155, 157, 158 and 161, and Articles 69 to 73 should be read subject to their terms.

69.3 A shareholder may appoint more than one proxy in relation to a General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or (as the case may be) a different £10, or multiple of £10, of stock held by him.

70 Completing proxy forms

70.1 A proxy form:

• must be in writing; and
• can be in any form which is commonly used, or in any other form which the directors approve.

70.2 A proxy form given by:

• an individual must be signed by the shareholder appointing the proxy, or by an agent who has been properly appointed in writing, or authenticated in accordance with Article 141; or
• a company must be sealed with the company’s seal or signed by an officer or agent who is authorised to act on behalf of the company, or authenticated in accordance with Article 141.

Unless the contrary is shown, the directors are entitled to assume that where a proxy form purports to have been signed, or authenticated in accordance with Article 141, by an officer or agent on behalf of a company that such officer or agent was duly authorised by such company without requiring any further evidence. Signatures and authentications need not be witnessed.

70.3 The proxy form must make provision for three-way voting on all resolutions intended to be proposed, other than resolutions which are merely procedural.

70.4 The accidental omission to send a proxy form, or make a proxy form available, to a shareholder entitled to it (or non receipt by him of the proxy form) will not invalidate any resolution passed or proceedings at the General Meeting to which the proxy form relates.

71 Delivering proxy forms

71.1 The appointment of a proxy must be received in the manner set out in, or by way of note to, or in any document accompanying, the notice convening the meeting (or if no address is so specified, at the Transfer Office):

• in the case of a meeting or adjourned meeting, not less than 48 hours before the commencement of the meeting or adjourned meeting to which it relates;
• in the case of a poll taken following the conclusion of a meeting or adjourned meeting, but not more than 48 hours after the poll was demanded, not less than 48 hours before the commencement of the meeting or adjourned meeting at which the poll was demanded; and
• in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll,

and in default shall not be treated as valid.

71.2 The directors may at their discretion resolve that, in calculating the periods mentioned in Article 71.1, no account shall be taken of any part of any day that is not a working day (within the meaning of Section 1173 of the Companies Act 2006).

71.3 Directors can decide to accept proxies delivered by electronic means or by means of a website, subject to any limitations, restrictions or conditions they decide to apply.

71.4 In relation to any shares in uncertificated form, the directors can permit a proxy to be appointed by electronic means in the form of an uncertificated proxy instruction. They can also permit any supplement to, or amendment or withdrawal of, any uncertificated proxy
instruction by a further uncertificated proxy instruction. The directors can set out the method of determining when any uncertificated proxy instruction is to be treated as received by the Company. The directors can treat any uncertificated proxy instruction which appears or claims to be sent on behalf of the shareholder as sufficient evidence that the person sending the instruction is authorised to send it on behalf of that shareholder.

71.5 If a proxy form is signed, or authenticated in accordance with Article 141, by an agent, the power of attorney or other authority relied on to sign or authenticate it, or a copy which has been certified by a notary, or certified in some other way specified by the directors, must (if required by the Company) be delivered with the proxy form in accordance with the instructions for delivery of proxy forms which are set out in the notice of General Meeting or on the proxy form, unless the power of attorney or other form of authority has already been registered with the Company.

71.6 If this Article 71 is not complied with, the proxy will not be able to act for the person who appointed him.

71.7 A proxy form delivered by an Approved Depositary except in respect of a person appointed in accordance with Articles 164 and 165 may be delivered to the appropriate place or address referred to in Article 71.1 by electronic means or in any other way the directors decide.

71.8 Where two or more proxy forms are delivered for use by the same shares, the one which has been delivered last will be treated as replacing and revoking the others which have been delivered.

71.9 If a proxy form which relates to several General Meetings has been properly delivered for one General Meeting or adjourned General Meeting, it does not need to be delivered again for any later General Meeting which the proxy form covers.

71.10 Unless the proxy form says otherwise, it will be valid at an adjourned General Meeting as well as for the original General Meeting to which it relates.

71.11 A shareholder can attend and vote at a General Meeting on a show of hands or on a poll even if he has appointed a proxy to attend and vote at that meeting. However, if he votes in person on a resolution, then as regards that resolution his appointment of a proxy will not be valid.

72 Cancellation of proxy’s authority

72.1 Neither the death or insanity of a shareholder who has appointed a proxy, nor the revocation or termination by a shareholder of the appointment of a proxy (or of the authority under which the appointment was made), shall invalidate the proxy or the exercise of any of the rights of the proxy thereunder, unless notice of such death, insanity, revocation or termination shall have been received by the Company in accordance with Article 72.2.

72.2 Any such notice of death, insanity, revocation or termination must be received at the address or one of the addresses (if any) specified for receipt of proxies in, or by way of note to, or in any document accompanying, the notice convening the meeting to which the appointment of the proxy relates (or if no address is so specified, at the Transfer Office):
• in the case of a meeting or adjourned meeting, not less than one hour before the commencement of the meeting or
adjourned meeting to which the proxy appointment relates;
• in the case of a poll taken following the conclusion of a meeting or adjourned meeting, but not more than 48 hours after
it was demanded, not less than one hour before the commencement of the meeting or adjourned meeting at which the
poll was demanded; or
• in the case of a poll taken more than 48 hours after it was demanded, not less than one hour before the time appointed
for the taking of the poll.

73 Authority of proxies
A proxy shall have the right to exercise all or any of the rights of his appointor, or (where more than one proxy is appointed)
all or any of the rights attached to the shares in respect of which he is appointed the proxy to attend, and to speak and vote, at
a General Meeting of the Company.

74 Representatives of companies
Subject to the Companies Acts, a company which is a shareholder can authorise any person or persons to act as its
representative or representatives at any General Meeting which it is entitled to attend. Such person or persons are each called
a company representative. The directors of that company must pass a resolution to appoint a company representative. If
the governing body of that company is not a board of directors, the resolution can be passed by its governing body.

75 Challenging votes
Any objection to the right of any person to vote or the way in which the votes have been counted must be made at the
General Meeting (or adjourned General Meeting) at which the vote is cast. If a vote is not disallowed at the General
Meeting, it is valid for all purposes. Any such objection must be raised with the chairman of the General Meeting and will
only change the decision of the General Meeting on any resolution if the chairman of the General Meeting decides that the
vote cast may have affected the decision of the General Meeting. His decision on matters referred to him under this Article is
final.

DIRECTORS

76 The number of directors
There must be at least three directors (other than alternate directors), but the shareholders can vary the number of directors
by passing an ordinary resolution.

77 Qualification to be a director
A director need not be a shareholder, but a director who is not a shareholder is entitled to attend and speak at shareholders’
meetings.
78 Directors’ fees and expenses

78.1 Each of the directors shall be paid a fee for his services. The directors can decide on the amount, timing and manner of payment of directors’ fees, but the total of the fees paid to all of the directors (excluding amounts paid as special pay under Article 79, amounts paid as expenses under Article 80 and any payments under Article 81) must not exceed:

- £1.5 million a year; or
- any higher sum decided on by an ordinary resolution at a General Meeting.

This remuneration shall accrue from day to day.

78.2 Unless an ordinary resolution is passed which provides otherwise, the fees will be divided between some or all of the directors in the way that they decide. If they fail to decide, the fees will be shared equally by the directors, except that any director holding office as a director for only part of the period covered by the fee is only entitled to a pro rata share covering that broken period.

79 Special pay

79.1 The directors can award special pay if any director performs extra or special services of any kind including:

- holding any executive post;
- acting as chairman or deputy chairman (whether or not this office is executive or non-executive);
- travelling or staying outside his main residence for any business or purposes of the Company; and
- serving on any committee of the directors.

79.2 Special pay can take the form of salary, commission or other benefits or expenses or more than one of such forms or can be paid in some other way. This is decided on by the directors and may be a fixed sum or percentage of profits or otherwise. Such special pay can be either in addition to or instead of any other fees, expenses and other benefits a director may be entitled to receive.

80 Directors’ expenses

In addition to any fees and expenses paid under Articles 78 and 79, the Company will repay to a director all expenses properly incurred in:

- attending and returning from shareholders’ meetings;
- attending and returning from directors’ meetings;
- attending and returning from meetings of committees of the directors; or
- in or with a view to the performance of his duties.
81 Directors’ pensions and other benefits

81.1 The directors may pay or provide:

- pensions;
- annual payments;
- gratuities; or
- other allowances or benefits

to any person who is, or who was, a director who had a salary or place of profit with the Company or with any company which is or has been a subsidiary of the Company or a predecessor in business of the Company or any such subsidiary. The director can decide to extend these arrangements to any member of his family (including a spouse and a former spouse) or to any person who was or is dependent on him. The director can also decide to contribute (before as well as after he ceases to receive a salary or occupy a place of profit) to any scheme or fund or to pay premiums to a third party for these purposes.

81.2 No director or former director is accountable to the Company or its shareholders for a benefit of any kind given in accordance with this Article. The receipt of a benefit of any kind given in accordance with this Article does not prevent a person from being or becoming a director.

82 Appointing directors to various posts

82.1 The directors can appoint any director as chairman, or a deputy chairman, or to any executive position on which they decide. So far as the Companies Acts allow, they can decide on how long these appointments will be for, and on their terms. Subject to the terms of any contract with the Company, they can also vary or end these appointments.

82.2 A director will automatically stop being chairman, deputy chairman, managing director, deputy managing director, joint managing director or assistant managing director if he is no longer a director. Other executive appointments will only stop if the contract or resolution appointing the director to a post says so. If a director’s appointment ends because of this Article, this does not prejudice any claim for breach of contract against the Company which may otherwise apply.

82.3 The directors can delegate to a director appointed to an executive post any of the powers which they jointly have as directors. These powers can be delegated on such terms and conditions as decided by the directors either in parallel with, or in place of, the powers of the directors acting as a board. The directors can change the basis on which these powers are given or withdraw them from the executive.

CHANGING DIRECTORS

83 Retiring directors

At each Annual General Meeting all those directors who were 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.
Eligibility for re-election

A retiring director is eligible for re-election, unless the directors resolve otherwise not later than the date of the notice of such Annual General Meeting.

Re-electing a director who is retiring

At a General Meeting at which a director retires (whether at an Annual General Meeting or otherwise), he may be re-elected (as long as the director has not told the Company in writing that he does not wish to be re-elected) if the shareholders pass an ordinary resolution to re-elect him.

A director retiring at a General Meeting retires at the end of that meeting (or adjourned meeting), or if earlier, when a resolution at a General Meeting is passed to appoint some other person in his place. Where a retiring director is re-elected he continues as a director without a break.

The power to fill vacancies and appoint extra directors

The directors can appoint any person as an extra director or to fill a casual vacancy. Any director appointed in this way automatically retires at the next General Meeting after his appointment. At this General Meeting he can be elected by the shareholders as a director.

At a General Meeting the shareholders can also pass an ordinary resolution to fill a casual vacancy or to appoint an extra director.

Extra directors can only be appointed under this Article up to the limit (if any) on the total number of directors under the Articles (or any variation of the limit approved by the shareholders in accordance with the Articles).

Removing and appointing directors by an ordinary resolution

The shareholders can pass an ordinary resolution to remove a director, even though his time in office has not ended. This applies despite anything else in the Articles, or in any agreement between him and the Company. Special notice of the ordinary resolution must be given to the Company as required by the Companies Acts. But if a director is removed in this way, it will not affect any claim which he may have for damages for breach of any contract of service between him and the Company.

Subject to Article 86, the shareholders can pass an ordinary resolution to elect a person to replace a director who has been removed in the way described in Article 87.1. If no director is appointed under this Article, the vacancy can be filled under Article 86.

Any person appointed under Article 87.2 will be treated, for the purpose of determining the time at which he is to retire, as if he had become a director on the day on which the director he replaced was last elected.

When directors are disqualified

Any director automatically ceases to be a director in any of the following circumstances if:
• a bankruptcy order is made against him or any analogous event occurs in relation to him under any applicable laws;
• he makes any arrangement or composition with his creditors or applies for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act or any analogous event occurs in relation to him under any applicable laws;
• a court which claims jurisdiction to protect people who are unable to manage their own affairs has made an order detaining him or appointing a person to manage his property or affairs;
• he has missed directors’ meetings for a continuous period of six months, without permission from the directors, and the directors have passed a resolution removing him from office;
• he is prohibited from being a director by law or any power conferred on the directors or shareholders under these Articles or ceases to be a director by virtue of any provision of the Companies Act 2006;
• except where his contract of service prevents him from resigning, he:
  (i) delivers to the Company a resignation notice in writing, signed, or authenticated in accordance with Article 141, by him or on his behalf; or
  (ii) offers in writing to resign and the directors pass a resolution accepting the offer;
• all the other directors serve a notice in writing upon him requiring him to resign. He will cease to be a director when the notice is served on him. Such a notice can consist of several documents in the same form signed, or authenticated in accordance with Article 141, by one or more directors.

89 Director ceasing to be a member of a committee
When a director stops being a director for any reason, he will also automatically cease to be a member of any committee. Removal from office will be without prejudice to any claim which he or the Company might bring in relation to any contract of service between him and the Company.

DIRECTORS’ MEETINGS

90 Directors’ meetings
The directors can decide when and where to have directors’ meetings and how they shall be conducted, and on the quorum. They can also adjourn their meetings.

91 Who can call directors’ meetings
A directors’ meeting can be called by any director. The Secretary must also call a directors’ meeting if a director asks him to.
Directors’ meetings are called by giving notice to all the directors. This notice may be given to a director personally, by word of mouth, by notice in writing (sent to him at his last known address) or by electronic means (sent to him at his last known electronic address or number). Any director can waive notice of any directors’ meeting, including one which has already taken place.

Matters for decision which arise at a directors’ meeting will be decided by a majority vote. The chairman of the meeting will not have a second, casting vote.

Quorum

If no other quorum is fixed by the directors, three directors are a quorum. A directors’ meeting at which a quorum is present can exercise all the powers, authorities and discretions of the directors whether by or under these Articles or exercisable by the directors generally.

A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum.

A director who ceases to be a director at a directors’ meeting can continue to be present and act as a director and be counted in the quorum until the end of that meeting if no other director objects and a quorum would not otherwise be present.

The Chairman of directors’ meetings

The directors can elect any director as Chairman or as one or more Deputy Chairmen for such periods as the directors decide. If the Chairman is at a directors’ meeting, he will chair it. In his absence, the chair will be taken by a Deputy Chairman, if one is present. If there is no Chairman or Deputy Chairman present within five minutes of the time when the directors’ meeting is due to start, the directors who are present can choose which one of them will be the Chairman of the directors’ meeting.

Where there is more than one Deputy Chairman present at a meeting, and the Chairman is not there, the Deputy Chairman to take the chair will be the longest serving Deputy Chairman present.

Voting at directors’ meetings

Matters for decision which arise at a directors’ meeting will be decided by a majority vote. The chairman of the meeting will not have a second, casting vote.

Directors can act even if there are vacancies

The remaining directors can continue to act even if one or more of them ceases to be a director. But if and so long as the number of directors falls below the minimum which applies under Article 76 (including any variation of that minimum approved by an ordinary resolution of shareholders), the remaining director(s) can only:

- either appoint further directors to make up the shortfall; or
- call a General Meeting.
If no director is willing or able to act under this Article, any two **shareholders** can call a **General Meeting** to appoint extra directors.

**Directors’ meetings by video conference and telephone**

Any or all of the directors, or members of a committee, can take part in a directors’ meeting of the directors or of a committee by way of a video or web conference or conference telephone, or similar equipment, designed to allow everybody to take part in the directors’ meeting.

Taking part in this way will be counted as being present at the directors’ meeting. A directors’ meeting which takes place by way of video or web conference, conference telephone or similar equipment will be treated as taking place where most of the participants are. If there is no largest group, directors’ meetings will be treated as taking place where the chairman of the meeting is.

A directors’ meeting held in the way described in Article 97.1 will be valid as long as in one single place, or in places connected by way of video or web conference, telephone conference, or similar equipment, a **quorum** is present.

**Director’s written resolutions**

Any director may, and the **Secretary** at the request of a director shall, propose a written resolution by giving written notice to the other directors.

A directors’ written resolution is adopted when all the directors entitled to vote on such a resolution have signed one or more copies of it, or otherwise indicated their agreement to it in writing or **electronically**.

A directors’ written resolution is not adopted if the number of directors who have signed it or agreed to it in writing or **electronically** is less than the **quorum** for a directors’ meeting.

A directors’ written resolution signed or agreed to by an **alternate director** does not need also to be approved by his appointor. If the directors’ written resolution is signed or agreed to by a director who has appointed an **alternate director**, it does not need to be approved by the **alternate director** acting in that capacity.

Once a directors’ written resolution has been adopted, it must be treated as if it had been a resolution passed at a directors’ meeting in accordance with these **Articles**.

A directors’ written resolution will be valid at the time it is signed or agreed to by the last director.

The resolution can be:

- in the form of letter;
- in **electronic form** (as long as it is in writing); or
- in any other way the directors may approve.
The validity of directors’ actions

Everything which is done by any directors’ meeting, or by a committee of the directors, or by a person acting as a director, or as a member of a committee, will, in favour of anyone dealing with the Company in good faith, be valid even though it is discovered later that any director, or person acting as a director, was not properly appointed or elected. This also applies if it is discovered later that anyone was disqualified from being a director, or had ceased to be a director, or was not entitled to vote. In any of these cases, in favour of anyone dealing with the Company in good faith, anything done will be as valid as if there was no defect or irregularity of the kind referred to in this Article.

DIRECTORS’ INTERESTS

100 Authorisation of directors’ interests

100.1 For the purposes of Section 175 of the Companies Act 2006, the directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

100.2 Authorisation of a matter under Article 100.1 shall be effective only if:

- the matter in question shall have been proposed in writing for consideration at a meeting of the directors, in accordance with the board of directors’ normal procedures or in such other manner as the directors may determine;
- any requirement as to the quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director (together the “Interested Directors”); and
- the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

100.3 Any authorisation of a matter under Article 100.1 extends to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

100.4 Any authorisation of a matter under Article 100.1 shall be subject to such conditions or limitations as the directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the directors at any time. A director shall comply with any obligations imposed on him by the directors pursuant to any such authorisation.

100.5 Subject to any conditions or limitations imposed under Article 100.4, a director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the directors under Article 100.1 and any contract, transaction, arrangement or proposal relating thereto shall not be liable to be avoided on the grounds of any such benefit.

100.6 This Article does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.
101 Directors may have interests

101.1 Subject to compliance with Article 101.2, a director, notwithstanding his office, may have an interest of the following kind:

- where a director (or a person connected with him) is a director or other officer of, or employed by, or otherwise interested (including by the holding of shares) in any Relevant Company;
- where a director (or a person connected with him) is a party to, or otherwise interested in, any contract, transaction, arrangement or proposal with a Relevant Company, or in which the Company is otherwise interested;
- where the director (or a person connected with him) acts (or any firm of which he is a partner, employee or member acts) in a professional capacity for any Relevant Company (other than as auditor) whether or not he or it is remunerated therefor;
- an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;
- an interest, or a transaction, arrangement or proposal giving rise to an interest, of which the director is not aware;
- any matter already authorised under Article 100.1; or
- any other interest authorised by ordinary resolution.

No authorisation under Article 100.1 shall be necessary in respect of any such interest.

101.2 Subject to Sections 177 and 182 of the Companies Act 2006 the director shall declare the nature and extent of any interest permitted under Article 101.1, and not falling within Article 101.3, at a meeting of the directors, by written declaration to the Company or in such other manner as the directors may determine.

101.3 No declaration of an interest shall be required by a director in relation to an interest:

- falling within the fourth, fifth and sixth bullet paragraph of Article 101.1;
- if, or to the extent that, the other directors are already aware of such interest (and for this purpose the other directors are treated as being aware of anything of which they ought reasonably to be aware); or
- if, or to the extent that, it concerns the terms of his service contract (as defined in Section 227 of the Companies Act 2006) that have been or are to be considered by a meeting of the directors, or by a committee of directors appointed for the purpose under these Articles.

101.4 A director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any interest referred to in Article 101.1, and no contract, transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest.

101.5 For the purposes of this Article 101, “Relevant Company” shall mean the Company; a subsidiary undertaking of the Company; any holding company of the Company or a subsidiary undertaking of any such holding company; any body corporate promoted by the Company; or any body corporate in which the Company is otherwise interested.
102 Restrictions on quorum and voting

102.1 Save as provided in this Article 102, and whether or not the interest is one which is authorised pursuant to Article 100.1 or permitted under Article 101.1, a director shall not be entitled to vote on any resolution in respect of any contract, transaction, arrangement or proposal, in which he (or a person connected with him) is interested. Any vote of a director in respect of a matter where he is not entitled to vote shall be disregarded.

102.2 A director shall not be counted in the quorum for a meeting of the directors in relation to any resolution on which he is not entitled to vote.

102.3 Subject to the provisions of the Companies Acts, a director shall (in the absence of some other interest than is set out below) be entitled to vote, and be counted in the quorum, in respect of any resolution concerning any contract, transaction, arrangement or proposal:

- in which he has an interest of which he is not aware;
- in which he has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;
- in which he has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in or through the Company;
- which involves the giving of any security, guarantee or indemnity to the director or any other person in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings, or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings (i) in which offer he is or may be entitled to participate as a holder of securities; or (ii) in the underwriting or sub-underwriting of which he is to participate;
- concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor, employee or otherwise, provided that he (together with persons connected with him) is not the holder of, or beneficially interested in, one per cent. or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of the relevant body corporate;
- relating to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates;
- concerning the purchase or maintenance by the Company of insurance for any liability for the benefit of directors or for the benefit of persons who include directors;
- concerning the giving of indemnities in favour of directors;
• concerning the funding of expenditure by any director or directors on (i) defending criminal, civil or regulatory proceedings or actions against him or them, (ii) in connection with an application to the court for relief, or (iii) defending him or them in any regulatory investigations;

• concerning the doing of anything to enable any director or directors to avoid incurring expenditure as described in the tenth bullet paragraph of this Article 102.3 immediately above; and

• in respect of which his interest, or the interest of directors generally, has been authorised by ordinary resolution.

102.4 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company (or any body corporate in which the Company is interested), the proposals may be divided and considered in relation to each director separately. In such case, each of the directors concerned (if not debarred from voting under the sixth bullet paragraph of Article 102.3) shall be entitled to vote, and be counted in the quorum, in respect of each resolution except that concerning his own appointment or the fixing or variation of the terms thereof.

102.5 If a question arises at any time as to whether any interest of a director prevents him from voting, or being counted in the quorum, under this Article 102, and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive, except in a case where the nature or extent of the interest of such director has not been fairly disclosed. If any such question shall arise in respect of the chairman of the meeting, the question shall be decided by resolution of the directors and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman of the meeting (so far as it is known to him) has not been fairly disclosed to the directors.

103 Confidential information

103.1 Subject to Article 103.2, if a director, otherwise than by virtue of his position as director, receives information in respect of which he owes a duty of confidentiality to a person other than the Company, he shall not be required to disclose such information to the Company or to the directors, or to any director, officer or employee of the Company, or otherwise use or apply such confidential information for the purpose of or in connection with the performance of his duties as a director.

103.2 Where such duty of confidentiality arises out of a situation in which the director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, Article 103.1 shall apply only if the conflict arises out of a matter which has been authorised under Article 100.1 above or falls within Article 100 above.

103.3 This Article 103 is without prejudice to any equitable principle or rule of law which may excuse or release the director from disclosing information, in circumstances where disclosure may otherwise be required under this Article 103.
104 Directors’ interests – general

104.1 For the purposes of Articles 100 to 103:

- where the context permits, any reference to an interest includes a duty and any reference to a conflict of interest includes a conflict of interest and duty and a conflict of duties;
- an interest of a person who is connected with a director shall be treated as an interest of the director; and
- Section 252 of the Companies Act 2006 shall determine whether a person is connected with a director.

104.2 Where a director has an interest which can reasonably be regarded as likely to give rise to a conflict of interest, the director may, and shall if so requested by the directors, take such additional steps as may be necessary or desirable for the purpose of managing such conflict of interest, including compliance with any procedures laid down from time to time by the directors for the purpose of managing conflicts of interest generally and/or any specific procedures approved by the directors for the purpose of or in connection with the situation or matter in question, including without limitation:

- absenting himself from any meeting or part of a meeting of the directors at which the relevant situation or matter falls to be considered; and
- not reviewing documents or information made available to the directors generally in relation to such situation or matter and/or arranging for such documents or information to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for him to have access to such documents or information.

104.3 The Company may by ordinary resolution ratify any contract, transaction, arrangement or proposal, not properly authorised by reason of a contravention of any provisions of Articles 100 to 103.

DIRECTORS’ COMMITTEES

105 Delegating powers to committees

The directors can delegate any of their powers, or discretions, to committees of one or more directors. This includes powers or discretions relating to directors’ pay or giving benefits to directors. If the directors have delegated any power or discretion to a committee, any references in these Articles to using that power or discretion include its use by the committee. Any such delegation may be either collaterally with or to the exclusion of their own powers and the directors may revoke or alter the terms of any such delegation. Any such person or committee shall, unless the directors otherwise resolve, have power to sub-delegate any of the powers or discretions delegated to them. Any committee must comply with any regulations laid down by the directors. These regulations can require or allow people who are not directors to be co-opted onto the committee, and can give voting rights to co-opted members. However:
• there must be more directors on a committee than co-opted members; and
• a resolution of the committee is only effective if a majority of the members of the committee present at the time of the resolution were directors.

106 Committee procedure
If a committee includes two or more people, the Articles which regulate directors’ meetings and their procedure will also apply to committee meetings (if possible), unless these are inconsistent with any regulations for the committee which have been laid down under Article 105.

DIRECTORS’ POWERS

107 The directors’ management powers
107.1 The Company’s business will be managed by the directors. They can use all the Company’s powers except where the Articles, or the Companies Acts, provide that powers can only be used by the shareholders voting to do so at a General Meeting. The general management powers under this Article are not limited in any way by specific powers given to the directors by other Articles.

107.2 The directors are, however, subject to:
• the provisions of the Companies Acts;
• the requirements of these Articles; and
• any other requirements (whether or not consistent with these Articles) which are approved by the shareholders by passing a special resolution at a General Meeting.

However, if any change is made to these Articles or if the shareholders approve a requirement relating to something which the directors have already done which was within their powers, this will not invalidate any prior act of the directors which would otherwise have been valid.

108 Provision for employees on cessation or transfer of business
The directors may make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a director, former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

109 The power to establish local boards
109.1 The directors can set up local committees, local boards or local agencies to manage any of the Company’s business. These can be either in or outside the United Kingdom. The directors can appoint, remove and re-appoint anybody (who need not be a director) to be:
• members of any local committee, board or agency; or
• managers or agents of the Company.

109.2 The directors can:
• decide on the pay and other benefits of people appointed under this Article;
• delegate any of their authority, powers or discretions to:
  (i) any local board or committee; or
  (iii) any manager, or agent of the Company;
• allow local committees or boards, managers or agents to delegate to another person;
• allow the members of local committees, boards or agencies to fill any vacancies on them;
• allow the members of local committees, boards or agencies to continue to act even though there are vacancies on them;
• remove any people they have appointed under this Article; and
• cancel or change an appointment or delegation made under this Article, although this will not affect anybody who acts in good faith who has not had any notice of any cancellation or variation.

Any appointment or delegation by the directors which is referred to in this Article can be on any terms and conditions decided on by the directors.

109.3 A person who is employed by, or occupies an office with, the Company may be given a title which includes the words “Associate Director”. This will not imply that such person is a director of the Company or that he is entitled to act as a director or be deemed to be a director for the purposes of these Articles.

110 The power to appoint attorneys

110.1 The directors can appoint anyone (including the members of a group which changes over time) as the Company’s attorney or attorneys by granting a power of attorney or by authorising him or them in some other way. The attorney or attorneys can either be appointed directly by the directors, or the directors can give someone else the power to select attorneys. The directors can decide on the purposes, powers, authorities and discretions of attorneys.

110.2 The directors can decide for how long a power of attorney will last and they can apply any terms and conditions to it. The power of attorney can also include any provisions which the directors decide on for the protection and convenience of anybody dealing with the attorney. The power of attorney can also allow the attorney to sub-delegate any or all of his power, authority or discretion to any other person.

111 Bank mandates

The directors may by resolution authorise such person or persons as they think fit to act as signatories to any bank account of the Company and may amend or remove such authorisation from time to time by resolution.

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112 Name
The Company may change its name by resolution of the directors.

113 Borrowing powers
So far as the Companies Acts allow, the directors can exercise all the powers of the Company to:

- borrow money;
- issue (subject to the provisions of the Companies Acts regarding authority to allot debentures convertible into shares) debentures and other securities; and
- give any form of:
  - guarantee; and
  - security, either outright or as collateral and over all or any of the Company’s undertaking, property and uncalled capital;
for any debt, liability or obligation of the Company or of any third party.

114 Borrowing restrictions

114.1 The directors must:

- limit the Borrowings of the Company and
- exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings
to ensure that the total amount of all Borrowings by the Group outstanding at any time will not exceed 1.5 times the Adjusted Total of Capital and Reserves at such time.

This limitation on Borrowings will only affect subsidiary undertakings to the extent that the directors can restrict the borrowings of the subsidiary undertakings by exercising the rights or powers of control which the Company has over its subsidiary undertakings. The Company may consent in advance to exceeding the borrowing limit by passing an ordinary resolution at a General Meeting.

114.2 In this Article:

Group means the Company and its subsidiary undertakings for the time being;

Adjusted Total of Capital and Reserves means the aggregate of the share capital and reserves as shown in the latest audited consolidated balance sheet of the Group (including the amount paid-up or credited as paid-up on the issued share capital of the Company, the share premium account, capital redemption reserve, profit and loss account and other reserves included within the Group’s equity shareholders’ funds) (the ”Reserves”) but:

- adjusted as appropriate in respect of any variation to the paid-up share capital or reserves since the date of the latest audited consolidated balance sheet as recorded within the monthly management accounting records of the Group
Borrowings means the aggregate amount of all liabilities and obligations of the Group which in accordance with the accounting bases and principles of the Group are treated as borrowings in the latest audited consolidated balance sheet of the Group but:

- adding any amount which has been deducted at any time from the Reserves of the Group for goodwill arising on consolidation either by direct charge to Reserves or by charge to the Group’s consolidated profit and loss account; and
- making such other adjustments (if any) as the auditors of the Company consider appropriate.

Borrowings means the aggregate amount of all liabilities and obligations of the Group which in accordance with the accounting bases and principles of the Group are treated as borrowings in the latest audited consolidated balance sheet of the Group but:

1. adjusted as appropriate in respect of any variation to borrowings since the date of the latest audited consolidated balance sheet as recorded within the monthly management accounting records of the Group prepared in accordance with the accounting bases and principles applied in its latest audited consolidated balance sheet;
2. excluding any borrowings under finance or structured tax lease arrangements to the extent matched as part of those arrangements by deposits of cash or cash equivalent investments which are treated by the creditor concerned as available to reduce its net exposure; and
3. making such other adjustments (if any) as the auditors of the Company consider appropriate.

114.3 The determination of the Company’s auditors as to the amount of the Adjusted Total of Capital and Reserves and the total amount of Borrowings at any time shall be conclusive and binding on all concerned and for the purposes of their computation the Company’s auditors may at their discretion make such further or other adjustments (if any) or determinations as they think fit. Nevertheless the directors may act in reliance on a bona fide estimate of the amount of the Adjusted Total of Capital and Reserves and the total amount of Borrowings at any time and if in consequence the borrowing limit is inadvertently exceeded an amount of borrowings equal to the excess may be disregarded until the expiration of three months after the date on which by reason of a determination of the Company’s auditors or otherwise the directors became aware that such a situation has or may have arisen.

114.4 No lender or other person dealing with the Group need be concerned whether the borrowing limit is observed. No debt incurred or security given in breach of the borrowing limit will be invalid or ineffective unless the lender or the recipient of the security had express notice at the time when the debt was incurred or security given, that the limit had been or would as a result be breached.

ALTERNATE DIRECTORS

115 Alternate directors

115.1 Any director may appoint any person (including another director) to act in his place (such person is called an alternate director). Such appointment requires the approval of the
directors, unless the proposed alternate director is another director. A director appoints an alternate director by delivering an appointment notice signed, or authenticated in accordance with Article 141, by him (or in any other manner which has been approved by the directors) to the Registered Office. An alternate director need not be a shareholder.

115.2 The appointment of an alternate director ends if the director appointing him ceases to be a director, unless that director retires at a General Meeting at which he is re-elected under Article 85.1. A director can also remove his alternate by delivering a notice signed, or authenticated in accordance with Article 141, by him (or doing something else which has been approved by the directors) delivered to the Registered Office. An alternate director can also be removed as an alternate by a resolution of the directors.

115.3 An alternate director is entitled to receive notices of directors’ meetings once he has given the Company an address to which notices may be served on him. He is entitled to attend and vote as a director at any such meeting at which the director appointing him is not personally present and generally at such meeting to perform all functions of the director appointing him as a director. If he is himself a director or attends any such meeting as an alternate for more than one director, he will have one vote for each director for whom he acts as an alternate, in addition to his own vote as a director. However, he may not be counted more than once for the purposes of the quorum. If his appointor is temporarily unable to act through ill health or disability his signature of or authentication of any directors’ written resolution is as effective as the signature or authentication of his appointor.

115.4 If the directors decide to allow this, Article 115.3 also applies in a similar fashion to any meeting of a committee of which his appointor is a member.

115.5 An alternate director shall be an officer of the Company and shall alone be responsible to the Company for his own actions and mistakes. Except as said in this Article 115, an alternate director:
  • does not have power to act as a director;
  • is not considered to be a director for the purposes of the Articles;
  • is not considered to be the agent of his appointor; and
  • cannot appoint an alternate director.

115.6 Subject to the Companies Acts, an alternate director is entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent as if he were a director. However, he is not entitled to receive from the Company as alternate director any pay, except only such part (if any) of the pay otherwise payable to his appointor as such appointor may direct the Company in writing to pay to his alternate.

116 The Secretary and deputy and assistant secretaries

116.1 The Secretary is appointed by the directors. The directors decide on the terms and period of his appointment so long as allowed to do so by the Companies Acts. The directors can
also remove the Secretary, but this does not affect any claim for damages against the Company for breach of any contract between him and the Company.

116.2 The directors can also appoint one or more people to be deputy or assistant secretary. Anything which the Companies Acts allow to be done by or to the Secretary can, if there is no Secretary, or the Secretary is for any reason not capable of doing what is required of him, also be done by or to any deputy or assistant secretary. If there is no deputy or assistant secretary capable of acting, the directors can appoint any officer to do what would be required of the deputy or assistant secretary.

THE SEAL

117 The Seal

117.1 The directors are responsible for arranging for the Common Seal and any Securities Seal to be kept safely. The Common Seal and any Securities Seal can only be used with the authority of the directors or of a committee authorised by the directors to use it. The Securities Seal can be used only for sealing securities issued by the Company in certificated form and sealing documents creating or evidencing securities issued by the Company.

117.2 Subject to the provisions of these Articles which relate to share certificates, every document which is sealed using the Common Seal must be signed personally by:

- one director and the Secretary; or
- two directors; or
- by a director or any other persons who are authorised to do so by the directors in the presence of a witness who attests to the signature.

117.3 Where a signature is required to witness the Common Seal, the directors may decide that the individual need not sign the document personally but that his signature may be printed on it mechanically, electronically or in any other way the directors approve.

117.4 Securities and documents which have the Securities Seal stamped on them do not need to be signed unless the directors or the Companies Acts require this.

117.5 The directors can use all the powers given by the Companies Acts relating to official seals for use abroad.

117.6 Certificates for debentures or other securities of the Company may be printed in any way and may be sealed and/or signed for in any manner allowed by these Articles.

117.7 As long as it is allowed by the Companies Acts, any document signed by:

- one director and the Secretary; or
- by two directors; or
- one director in the presence of a witness who attests to the signature,

and expressed to be entered into by the Company shall have the same effect as if it had been made effective by using the Common Seal.

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AUTHENTICATING DOCUMENTS

118 Establishing that documents are genuine

118.1 Any director, or the Secretary, has power to identify as genuine any of the following and to certify copies or extracts from them as true copies or extracts:

• any documents relating to the Company’s constitution;
• any resolutions passed by the shareholders or any class of shareholders, or by the directors or by a committee of the directors; and
• any books, documents, records or accounts which relate to the Company’s business.

The directors can also delegate this power to other people.

118.2 When any books, documents, records or accounts are not kept at the Registered Office, the officer of the Company who has custody of them is treated as a person who has been authorised by the directors to identify them as genuine and to provide certified copies or extracts from them.

118.3 A document which appears to be a copy of a resolution or an extract from the minutes of any meeting, and which is certified as a copy or extract as described in Article 118.1 or 118.2 is conclusive evidence for anyone who deals with the Company on the strength of the document that:

• the resolution has been properly passed; or
• the extract is a true and accurate record of the proceedings of a valid meeting.

DIVIDENDS

119 Final dividends

The directors may recommend the amount of any final dividend. The shareholders can then declare dividends by passing an ordinary resolution, but the amount declared cannot exceed the amount recommended by the directors.

120 Fixed and interim dividends

120.1 If the directors consider that the profits of the Company justify such payments, they can pay:

• fixed dividends on any class of shares carrying a fixed dividend on the dates fixed for the payment of those dividends; and
• interim dividends on shares of any class of any amounts and on any dates and for any period which they decide.

120.2 If the directors act in good faith, they are not liable to any shareholders for any loss they may suffer because a lawful dividend (whether fixed or interim) has been paid under this Article on other shares which rank equally with or behind their shares.
121 Dividends not in cash
If the directors recommend this, shareholders can pass an ordinary resolution to direct all or part of a dividend to be paid by distributing specific assets (and in particular paid-up shares or debentures of any other company) rather than cash. The directors must give effect to that resolution. Where any difficulty arises on the distribution and valuation of the assets, the directors can settle it as they decide. In particular, they can:

- issue fractional certificates;
- value assets for distribution purposes;
- pay cash of a similar value to adjust the rights of persons entitled to the dividend; and/or
- transfer any assets to trustees for persons entitled to the dividend.

122 Calculation and currency of dividends
122.1 All dividends will be divided and paid in proportions based on the amounts which have been paid-up on the shares during any period for which the dividend is paid. Sums which have been paid-up in advance of calls do not count in calculating the amount of a dividend to be paid on a share. If the terms on which any share is issued provide that such share will be entitled to a dividend as if it were a fully-paid-up, or partly-paid-up, share from a particular date (in the past or the future), it will be entitled to a dividend on this basis. This Article applies unless the rights attached to any shares, or the terms of any shares, provide otherwise.
122.2 Unless the rights attached to any shares, or the terms of any shares, or the Articles provide otherwise, a dividend, or any other money payable in respect of any share, can be paid to a shareholder in whatever currency the directors decide, using an appropriate exchange rate selected by the directors for any currency conversions which are required.
122.3 The directors can decide that a particular Approved Depositary should be able to receive dividends in a currency other than the currency in which it is declared and can make arrangements accordingly. In particular, if an Approved Depositary has chosen or agreed to receive dividends in another currency, the directors can make arrangements with the Approved Depositary for payment to be made to the Approved Depositary for value on the date on which the relevant dividend is paid, or a later date decided on by the directors.
123 Deducting amounts owing from dividends and other money
If a shareholder owes any money for calls on shares, or money relating in any other way to shares, the directors can deduct any of this money (as long as it is immediately payable) from:

- any dividend on any shares held by the shareholder; or
- any other money payable by the Company in connection with the shares.

Money deducted in this way can be used to pay amounts owed to the Company in connection with the shares.
124 Payments to shareholders

124.1 Any dividend or other money payable in connection with the shares must be paid to:

- the holder of that share;
- if the share is held by more than one person, whichever of the joint holders’ names appears first in the Register;
- if the member is no longer entitled to the share, the person or persons who have become automatically entitled to the shares by law; or
- such other person or persons as the member (or, in the case of joint holders of a share, all of them) may direct.

124.2 Any dividend or other money payable in cash (whether in sterling or foreign currency) relating to a share can be paid by such method as the directors, in their absolute discretion, may decide. Different methods of payment may apply to different shareholders or groups of shareholders (such as overseas shareholders). Without limiting any other method of payment which the Company may adopt, the directors may decide that payment can be made wholly or partly:

- by inter-bank transfer, electronic form, electronic means or by such other means approved by the directors directly to an account (of a type approved by the directors) as instructed by the shareholder or the joint shareholders; or
- by cheque or warrant or any other similar financial instrument made payable to the shareholder who is entitled to it and sent direct to his registered address or, in the case of joint shareholders, to the shareholder who is first named in the Register and sent direct to his registered address, or to someone else named in an instruction from the shareholder (or from all joint shareholders).

124.3 If the directors decide that payments will be made by electronic transfer to an account (of a type approved by the directors) nominated by a shareholder or joint shareholders, but no such account is nominated by the shareholder or joint shareholders or an electronic transfer into a nominated account is rejected or refunded, the Company may credit the amount payable to an account of the Company to be held until the shareholder nominates a valid account.

124.4 An amount credited to an account under Article 124.3 is to be treated as having been paid to the shareholder at the time it is credited to that account. The Company will not be a trustee of the money and no interest will accrue on the money.

124.5 The Company will not pay interest on any dividend or other money due to a shareholder in respect of his shares, unless the rights of the shares provide otherwise.

124.6 Payment by electronic transfer, cheque or warrant, or in any other way, is made at the risk of the people who are entitled to the money. The Company is treated as having paid a dividend if a payment using electronic or other means approved by the directors is made in accordance with instructions given by the Company or if such a cheque or warrant is cleared. The Company will not be responsible for a payment which is lost or delayed.

124.7 For joint shareholders, the Company can rely on a receipt for a dividend or other money paid on shares from any one of them.
125  **Record dates for payments and other matters**

Any dividend or distribution on shares of any class can be paid to the holder or holders of the shares shown on the Register, at the close of business on whatever day may be provided in the resolution declaring the dividend or providing for the distribution. The dividend or distribution will be based on the number of shares registered on that day. This Article applies whether what is being done is the result of a resolution of the directors or a resolution passed at a General Meeting. The date can be before any relevant resolution was passed. This Article does not affect the rights to the dividend or distribution as between past and present shareholders.

126  **No interest on dividends**

No interest is payable on any dividend or other money payable in connection with the shares unless the terms of issue of those shares or the provisions of any agreement between the Company and the shareholders provide otherwise.

127  **Retention of dividends**

127.1 The directors may retain all or part of any dividend or other money payable in connection with the shares on which the Company has a lien in respect of which a notice has been issued following non-payment of a call in accordance with Article 23.

127.2 The Company must use any amounts retained under Article 127.1 towards satisfaction of the moneys payable to the Company in respect of that share.

127.3 The Company must notify the person otherwise entitled to payment of the sum that it has been retained and how the retained sum has been used.

127.4 The directors may retain the dividends payable upon shares:

- in respect of which any person is entitled to become a member pursuant to Article 41 until such person shall become a member in respect of such shares; or
- which any person is entitled to transfer pursuant to Article 44 until such person has transferred those shares.

128  **Dividends which are not claimed**

128.1 If an amount is held in an account pursuant to Article 124.3, or a payment made by cheque, warrant or any other written financial instrument for an amount payable under Article 124.2 has not been claimed, for one year after the passing of either the resolution passed at a General Meeting declaring that dividend or the resolution of the directors providing for payment of that dividend, the directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If a dividend has not been claimed for 12 years after either the passing of the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company again.

128.2 If an amount is held in an account pursuant to Article 124.3, or a cheque, warrant or other written financial instrument for an amount payable under Article 124.2 has been sent back or is not cashed, for two dividends in a row, the Company can stop paying dividends. If the
Where a shareholder wants to waive his entitlement to all or any part of a dividend, he may do so by delivering a notice in writing to that effect, signed, or authenticated in accordance with Article 141, by him, to the Company. If appropriate, the notice in writing may be signed, or authenticated in accordance with Article 141, by whoever has become automatically entitled to the shares by law. For the waiver to be effective, the Company must accept the notice in writing and act on it. The Company may, however, decline to act on the notice in writing and continue to pay dividends to the shareholder accordingly.

CAPITALISING RESERVES

130 Capitalising reserves

130.1 Subject to any special rights attaching to any class of shares, the shareholders can pass an ordinary resolution to allow the directors to change into capital any sum which:

- is part of any of the Company’s reserves (including premiums received when any shares were issued, capital redemption reserves or other undistributable reserves); or
- the Company is holding as undistributed profits.

130.2 Unless the ordinary resolution states otherwise the directors will use the sum which is changed into capital for the Ordinary Shareholders on the Register at the close of business on the day the resolution is passed (or another date stated in the resolution or fixed as stated in the resolution). The sum set aside must be used to pay up in full shares of the Company and to allot such shares and distribute them to holders of Ordinary Shares as bonus shares in proportion to their holdings of Ordinary Shares at the time or, in connection with any arrangements and proposed transactions described in a circular to the shareholders, in such proportions as the directors determine to give effect to such arrangements and proposed transactions set out in that circular and to any valid elections made or deemed to be made by shareholders in respect of any of the arrangements or proposed transactions set out in the relevant circular. The shares to be allotted and distributed can be Ordinary Shares or, if the rights of other existing shares allow this, shares of some other class or of multiple classes.

130.3 The directors may generally do all acts and things required to give effect to an ordinary resolution passed by shareholders for the purposes of this Article 130. In particular, if any difficulty arises in operating this Article, the directors can, subject to the Companies Act 2006 and the CREST Regulations, resolve it in any way which they decide. For example they can deal with entitlements to fractions of a share. They can decide that the benefit of

2 Changes to Article 130 to be made pursuant to resolution 2 sub-paragraph 1(ii) proposed at the General Meeting of the Company on 28 January 2013, with effect from immediately prior to the commencement of the First Court Hearing.
fractions of a share belongs to the Company, or authorise their sale to any person, or that fractions of a share are ignored or deal with fractions of a share in some other way.

130.4 The directors can appoint any person to sign any contract with the Company on behalf of those who are entitled to shares under the resolution. Such a contract is binding on all concerned.

**SCRIP DIVIDENDS**

131 Ordinary Shareholders can be offered the right to receive extra shares instead of cash dividends

131.1 The directors can offer Ordinary Shareholders the right to choose to receive extra Ordinary Shares, which are credited as fully-paid shares instead of some or all of their cash dividend. Before they can do this, the shareholders must have passed an ordinary resolution authorising the directors to make this offer.

131.2 The ordinary resolution can apply to a particular dividend or dividends (whether declared or not). Alternatively, it can apply to some or all of the dividends which may be declared or paid in a specified period. The specified period must end no later than five years after the ordinary resolution is passed. The directors can (without the need for any further ordinary resolution) offer rights of election in respect of any dividend declared or proposed after the date these Articles are adopted and at, or prior to, the next Annual General Meeting.

131.3 The directors can offer Ordinary Shareholders or persons automatically entitled by operation of law the right to request new Ordinary Shares instead of cash for:

- the next dividend proposed to be paid; or
- in respect of that dividend or all future dividends (if shares are made available as an alternative to a cash dividend), until they tell the Company that they no longer wish to receive new Ordinary Shares, or the authority given under Article 131.1 expires and in not renewed (whichever happens earlier).

The directors can also allow Ordinary Shareholders to choose between these alternatives.

131.4 An Ordinary Shareholder opting for new shares is entitled to Ordinary Shares whose total relevant value is as near as possible to the cash dividend (disregarding any tax credit) he would have received, but no greater than such cash dividend.

131.5 The relevant value of an Ordinary Share is a value calculated in the manner set out in the ordinary resolution or, if the ordinary resolution does not set out how the relevant value of an Ordinary Share is to be calculated, then the relevant value of an Ordinary Share is the average value of the Ordinary Shares for the five dealing days starting from, and including, the day when the shares are first quoted “ex dividend”. This average value is worked out from the average middle market quotations for the Ordinary Shares on the London Stock Exchange, as published in its Daily Official List. A certificate or report from the Company’s auditors as to the amount of the relevant value will be conclusive evidence of that amount.

131.6 After the directors have decided to apply this Article to a dividend, they must notify eligible Ordinary Shareholders in writing of their right to choose new Ordinary Shares. This
notice should also set out the procedure by which the Ordinary Shareholders must notify the Company if they wish to receive new Ordinary Shares. Where Ordinary Shareholders have already chosen to receive new Ordinary Shares in place of all cash future dividends, if new Ordinary Shares are available, the Company will not notify them of a right to receive new Ordinary Shares. Instead, the Company will remind them that they have already chosen to receive new Ordinary Shares and explain to them how to tell the Company if they wish to start receiving cash dividends again.

131.7 The directors can set a minimum number of Ordinary Shares in respect of which the right to choose new Ordinary Shares can be exercised. No Ordinary Shareholder or person who is automatically entitled to an Ordinary Share by law will receive a fraction of a share. The directors can decide how to deal with any fractions left over and the Company can, if the directors decide, receive the benefit of any or all of these.

131.8 The directors can exclude or restrict the right to choose new Ordinary Shares, or make any other arrangements where they decide that:

• this is necessary or convenient to deal with any legal or practical problems in relation to holders of Ordinary Shares with registered addresses in any particular territory under the laws of any territory, or requirements of any recognised regulatory body or stock exchange in any territory; or

• special formalities would otherwise apply in connection with the offer of new Ordinary Shares (including Ordinary Shares being represented by American Depositary Shares); or

• it would be impractical or unduly onerous to give the right to any Ordinary Shareholder or that for some other reason the offer should not be made to them.

131.9 The directors can exclude or restrict the right to choose new Ordinary Shares in the case of any shareholder who is an Approved Depositary or a nominee for an Approved Depositary. They can do this if the offer or exercise of the right to or by the people on whose behalf the Approved Depositary holds the shares would suffer from legal or practical problems of the kind mentioned in Article 131.8. If other Ordinary Shareholders (other than those excluded under Article 131.8) have the right to choose new Ordinary Shares, the directors must be satisfied that an appropriate dividend reinvestment plan or similar arrangement is available to a substantial majority of the people on whose behalf the Approved Depositary holds shares or that such arrangements will be available promptly. The first sentence of this Article 131.9 does not apply until the directors are satisfied of this.

131.10 If an Ordinary Shareholder chooses to receive new Ordinary Shares, no dividend on the Ordinary Shares for which he has chosen to receive new Ordinary Shares (which are called the elected shares), will be declared or payable. Instead, new Ordinary Shares will be allotted on the basis set out earlier in this Article. To do this the directors will convert into capital a sum equal to the total nominal value of the new Ordinary Shares to be allotted. They will use this sum to pay up in full the appropriate number of new Ordinary Shares. These will then be allotted and distributed to the holders of the elected shares as set out above. The sum to be converted into capital can be taken from any amount which is then in any reserve or fund (including the share premium account, any capital redemption reserve and the profit and loss account). Article 130 applies to this process, so far as it is consistent with this Article 131.
131.11 The new Ordinary Shares rank equally in all respects with the existing fully-paid-up Ordinary Shares at the time the new Ordinary Shares are allotted. The new Ordinary Shares are not entitled to share in the dividend from which they arose or any other dividend or distribution or other entitlement which has been declared, made or paid or is payable by reference to such record date or earlier record date.

131.12 Unless the directors decide otherwise or the CREST Regulations or the rules of a relevant system require otherwise, any new Ordinary Shares which an Ordinary Shareholder has chosen to receive instead of some or all of his cash dividend will be:

- shares in uncertificated form if the corresponding elected shares were uncertificated shares on the record date for that dividend; and
- shares in certificated form if the corresponding elected shares were shares in certificated form on the record date for that dividend.

131.13 The directors can decide that new Ordinary Shares will not be available in place of any cash dividend. They can decide this at any time before new Ordinary Shares are allotted in place of such dividend, whether before or after Ordinary Shareholders have chosen to receive new Ordinary Shares.

131.14 The directors have the power to do all acts and things they consider necessary to give effect to this Article.

ACCOUNTS

132 Accounting and other records

132.1 The directors must make sure that proper accounting records that comply with the Companies Acts are kept. These records must explain the Company’s transactions and show its financial position at any time with reasonable accuracy.

133 Location and inspection of records

133.1 The accounting records must be kept:

- at the Registered Office; or
- at any other place which the Companies Acts allow and the directors decide on.

133.2 The Company’s officers always have the right to inspect the accounting records.

133.3 No shareholder (other than a shareholder who is also an officer) has any right to inspect any books or papers of the Company unless:

- the Companies Acts or a proper court order give him that right; or
- the directors authorise him to do so; or
- he is authorised by an ordinary resolution to do so.
COMMUNICATIONS WITH SHAREHOLDERS

134 Serving and delivering notices and other documents

134.1 To the extent permitted and unless required otherwise by the Companies Acts, any other Act applying to the Company or these Articles, the Company can send, serve, supply or deliver any offer, notice, information or any other document, including a share certificate, on or to a shareholder:

- personally;
- by posting it in a letter (with postage paid) to the shareholder’s registered address or by causing it to be left at that address in some other way; or
- by electronic means and/or by making such offers, notices, information or documents available on a website.

134.2 The Company Communication Provisions have effect, subject to the provisions of Articles 137, 138 and 141, for the purposes of any provisions of the Companies Acts or these Articles that authorise or requires offers, notices, information or any other documents to be sent, served, supplied or delivered by or to the Company.

134.3 Articles 134 to 141 do not affect any provision of the Companies Acts requiring offers, notices, information or documents to be sent, served, supplied or delivered in a particular way.

135 Notices to joint holders

135.1 Anything which needs to be agreed or specified by the joint holders of a share shall for all purposes be taken to be agreed or specified by all the joint holders where it has been agreed or specified by the joint holder whose name stands first in the Register in respect of the share.

135.2 If more than one joint holder gives instructions or notifications to the Company pursuant to these Articles then save where these Articles specifically provide otherwise, the Company shall only recognise the instructions or notifications of whichever of the joint holders’ names appears first in the Register.

135.3 Any offer, notice, information or any other document which is authorised or required to be sent or supplied to joint holders of a share may be sent or supplied to the joint holder whose name stands first in the Register in respect of the share, to the exclusion of the other joint holders. For such purpose, a joint holder having no registered address in the United Kingdom and not having supplied an address within the United Kingdom for the service of notices may, subject to any Act applying to the Company, be disregarded.

135.4 The provisions of this Article shall have effect, subject to the Companies Acts, in place of the Company Communications Provisions regarding notices to joint holders.

136 Notices for shareholders with foreign addresses

Subject to the Companies Acts and any other Act applying to the Company, the Company shall not be required to send offers, notices, information or any other documents to a shareholder who (having no registered address within the United Kingdom) has not
supplied to the Company a postal address within the United Kingdom for the service of notices.

137 When notices are served

137.1 If an offer, notice, information or any other document is delivered or served by hand, it is treated as being delivered or served at the time it is handed to the shareholder or left at his registered address.

137.2 If an offer, notice, information or any other document (including a share certificate) is sent or supplied by the Company in hard copy form, or in electronic form, but to be delivered other than by electronic means, and which is sent by pre-paid post and properly addressed shall be deemed to have been received by the intended recipient at the expiration of 24 hours after the time it was posted, and in proving such receipt it shall be sufficient to show that such offer, notice, information or other document was properly addressed, pre-paid and posted.

137.3 If an offer, notice, information or any other document is sent or supplied by the Company by electronic means it shall be deemed to have been received by the intended recipient two hours after it was transmitted, and in proving such receipt it shall be sufficient to show that such offer, notice, information or other document was properly addressed.

137.4 If an offer, notice, information or any other document is sent or supplied by the Company by means of a website it shall be deemed to have been received when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

137.5 This Article shall have effect, subject to any mandatory provision of the Companies Acts and any other Act applying to the Company, in place of the Company Communications Provisions relating to when offers, notices, information or any other documents are deemed delivered.

138 Serving notices and documents on shareholders who have died or are bankrupt

138.1 A person who claims to be entitled to a share in consequence of the death or bankruptcy of a shareholder or otherwise by operation of law shall supply to the Company:

• such evidence as the directors may reasonably require to show his title to the share; and
• an address within the United Kingdom for the service of notices,

whereupon he shall be entitled to have served upon or delivered to him at such address any offer, notice, information or any other document to which the said shareholder would have been entitled, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such offer, notice, information or any other document on all persons interested (whether jointly with or claiming through or under him) in the share.

138.2 Save as provided by Article 138.1, any offer, notice, information or any other document delivered or sent to the address of any shareholder in pursuance of these Articles shall, notwithstanding that such shareholder be then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be
deemed to have been duly delivered or sent in respect of any share registered in the name of such shareholder as sole or first-named joint holder.

138.3 The provisions of this Article shall have effect in place of the Company Communications Provisions regarding the death or bankruptcy of a holder of shares in the Company.

139 If documents are accidentally not sent or the postal services are suspended

139.1 The accidental failure to send, or the non-receipt by any person entitled to any offer, notice, information or any other document relating to any meeting or other proceeding shall not invalidate the meeting or other proceeding.

139.2 If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company is unable to give notice by post in hard copy form of a shareholders’ meeting, such notice shall be deemed to have been given to all shareholders entitled to receive such notice in hard copy form if such notice is advertised in at least one national newspaper and such notice shall be deemed to have been given on the day when the advertisement appears. In any such case, the Company shall (i) make such notice available on its website from the date of such advertisement until the conclusion of the meeting or any adjournment thereof and (ii) send confirmatory copies of the notice by post to such shareholders if at least seven days prior to the meeting the posting of notices again becomes practicable.

140 When entitlement to notices stops

140.1 If the Company sends a notice or other communication to a shareholder on two separate occasions during a 12-month period and each of them is returned undelivered or the Company receives notification that such notice or other communication has not been delivered in each case then that shareholder will not be entitled to receive notices or other communications from the Company.

140.2 A shareholder who has ceased to be entitled to receive notices or communications from the Company pursuant to Article 140.1 becomes entitled to receive a notice or communication again by supplying the Company with:

- a new postal address; or
- an electronic address,
for the service of notices.

140.3 For the purposes of this Article 140, references to a communication include references to any method of payment; but nothing in this Article 140 will entitle the Company to stop sending any dividend by any means, unless the Company is also entitled to do so under Article 128.2.

141 Signature or authentication of documents sent electronically

141.1 Where these Articles require an offer, notice, information or any other document to be signed or authenticated by a shareholder or any other person then any such offer, notice or other document sent or supplied in electronic form or by means of a website shall be
sufficiently authenticated in any manner authorised by the Company Communications Provisions or in such other manner approved by the directors.

141.2 The directors may determine procedures for validating offers, notices, information or any other documents sent or supplied in electronic form or by means of a website, and any offer, notice, information or any other document, not validated in accordance with such procedures shall be deemed not to have been received by the Company.

MINUTES

142 Minutes

142.1 The directors must ensure that minutes are entered in books kept for the purpose of:

• all appointments of officers made by the directors;
• the names of the directors present at each directors’ meeting and of any committee of the directors;
• all resolutions and proceedings at all General Meetings of the Company, the holders of any class of shares in the Company, the directors and any committees of the directors.

142.2 If any such minute purports to be signed or authenticated by the chairman of the meeting at which the proceedings took place or by the chairman of the next succeeding meeting this shall be conclusive evidence of the proceedings.

WINDING UP

143 Directors’ power to petition

The directors can present a petition to the Court in the name and on behalf of the Company for the Company to be wound up.

DESTROYING DOCUMENTS

144 Destroying documents

144.1 The Company can destroy all:

• forms of transfer of shares, and documents sent to support a transfer, and any other documents which were the basis for making an entry on the Register, after six years from the date of registration;
• dividend payment instructions and notifications of a change of address or name, after two years from the date these were registered;
• cancelled share certificates, one year after the date they were cancelled; and
• proxy appointments from one year after the end of the meeting to which the appointment relates.
144.2 A document destroyed in accordance with Article 144.1 is conclusively treated as having been a valid and effective document in accordance with the Company’s records relating to the document. Any action of the Company in dealing with the document in accordance with its terms before it was destroyed is conclusively treated as properly taken.

144.3 Articles 144.1 and 144.2 only apply to documents which are destroyed in good faith and if the Company has not been informed that keeping the documents is relevant to any claim.

144.4 For documents relating to shares in uncertificated form, the Company must also comply with any rules (as defined in the CREST Regulations) which limit its ability to destroy these documents.

144.5 This Article does not make the Company liable if:
- destroys a document earlier than referred to in Article 144.1; or
- would not be liable if this Article did not exist.

144.6 The Company can, subject to the Companies Acts, destroy a document earlier than the dates mentioned in Article 144.1 if the Company makes a permanent record (whether made electronically or by any other means) of that document before it is destroyed.

144.7 This Article applies whether a document is destroyed or disposed of in any other manner.

DIRECTORS’ LIABILITIES

145 Indemnity

145.1 Subject to the provisions of, and so far as may be permitted by and consistent with, the Companies Acts, rules made by the UK Listing Authority and local law as applicable, every director, Secretary and officer of the Company and of each Associated Company of the Company may be indemnified by the Company out of its own funds against:

(i) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any Associated Company of the Company other than in the case of a director of the Company or any Associated Company:
   (i) any liability to the Company or any Associated Company; and
   (ii) any liability of the kind referred to in Section 234(3) of the Companies Act 2006; and

(ii) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

145.2 Subject to the provisions of, and so far as may be permitted by and consistent with, the Companies Acts, the rules of the UK Listing Authority and local law as applicable, every director, Secretary and officer of the Company and of each Associated Company of the Company may be indemnified by the Company out of its own funds against:

(i) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any
This includes, for example, insurance against any liability incurred by them for any act or omission:

- Associated Company of the Company, if it is the trustee of an occupational pension scheme (within the meaning of Section 235(6) of the Companies Act 2006), in so far as such liability relates to the Company’s or any such Associated Companies’ activities as trustee of such occupational pension scheme and other than in the case of a director of the Company or any Associated Company any liability of the kind referred to in Section 235(3) of the Companies Act 2006; and

- any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

145.3 Where a director, Secretary or officer is indemnified against any liability in accordance with this Article 145, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto.

145.4 In this Article Associated Company shall have the meaning given by Section 256 of the Companies Act 2006.

145.5 So far as the Companies Acts allow, the Secretary and other officers, who are not directors of the Company or any Associated Company of the Company are exempted from any liability to the Company or any Associated Company of the Company where that liability would be covered by the indemnity in Article 145.1.

146 Insurance and defence funding

146.1 For the purpose of this Article each of the following is a Relevant Company:

- the Company;
- any holding company of the Company;
- any company in which the Company or its holding company or any of the predecessors of the Company or of its holding company has or had any interest, whether direct or indirect; and
- any company which is in any way allied to or associated with the Company, or any subsidiary undertaking of the Company or such other company.

146.2 Without limiting Article 145 in any way, the directors can arrange for the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time:

- directors, officers or employees of any Relevant Company; or
- trustees of any pension fund or employees’ share scheme in which employees of any Relevant Company are interested.

This includes, for example, insurance against any liability incurred by them for any act or omission:

- in performing or omitting to perform their duties; and/or
- in exercising or omitting to exercise their powers; and/or
- in claiming to do any of these things; and/or

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• otherwise in relation to their duties, powers or offices.

146.3 Subject to the provisions of and so far as may be permitted by the Companies Act 2006, rules made by the UK Listing Authority and local law as applicable, the Company:

• may provide a director, Secretary or officer of the Company or any Associated Company of the Company with funds to meet expenditure incurred or to be incurred by him in:
  (i) defending any criminal or civil proceedings in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or an Associated Company of the Company; or
  (ii) in connection with any application for relief under the provisions mentioned in Section 205(5) of the Companies Act 2006; and

• may do anything to enable any such director, Secretary or officer to avoid incurring such expenditure.

146.4 The terms set out in Section 205(2) of the Companies Act 2006 shall apply to any provision of funds or other things done under Article 146.3.

146.5 Subject to the provisions of and so far as may be permitted by the Companies Acts, rules made by the UK Listing Authority and local law as applicable, the Company:

• may provide a director, Secretary or officer of the Company or any Associated Company of the Company with funds to meet expenditure incurred or to be incurred by him in defending himself in an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or any Associated Company of the Company; and

• may do anything to enable any such director, Secretary or officer to avoid incurring such expenditure.

146.6 In this Article Associated Company shall have the meaning given thereto by Section 256 of the Companies Act 2006.

SHARE WARRANTS

147 Issue of Share Warrants

147.1 The Company can issue Share Warrants which state that the bearer of the Share Warrant (“Bearer”) is entitled to the shares specified in the Share Warrant. The Company can only do this in a way which is allowed under the Companies Acts and in Articles 147 to 154. Share Warrants can provide for the payment of future dividends and other distributions relating to the shares. Payment can be made by exchanging coupons which can be attached to the Share Warrants, or in any other way which the directors determine.

147.2 The Bearer of a Share Warrant is entitled to the number of shares which are specified in it. These shares can be transferred by one person delivering the Share Warrant to another.

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Subject to Article 147.2, the provisions of the Articles relating to share certificates and transferring shares do not apply to Share Warrants.

Each Share Warrant must be issued under the Seal.

The directors can decide on the language and form of, and the number of shares represented by, each Share Warrant. Subject to the Articles, the directors can vary the conditions of issue of any Share Warrant from time to time.

Directors can accept a certificate instead of a Share Warrant

The directors can accept a certificate from the persons referred to in Article 148.2 stating that they hold Share Warrants on behalf of someone named in the certificate as proof of matters set out in such certificate. The certificate will be in such form as the directors decide (including details of the number of shares to which the Share Warrant relates).

The only people who may deliver a certificate to the Company are the ADR Depositary or any bank or agent which has been appointed by the Company. For the purposes of Articles 147 to 153, the Company can treat the deposit of the certificate as though the Share Warrant itself had been deposited at the Transfer Office.

As long as the certificate is in a form agreed by the directors, the Company does not need to make any further enquiry into the accuracy of the information contained in the certificate.

Requesting a Share Warrant

A Share Warrant will only be issued if a shareholder requests in writing that a Share Warrant is issued for some or all of the shares which are registered in his name.

The request must be addressed to the directors at the Transfer Office. The directors can specify the form of the request, and can require that evidence is sent with the request to prove the identity of the person making the request and his right to the shares. The directors do not have to agree to this request.

Where a shareholder requests that Share Warrants are issued in relation to shares registered in his name, and there are share certificates in respect of those shares, a Share Warrant will only be issued once the share certificates have been delivered to the Transfer Office for cancellation.

A person who requests a Share Warrant (including a person requesting a Share Warrant in the circumstances described in Article 150) is responsible (and will re-imburse the Company) for all and any stamp duties, stamp duty reserve tax, bearer instrument duty, taxes, charges, fees, interest and penalties payable in connection with the issue of the Share Warrants. This Article 149.4 applies unless the person requesting the Share Warrant agrees otherwise with the Company.

Replacing Share Warrants

If a Share Warrant is damaged or defaced, the Bearer can request a new one, once he returns the damaged or defaced Share Warrant to the directors at the Transfer Office. Once any payments of the types described in Article 149.4 are made (if any), a new Share Warrant will be issued.
If a Share Warrant is said to have been lost, stolen or destroyed, the directors can issue a replacement (although they do not have to do so). The directors can require satisfactory evidence of the loss, theft or destruction, an indemnity, the payment of any exceptional out of pocket expenses, and payments of the types described in Article 149.4 before issuing a replacement.

The Bearer can ask the directors to cancel his existing Share Warrant and replace it with two (or more) Share Warrants which together represent the same number of shares which the original single Share Warrant represented. The directors do not have to comply with this request. If they do, the Bearer will have to surrender his original Share Warrant and can be required by the directors to make any payments of the types described in Article 149.4 before the new Share Warrants are issued.

The Bearer can ask the directors to cancel his existing Share Warrant and replace it with two (or more) Share Warrants which together represent the same number of shares which the original single Share Warrant represented. The directors do not have to comply with this request. If they do, the Bearer will have to surrender his original Share Warrant and can be required by the directors to make any payments of the types described in Article 149.4 before the new Share Warrants are issued.

Rights of the Bearer

The Bearer (or a person who has deposited his Share Warrant in accordance with Article 151.2 or if the directors so decide, Article 148.2) shall be entitled to the same rights and be subject to the same obligations as those to which he would be entitled or subject if he were the registered holder of the shares to which the Share Warrant relates. This is subject to the provisions of Articles 147 to 154.

Where a Bearer deposits his Share Warrant, together with a declaration in writing giving his name and address, at the Transfer Office (or some other place specified by the directors) he has certain rights at any General Meeting provided that such Share Warrant is deposited at least 48 hours in advance of such meeting. For as long as the Share Warrant remains so deposited, the person who deposited it will have the following rights as if he were the registered holder from the time of deposit of the shares specified in the Share Warrant at a General Meeting:

• the right to sign a form requiring a General Meeting;
• the right to give notice of his intention to submit a resolution at a General Meeting;
• the right to attend, speak and vote, appoint a proxy and exercise the other rights of a shareholder at a General Meeting.

Any Share Warrant which is deposited in accordance with Article 151.2 must remain deposited until the end of the General Meeting at which the person who deposited the Share Warrant desires to attend or be represented.

If a person presents a Share Warrant at the Transfer Office, the Company is entitled to assume that this person is the owner of the Share Warrant. The Company can pay dividends or moneys relating to the shares specified in the Share Warrant which are due to this person either to such person or to an account specified by him. If the Company does this, it shall have performed its obligation to pay that dividend or those moneys.

Bearers of Share Warrants participating in securities offers

In the case of a securities offer, there is no need to contact any Bearer individually. Instead, all the Company need do is advertise the details of the securities offer in a leading United Kingdom national daily newspaper (and any other newspapers the directors decide on).
If, following the publication of the advertisement referred to above, the **Bearer** deposits the **Share Warrant** (or, if appropriate, the coupon attached to the **Share Warrant**) at the **Transfer Office** (or some other place mentioned in the advertisement), within the time limit set out in the **securities offer**, he shall have the same right to participate in the **securities offer** as if he were the registered holder of the **shares** specified in the **Share Warrant**.

For the purposes of this Article, a **securities offer** means an offer of **shares**, **securities** or **debentures** to **shareholders** or any class of **shareholders**, or a proposed **issue** of **shares** pursuant to Article 130.

Communications with Bearers of Share Warrants

In the case of any communication (for example, a notice of **General Meeting**, a circular or annual report) with **shareholders**, there is no need for the **Company** to contact any **Bearer** individually. Instead, all the **Company** need do is advertise the communication in a leading **United Kingdom** national daily newspaper (and any other newspapers the directors decide on), giving an address where copies of the communication may be obtained by the **Bearer**.

The **Company** must communicate with the **Bearer** in a different way, if the **London Stock Exchange** requires this.

Issuing shares to which the Share Warrant relates

The **Bearer** can ask to be registered as a **shareholder** (or that another person be so registered) in respect of all or any of the **shares** specified in the **Share Warrant**. In order to do so he must deposit at the **Transfer Office** (or another place specified by the directors):

- the **Share Warrant**; and
- a signed declaration in a form agreed by the directors which sets out the names and addresses of the persons, and the numbers of **shares**, in whose name he wishes such **shares** to be registered.

The **Company** will comply with a request made in accordance with Article 154.1 only upon the payment (or reimbursement) by the **Bearer** of all and any stamp duties, stamp duty reserve tax, bearer **instrument** duty, taxes, charges, fees, interest and penalties payable in connection with the **issue** of the **shares**. The **Company** may, however, agree that any such taxes or costs do not have to be paid by the **Bearer**.

If the **Company** complies with a request made in accordance with Article 154.1, the person named in the declaration will be entitled to have his name entered as a **member** in the **Register** in respect of the **shares** specified in the declaration and to receive a share certificate for them. The time limit for the **Company** to prepare a share certificate under this Article 154.3 is two months from the decision to comply with a request made in accordance with Article 154.1.

If the declaration does not deal with all the **shares** to which the **Share Warrant** relates, a new **Share Warrant** for the remaining **shares** will be **issued**, without charge, to the person who deposited the old **Share Warrant**. The new **Share Warrant** will only be **issued** upon the cancellation of the old **Share Warrant**.
155 ADR Depositary can appoint proxies

155.1 The ADR Depositary can appoint more than one person to be its proxy. As long as the appointment complies with the requirements in Article 155.2, the appointment can be made in any way and on any terms which the ADR Depositary thinks fit. Each person appointed in this way is called an Appointed Proxy.

155.2 The appointment must set out the number of shares in relation to which an Appointed Proxy is appointed. This number is called the Appointed Number. The Appointed Number of all Appointed Proxies appointed by the ADR Depositary, when added together, must not be more than the number of Depositary Shares (as calculated in Article 155.3).

155.3 The Depositary Shares attributable to the ADR Depositary consist of the total of the number of shares:

- registered in the name of the ADR Depositary;
- represented by Share Warrants which have been deposited by the ADR Depositary with the Company in accordance with Article 151; and
- represented by Share Warrants which are set out in a certificate from the ADR Depositary accepted by the directors in accordance with Article 148.

156 The ADR Depositary must keep a Proxy Register

156.1 The ADR Depositary must keep a register of the names and addresses of all the Appointed Proxies. This is called the Proxy Register. The Proxy Register will also set out the Appointed Number of shares of each Appointed Proxy. This can be shown by setting out the number of American Depositary Receipts which each Appointed Proxy holds and stating that the Appointed Number of shares can be ascertained by multiplying the said number of American Depositary Receipts by such number which for the time being is equal to the number of shares which any one American Depositary Receipt represents.

156.2 The ADR Depositary must let anyone whom the directors nominate inspect the Proxy Register during usual business hours on a working day. The ADR Depositary must also provide, as soon as possible, any information contained in the Proxy Register if it is demanded by the Company or its agents.

157 Appointed Proxies can only attend General Meetings if properly appointed

An Appointed Proxy may only attend a General Meeting if he provides the Company with evidence in writing of his appointment by the ADR Depositary for that General Meeting. This must be in a form agreed between the directors and the ADR Depositary.

158 Rights of Appointed Proxies

Subject to the Companies Acts and these Articles and so long as the Depositary Shares are sufficient to include an Appointed Proxy’s Appointed Number:
• at a General Meeting which an Appointed Proxy is entitled to attend, he is entitled to the same rights and has the same obligations in relation to his Appointed Number of shares as if the ADR Depositary was the registered holder of such shares and he had been validly appointed in accordance with Articles 69 to 71 by the ADR Depositary as its proxy in relation to those shares; and
• an Appointed Proxy can himself appoint another person to be his proxy in relation to his Appointed Number of shares, as long as the appointment is made and deposited in accordance with Articles 69 to 71 and, if it is, the provisions of these Articles will apply to such an appointment as though the Appointed Proxy was the registered holder of such shares and the appointment was made by him in that capacity.

159 Sending information to an Appointed Proxy
The Company can send to an Appointed Proxy at his address in the Proxy Register all the same documents which are sent to shareholders.

160 The Company can pay dividends to an Appointed Proxy
The Company can pay to an Appointed Proxy at his address in the Proxy Register all dividends or other moneys relating to the Appointed Proxy’s Appointed Number of shares instead of paying this amount to the ADR Depositary. If the Company does this, it will not have any obligation to make this payment to the ADR Depositary as well.

161 The Proxy Register may be fixed at a certain date

161.1 In order to determine which persons are entitled as Appointed Proxies to:
• exercise the rights conferred by Article 158;
• receive documents sent pursuant to Article 159; and
• be paid dividends pursuant to Article 160
and the Appointed Number of shares in respect of which a person is to be treated as having been appointed as an Appointed Proxy for such purpose, the ADR Depositary may determine that the Appointed Proxies who are entitled are the persons entered in the Proxy Register at the close of business on a date (a Record Date) determined by the ADR Depositary in consultation with the Company.

161.2 When a Record Date is determined for a particular purpose:
• the Appointed Number of shares in respect of an Appointed Proxy will be treated as the number appearing against his name in the Proxy Register as at the close of business on the Record Date;
• this can be shown by setting out the number of American Depositary Receipts which each Appointed Proxy holds and stating that the number of shares can be ascertained by multiplying the said number of American Depositary Receipts by such number which for the time being is equal to the number of shares which any one American Depositary Receipt represents; and
• changes to entries in the Proxy Register after the close of business on the Record Date will be ignored in determining the entitlement of any person for the purpose concerned.

162 The nature of an Appointed Proxy’s interest

Except as required by the Companies Acts, no Appointed Proxy will be recognised by the Company as holding any interest in shares upon any trust. Except for recognising the rights given in relation to General Meetings by appointments made by Appointed Proxies pursuant to Article 158, the Company is entitled to treat any person entered in the Proxy Register as an Appointed Proxy as the only person (other than the ADR Depositary) who has any interest in the shares in respect of which the Appointed Proxy has been appointed.

163 Validity of the appointment of Appointed Proxies

163.1 If any question arises as to whether any particular person or persons has or have been validly appointed to vote (or exercise any other right) in respect of any shares (for example because the total number of shares in respect of which appointments are recorded in the Proxy Register is more than the number of Depositary Shares) this question will, if it arises at or in relation to a General Meeting be determined by the chairman of the General Meeting. His decision (which can include declining to recognise a particular appointment or appointments as valid) will, if made in good faith, be final and binding on all persons interested.

163.2 If a question of the type described in Article 163.1 arises in any circumstances other than at or in relation to a General Meeting, the question will be determined by the directors. Their decision (which can include declining to recognise a particular appointment or appointments as valid) will also, if made in good faith, be final and binding on all persons interested.

164 Appointments

164.1 Subject to these Articles and the relevant Act or Acts, an Approved Depositary can appoint as its proxy or proxies in relation to any Ordinary Shares which it holds, anyone it thinks fit and can decide how and on what terms to appoint them. Each appointment must state the number of Ordinary Shares it relates to and the total number of Ordinary Shares in respect of which appointments exist at any time must not be more than the total number of Depositary Shares which are registered in the name of the Approved Depositary or its nominee at that time.

164.2 The Approved Depositary must keep a register (the Nominated Proxy Register) of each person it has appointed as a Nominated Proxy under Article 164.1 and the Appointed Number. The directors will decide what information about each Nominated Proxy is to be recorded in the Nominated Proxy Register. Any person authorised by the Company may inspect the Nominated Proxy Register during usual business hours and the Approved Depositaries
Depositary will give such person any information which he requests as to the contents of the Nominated Proxy Register.

165 Rights of Nominated Proxies

165.1 A Nominated Proxy may only attend a General Meeting if he provides the Company with evidence in writing of his appointment as such. This must be in a form agreed between the directors and the Approved Depositary.

165.2 Subject to these Articles and the relevant Act or Acts, and so long as the Approved Depositary or a nominee of the Approved Depositary holds at least his Appointed Number of Ordinary Shares, a Nominated Proxy is entitled to attend a General Meeting which holders of Ordinary Shares are entitled to attend, and he is entitled to the same rights, and subject to the same obligations, in relation to his Appointed Number of Depositary Shares as if he had been validly appointed in accordance with Articles 69 to 73 by the registered holder of these shares as its proxy in relation to those shares.

165.3 A Nominated Proxy may appoint another person as his proxy for his Appointed Number of Depositary Shares, as long as the appointment is made and deposited in accordance with Articles 69 to 73, and these Articles apply to that appointment and to the person so appointed as though those Depositary Shares were registered in the name of the Nominated Proxy and the appointment was made by him in that capacity. The directors may require such evidence as they think appropriate to decide that such appointment is effective.

165.4 For the purposes of determining who is entitled as a Nominated Proxy to exercise the rights conferred by Articles 165.2 and 165.3 and the number of Depositary Shares in respect of which a person is to be treated as having been appointed as a Nominated Proxy for these purposes, the Approved Depositary can decide that the Nominated Proxies who are so entitled are the people entered in the Nominated Proxy Register at a time and on a date (a Record Time) agreed between the Approved Depositary and the Company.

165.5 When a Record Time is decided for a particular purpose:-

- a Nominated Proxy is to be treated as having been appointed for that purpose for the number of shares appearing against his name in the Nominated Proxy Register as at the Record Time; and
- changes to entries in the Nominated Proxy Register after the Record Time will be ignored for this purpose.

165.6 Except for recognising the rights given in relation to General Meetings by appointments made by Nominated Proxies pursuant to Article 165.3, the Company is entitled to treat any person entered in the Nominated Proxy Register as a Nominated Proxy as the only person (other than the Approved Depositary) who has any interest in the Depositary Shares in respect of which the Nominated Proxy has been appointed.

165.7 At a General Meeting the chairman of the General Meeting has the final decision as to whether any person has the right to vote or exercise any other right relating to any Depositary Shares. In any other situation, the directors have the final decision as to whether any person has the right to exercise any right relating to any Depositary Shares.
166 Shares subject to the Scheme

166.1 Terms defined in the circular published on or around 10 December 2013 (the “Circular”) shall have the same meaning in this Article 166.

166.2 Notwithstanding any other provision of these Articles, any Ordinary Shares issued (if any) between the Voting Record Time and prior to the Distribution Record Time, shall be issued or shall be deemed to have been issued subject to the terms of the Scheme and the holder or holders of such Ordinary Shares shall be bound by the Scheme accordingly.

166.3 In the event that the Scheme is not sanctioned at the First Court Hearing or lapses, is withdrawn or does not become effective in accordance with its terms, this Article 166 shall (on the earlier of completion of termination of the VZW Transaction) automatically be, and shall be deemed to be, of no effect and shall be deleted and replaced with the wording “Article 166 has been deleted”; but the validity of anything done under Article 166 before that date shall not otherwise be affected and any actions taken under Article 166 before that date shall be conclusive and not be open to challenge on any grounds whatsoever.

167 Defined terms in Articles 168 to 171 (inclusive)

(A) General
In Articles 168 to 171 (inclusive), the terms “Business Day”, “Capital Reductions”, “Cash Entitlement”, “First Court Hearing”, “Reduction Court Order”, “Scheme”, “Second Court Hearing”, “Verizon”, “Verizon Consideration Share Entitlement”, “Verizon Consideration Shares” and “VZW Transaction” shall each have the meaning given to them in the circular published on or around 10 December 2013 (the “Circular”); the term “B Shares” shall have the meaning set out in Article 168(A); the term “C Shares” shall have the meaning set out in Article 169(A); the term “Deferred Shares” shall have the meaning set out in Article 170(A); and the term “Deferred B Shares” shall have the meaning set out in Article 171(A).

(B) Deletion of Article 167 when no B Shares, C Shares, Deferred Shares or Deferred B Shares in existence
Article 167 shall remain in force until there are no longer any B Shares, C Shares, Deferred Shares or Deferred B Shares in existence, notwithstanding any provision in the Articles to the contrary. Thereafter Article 167 shall be, and shall be deemed to be, of no effect and shall be deleted and replaced with the wording “Article 167 has been deleted”.

168 Rights and Restrictions Attached to B Shares

(A) General
The preference B shares in the capital of the Company (the “B Shares”) shall have the rights, and be subject to the restrictions, attaching to shares set out in the Articles save that, in the event of a conflict between any provision in this Article 168 and any other provision in the Articles, the provisions in this Article 168 shall prevail.

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3 Article 166 is to be added pursuant to resolution 2 sub-paragraph 1(i) proposed at the General Meeting of the Company on 28 January 2013, with effect from the passing of resolution 2.

4 Articles 167 to 171 (inclusive) to be added pursuant to resolution 2 sub-paragraph 1(ii) proposed at the General Meeting of the Company on 28 January 2013, with effect from immediately prior to the commencement of the First Court Hearing.
(B) **Form of Election**
Together with the Circular, holders of **Ordinary Shares** in the capital of the **Company** who held such **shares** in certificated form were sent a form of election ("**Form of Election**") relating to the **B Shares** and the **C Shares** proposed to be issued by the **Company**, as more fully described in the Circular. By way of the Form of Election or, where **Ordinary Shareholders** held such shares in uncertificated form, by following the instructions and taking the actions set out in the Circular, **Ordinary Shareholders** could (subject always to the directors’ determination as described in the Circular as to the number of **B Shares** and **C Shares** to be allotted and issued) make an election, on and subject to the terms set out in the Circular (an “**Election**”), inter alia, which would result in the issue to them of **B Shares** to be cancelled by the Cancellation Time (as defined in Article 168(G)(i) below) (the “**Capital Option**”).

(C) **Income**
The **B Shares** shall confer no right to participate in the profits of the **Company**.

(D) **Capital**
(i) Except as provided in Article 168(F) below, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis), the holders of the **B Shares** shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the **Company** (except the **Fixed Rate Shares** and the **C Shares**) but after any payment to the holders of **Fixed Rate Shares** and pari passu with any payment to the holders of **C Shares**, to repayment of an amount equal to the aggregate amount paid up or treated as paid up on the nominal value of each **B Share** held by them.

(ii) On a winding up, the holders of the **B Shares** shall not be entitled to any further right of participation in the profits or assets of the **Company** in excess of that specified in Article 168(D)(i) above. In the event that there is a winding-up to which Article 168(D)(i) applies and the amounts available for payment are insufficient to pay the amounts due on all the **B Shares** in full, the holders of the **B Shares** shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.

(iii) The aggregate entitlement of each holder of **B Shares** on a winding-up in respect of all the **B Shares** held by him shall be rounded up to the nearest whole cent.

(iv) The holders of the **B Shares** shall not be entitled to any further right of participation in the profits or assets of the **Company** in their capacity as holders of **B Shares**.

(E) **Attendance and voting at General Meetings**
(i) The holders of the **B Shares** shall not be entitled, in their capacity as holders of such **B Shares**, to receive notice of any **General Meeting** of the **Company** nor to attend, speak or vote at any such **General Meeting** unless the business of the meeting includes the consideration of a resolution for the winding-up of the **Company** (excluding any intra group reorganisation on a solvent basis), in which case the holders of the **B Shares** shall have the right to attend the **General Meeting** and shall be entitled to speak and vote only on any such resolution.

(ii) If the holders of the **B Shares** are entitled to vote at a **General Meeting** of the **Company** in their capacity as holders of such **B Shares**, then, subject to any other provisions of these **Articles**, each holder thereof shall be entitled to vote at such **General Meeting** whether on a show of hands or on a poll as provided in the Companies Acts. For this
purpose, where a proxy is given discretion as to how to vote on a show of hands, this shall be treated as an instruction by the relevant holder of B Shares to vote in the way in which the proxy elects to exercise that discretion.

(F) Class rights
(i) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.
(ii) A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.
(iii) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such redemption (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent of the holders of the B Shares.
(iv) The directors shall be entitled, without the consent of holders of Ordinary Shares, B Shares, C Shares or Deferred Shares, to make any payments to which the holders of B Shares may be entitled in currencies other than US dollars and, in such circumstances, to make arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of B Shares under the Articles as the directors consider necessary, fair and reasonable in the circumstances to give effect to the rights attaching to the B Shares. Any such arrangements and adjustments shall not involve a variation of any rights attaching to the B Shares for any purpose.

(G) Cancellation of B Shares
Subject to the Capital Reductions being confirmed by the Court at the Second Court Hearing and to the Reduction Court Order being delivered to (or, if the Court has so ordered at the Second Court Hearing, registered with) the Registrar of Companies, the Company shall cancel the B Shares as follows:

(i) The B Shares in respect of which a valid Election has been made, or is deemed to have been made, in accordance with the terms described in the Circular and (where applicable) the Form of Election shall be cancelled with effect at such time as the Reduction Court Order is delivered to (or, if the Court has so ordered at the Second Court Hearing, registered with) the Registrar of Companies (the “Cancellation Time”).

(ii) On cancellation of a B Share at the Cancellation Time, the Company shall become liable to distribute to each holder of B Shares an amount equal to the Cash Entitlement and the Verizon Consideration Share Entitlement for that B Share in accordance with the terms described in the Circular. The Company’s liability to such holder of B Shares shall be satisfied by the Company paying to such holder the Cash Entitlement for each such B Share out of the capital available for distribution and by Verizon issuing to such holder the Verizon Share Consideration Entitlement for each such B Share, in each case in accordance with the Scheme.
In the absence of bad faith or wilful default, neither the Company nor any of its directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the determination of the Cancellation Time in accordance with Article 168(G)(i) above.

**Form**

The B Shares shall not be listed or traded on any stock exchange nor shall any share certificates be issued in respect of such shares. The B Shares shall not be transferable except with the written consent of the directors.

**Reclassification as Deferred B Shares.**

In the event that B Shares are issued pursuant to the terms of the Scheme but the Capital Reductions are not confirmed by the Court at the Second Court Hearing or the Reduction Court Order is not delivered to (or, if the Court so orders at the Second Court Hearing, registered with) the Registrar of Companies within 20 Business Days following the issue of the B Shares (or at such other time as the directors may determine), each B Share shall immediately thereupon be reclassified as a Deferred B Share and shall be subject to the rights and restrictions described in Article 171.

**Deletion of Article 168 when no B Shares in existence**

Article 168 shall remain in force until the earlier of (i) if the Scheme is not sanctioned at the First Court Hearing or lapses, is withdrawn or does not become effective in accordance with its terms, the day immediately following the earlier of completion or termination of the VZW Transaction; or (ii) if the Scheme is sanctioned at the First Court Hearing and becomes effective in accordance with its terms, the date on which there are no longer any B Shares in existence, notwithstanding any provision in the Articles to the contrary. Thereafter Article 168 shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of Article 168 are referred to in other Articles) and shall be deleted and replaced with the wording “Article 168 has been deleted”, and the separate register for the holders of B Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 168 before that date shall not otherwise be affected and any actions taken under Article 168 before that date shall be conclusive and not be open to challenge on any grounds whatsoever.

## Rights and Restrictions Attached to C Shares

### General

The preference shares of $0.00001 each in the capital of the Company (the “C Shares”) shall have the rights, and be subject to the restrictions, attaching to shares set out in the Articles save that in the event of a conflict between any provision in this Article 169 and any other provision in the Articles, the provisions in this Article 169 shall prevail.

### Form of Election

Together with the Circular, holders of Ordinary Shares in the capital of the Company who held such shares in certificated form were sent a Form of Election relating to the B Shares and C Shares proposed to be issued by the Company, as more fully described in the Circular. By way of the Form of Election or, where Ordinary Shareholders held such shares in uncertificated form, by following the instructions and taking the actions set out in the Circular, Ordinary Shareholders could make an Election, on and subject to the terms
set out in the Circular, inter alia, which would result in the issue to them of C Shares in respect of which the C Share Dividend (as defined in Article 169(C)(i) below) would be paid.

(C) Income

(i) Subject to the provisions of the Scheme, the Companies Acts, and the Articles, out of the profits of the Company available for distribution, a single dividend for an amount equal to the aggregate of the Cash Entitlement and the Verizon Consideration Share Entitlement for each C Share (the “C Share Dividend”) shall automatically become distributable (without the need for such dividend to be declared by the Company, the board or any other person and notwithstanding any provision to the contrary in these Articles) at the Cancellation Time to holders of C Shares in respect of which the C Share Dividend has been made, or is deemed to have been made, in accordance with the terms described in the Circular and (where applicable) the Form of Election.

(ii) The Company’s liability to distribute the C Share Dividend to such holder of C Shares shall be satisfied by the Company paying to such holder the Cash Entitlement for each such C Share and by Verizon issuing to such holder the Verizon Share Consideration Entitlement for each such C Share, in each case in accordance with the Scheme.

(iii) Each C Share in respect of which the C Share Dividend becomes distributable shall immediately upon satisfaction of such C Share Dividend pursuant to Article 169(C)(ii) above be reclassified as a Deferred Share.

(iv) For the avoidance of doubt, the provisions of Article 128 (Dividends which are not claimed) shall apply to any amounts in respect of the Cash Entitlement or other cash payable pursuant to all C Share Dividends on or in respect of any C Shares which remain unclaimed.

(v) In the absence of fraud or wilful default, neither the Company nor any of its directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the determination of the Cancellation Time in accordance with Article 168(G)(i) above.

(D) Capital

(i) Except as provided in Article 169(F) below, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis), the holders of each C Share shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company (except the B Shares and the Fixed Rate Shares) but after any payment to the holders of the Fixed Rate Shares and pari passu with any payment to the holders of B Shares, to the aggregate of the amount of the nominal capital paid up or credited as paid up on such C Share and an amount equal to the difference between the nominal value of a B Share and $0.00001, for each C Share held by them.

(ii) On a winding up, the holders of the C Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in Article 169(D)(i) above. In the event that there is a winding-up to which Article 169(D)(i) applies and the amounts available for payment are insufficient to pay the amounts due on all the C Shares in full, the holders of the C Shares shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.
(iii) The aggregate entitlement of each holder of C Shares on a winding-up in respect of all the C Shares held by him shall be rounded up to the nearest whole cent.

(iv) The holders of the C Shares shall not be entitled to any further right of participation in the profits or assets of the Company in their capacity as holders of C Shares.

(E) Attendance and voting at General Meetings

(i) The holders of the C Shares shall not be entitled, in their capacity as holders of such C Shares, to receive notice of any General Meeting of the Company nor to attend, speak or vote at any such General Meeting unless the business of the meeting includes the consideration of a resolution for the winding-up of the Company (excluding any intra-group reorganisation on a solvent basis), in which case the holders of the C Shares shall have the right to attend the General Meeting and shall be entitled to speak and vote only on any such resolution.

(ii) If the holders of the C Shares are entitled to vote at a General Meeting of the Company in their capacity as holders of such C Shares, then, subject to any other provisions of the Articles, each holder thereof shall be entitled to vote at such General Meeting whether on a show of hands or on a poll as provided in the Companies Acts. For this purpose, where a proxy is given discretion as to how to vote on a show of hands, this shall be treated as an instruction by the relevant holder of C Shares to vote in the way in which the proxy elects to exercise that discretion.

(F) Class rights

(i) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the C Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Shares) shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

(ii) A reduction by the Company of the capital paid up or credited as paid up on the C Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

(iii) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such redemption (or purchase) shall not involve a variation of any rights attaching to the C Shares, for any purpose or require the consent of the holders of the C Shares.

(iv) The directors shall be entitled, without the consent of holders of Ordinary Shares, B Shares, C Shares or Deferred Shares, to make any payments to which the holders of C Shares may be entitled in currencies other than US dollars and, in such circumstances, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of C Shares under the Articles as the directors consider necessary, fair and reasonable in the circumstances to give effect to the rights attaching to the C Shares. Any such arrangements and adjustments shall not involve a variation of any rights attaching to the C Shares for any purpose.

(G) Form
The C Shares shall not be listed or traded on any stock exchange nor shall any share certificates be issued in respect of such shares. The C Shares shall not be transferable except with the written consent of the directors.

(H) Reclassification as Deferred Shares
In the event that C Shares are issued pursuant to the terms of the Scheme but the Capital Reductions are not confirmed by the Court at the Second Court Hearing or the Reduction Court Order is not delivered to (or, if the Court so orders at the Second Court Hearing, registered with) the Registrar of Companies within 20 Business Days following the issue of the C Shares (or at such other time as the directors may determine), each C Share shall immediately thereupon be reclassified as a Deferred Share.

(I) Deletion of Article 169 when no C Shares in existence
Article 169 shall remain in force until the earlier of (i) if the Scheme is not sanctioned at the First Court Hearing or lapses, is withdrawn or does not become effective in accordance with its terms, the day immediately following the earlier of completion or termination of the VZW Transaction; or (ii) if the Scheme is sanctioned at the First Court Hearing and becomes effective in accordance with its terms, the date on which there are no longer any C Shares in existence, notwithstanding any provision in the Articles to the contrary. Thereafter Article 169 shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of Article 169 are referred to in other Articles) and shall be deleted and replaced with the wording “Article 169 has been deleted”, and the separate register for the holders of C Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 169 before that date, and accrued rights in respect of the payment of dividends arising before that date, shall not otherwise be affected and any actions taken under Article 169 before that date shall be conclusive and not be open to challenge on any grounds whatsoever.

170 Rights and Restrictions Attached to Deferred Shares
(A) General
The deferred shares of $0.00001 in the capital of the Company (the “Deferred Shares”) shall have the rights, and be subject to the restrictions, attaching to shares set out in the Articles save that in the event of a conflict between any provision in this Article 170 and any other provision in the Articles, the provisions in this Article 170 shall prevail.

(B) Income
The Deferred Shares shall confer no right to participate in the profits of the Company.

(C) Capital
On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis), there shall be paid to the holders of the Deferred Shares, pari passu with any payment to the holders of Deferred B Shares (if any), the nominal capital paid up, or credited as paid up, on such Deferred Shares after: (i) firstly, paying to the holders of the Fixed Rate Shares the amounts they are entitled to receive on a winding-up in accordance with their terms; (ii) secondly, paying to the holders of the B Shares and the holders of the C Shares pari passu as if the same were consolidated as one class, the amounts they are entitled to receive on a winding-up in accordance with their terms; and (ii) thirdly, paying to the holders of the Ordinary Shares the nominal capital paid up or
credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £100,000,000,000 on each Ordinary Share. The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

(D) Attendance and voting at General Meetings
The holders of the Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any General Meeting of the Company or to attend, speak or vote at any such meeting.

(E) Class rights
(i) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.

(ii) The reduction by the Company of the capital paid up on the Deferred Shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (in accordance with the Companies Acts) without obtaining the consent of the holders of the Deferred Shares.

(iii) Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the Deferred Shares for any purpose or require the consent of the holders of the Deferred Shares.

(F) Form
The Deferred Shares shall not be listed or traded on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable except in accordance with Article 170(G) below or with the written consent of the directors.

(G) Transfer and purchase
The Company may at any time (and from time to time) (subject to the provisions of the Companies Acts) without obtaining the sanction of the holder or holders of the Deferred Shares:

(i) appoint any person to execute on behalf of any holder of Deferred Shares a transfer of (and/or an agreement to transfer) all or some only of the Deferred Shares to the Company or to such person as the directors may determine (whether or not an officer of the Company), in any case for not more than the aggregate amount of US$0.01 for all the Deferred Shares then being transferred, without such person having to account for such sum to the holder or holders of the Deferred Shares; and/or

(ii) cancel all or any of the Deferred Shares purchased or acquired by the Company in accordance with the Companies Acts.

(H) Deletion of Article 170 when no Deferred Shares in existence
Article 170 shall remain in force until the earlier of (i) if the Scheme is not sanctioned at the First Court Hearing or lapses, is withdrawn or does not become effective in accordance with its terms, the day immediately following the earlier of completion or termination of the VZW Transaction; or (ii) if the Scheme is sanctioned at the First Court Hearing and becomes effective in accordance with its terms, the date on which there are no longer any Deferred Shares in existence, notwithstanding any provision in the Articles to the contrary. Thereafter Article 170 shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of Article 170 are referred to in other Articles) and shall be deleted and replaced with the wording “Article 170 has been deleted”, and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by the Company, but the validity of anything done under Article 170 before that date shall not otherwise be affected and any actions taken under Article 170 before that date shall be conclusive and not be open to challenge on any grounds whatsoever."

171 Rights and Restrictions Attached to Deferred B Shares

(A) General

The deferred B shares in the capital of the Company (the “Deferred B Shares”) shall have the rights, and be subject to the restrictions, attaching to shares set out in the Articles save that in the event of a conflict between any provision in this Article 171 and any other provision in the Articles, the provisions in this Article 171 shall prevail.

(B) Income

The Deferred B Shares shall confer no right to participate in the profits of the Company.

(C) Capital

On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis), there shall be paid, pari passu with any payment to the holders of Deferred Shares (if any), to the holders of the Deferred B Shares the nominal capital paid up, or credited as paid up, on such Deferred B Shares after: (i) firstly, paying to the holders of the Fixed Rate Shares the amounts they are entitled to receive on a winding-up in accordance with their terms; (ii) secondly, paying to the holders of the B Shares and the holders of the C Shares pari passu as if the same were consolidated as one class, the amounts they are entitled to receive on a winding-up in accordance with their terms; and (ii) thirdly, paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £100,000,000,000 on each Ordinary Share. The holders of the Deferred B Shares shall not be entitled to any further right of participation in the assets of the Company.

(D) Attendance and voting at General Meetings

The holders of the Deferred B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any General Meeting of the Company or to attend, speak or vote at any such meeting.

(E) Class rights

(i) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority to the Deferred B Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority

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to the Deferred B Shares) shall be treated as being in accordance with the rights attaching to the Deferred B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred B Shares.

(ii) The reduction by the Company of the capital paid up on the Deferred B Shares shall be in accordance with the rights attaching to the Deferred B Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (in accordance with the Companies Acts) without obtaining the consent of the holders of the Deferred B Shares.

(iii) Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the Deferred B Shares for any purpose or require the consent of the holders of the Deferred B Shares.

(F) Form

The Deferred B Shares shall not be listed or traded on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred B Shares shall not be transferable except in accordance with Article 171(G) below or with the written consent of the directors.

(G) Transfer and purchase

The Company may at any time (and from time to time) (subject to the provisions of the Companies Acts) without obtaining the sanction of the holder or holders of the Deferred B Shares:

(i) appoint any person to execute on behalf of any holder of Deferred B Shares a transfer of (and/or an agreement to transfer) all or some only of the Deferred B Shares to the Company or to such person as the directors may determine (whether or not an officer of the Company), in any case for not more than the aggregate amount of US$0.01 for all the Deferred B Shares then being transferred, without such person having to account for such sum to the holder or holders of the Deferred B Shares; and/or

(ii) cancel all or any of the Deferred B Shares purchased or acquired by the Company in accordance with the Companies Acts.

(H) Deletion of Article 171 when no Deferred B Shares in existence

Article 171 shall remain in force until the earlier of (i) if the Scheme is sanctioned and the Capital Reductions are confirmed at the Second Court Hearing, the date on which the Reduction Court Order is delivered to (or, if the Court has so ordered at the Second Court Hearing, registered with) the Registrar of Companies; (ii) if the Scheme is not sanctioned at the First Court Hearing or lapses, is withdrawn or does not become effective in accordance with its terms, the day immediately following the earlier of completion or termination of the VZW Transaction; and (iii) if the Scheme is sanctioned at the First Court Hearing and becomes effective in accordance with its terms, but the Capital Reductions are not confirmed within [20] Business Days thereof, the date on which there are no longer any Deferred B Shares in existence, notwithstanding any provision in the Articles to the contrary. Thereafter Article 171 shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of Article 171 are referred to in other Articles) and shall be deleted and replaced with the wording "Article 171 has been deleted", and the separate register for the holders of Deferred B Shares shall no
longer be required to be maintained by the Company; but the validity of anything done under Article 171 before that date shall not otherwise be affected and any actions taken under Article 171 before that date shall be conclusive and not be open to challenge on any grounds whatsoever.
Glossary

About the glossary

This glossary is to help readers understand the Company’s Articles of Association. Words are explained as they are used in the Articles—they might mean different things in other documents. The glossary is not legally part of the Articles, and it does not affect their meaning. The definitions are intended to be a general guide—they are not precise.

abrogate If the special rights of a share are abrogated, they are cancelled or withdrawn.

accrue If interest is accruing, it is running or mounting up, day by day.

adjourned In relation to a shareholders’ meeting, means that the meeting has come to an end for the time being, to be continued at a later time or day, at the same or a different place and adjourned and adjourn shall be construed accordingly.

agent A person who has been appointed to act for another person.

allot When new shares are allotted, they are set aside for the person they are intended for. This will normally be after the person has agreed to pay for a new share, or has become entitled to a new share for any other reason. As soon as a share is allotted, that person gets the right to have his name put on the register of shareholders. When he has been registered, the share has also been issued.

allottee A person to whom a share is allotted (see renunciation).

asset Any property of any description which is of any value to its owner.

attorney An attorney is a person who has been appointed to act for another person in a particular way. The person is appointed by a formal document, called a power of attorney.

automatically entitled to a share by law In some situations, a person will be entitled to have shares which are registered in somebody else’s name registered in his own name. Or he can require the shares to be transferred to another person. When a shareholder dies, or the sole survivor of joint shareholders dies, his personal representatives have this right. If a shareholder is made bankrupt, his trustee in bankruptcy has the right.

beneficial interest A person on whose behalf or for whose benefit a trustee holds shares has a beneficial interest in those shares.

brokerage Commission which is paid to a broker by a company issuing shares, where the broker’s clients have applied for shares.

call A call to pay money which is due on shares which has not yet been paid. This happens if the Company issues shares which are partly-paid, where money remains to be paid to the Company for the shares. The money which has not been paid can be “called” for. If all the money to be paid on a share has been paid, the share is called a fully-paid share.

capital redemption reserve A reserve of funds which a company may have to set up to ensure that the Company’s capital base remains the same when shares are redeemed or bought back. It is equivalent to the amount by which the Company’s issued share capital is reduced by the redemption or purchase.

casual vacancy A vacancy amongst the directors which occurs by reason of the death, resignation or disqualification of a director, or from the failure of an elected director to accept his
appointment, or for any other reason except the retirement of a director in accordance with the Articles.

charge See lien and charge.

consolidate When shares are consolidated, they are combined with other shares. For example, every three £1 shares might be consolidated into one new £3 share.

cumulative dividends If a dividend which is cumulative cannot be paid in one year because the company does not have enough profits to cover the payment, the shareholder has the right to receive the dividend in a future year, when the company has enough profits to pay the dividend. Compare this with a non-cumulative dividend.

debenture A typical debenture is a type of long-term borrowing by a company. The loan usually has to be repaid at a fixed date in the future, and carries a fixed rate of interest.

declare Generally, when a final dividend is declared, it becomes due to be paid.

dividend arrears Any dividend arrears. This includes any dividends on shares with cumulative rights which could not be paid, but which have been carried forward.

documents of title The documents which show that a person owns something.

electronically Any document or information sent or supplied by electronic means.

executed A document is executed when it is signed, authenticated or sealed or made valid in some other way.

exercise When a power is exercised, it is put to use.

forfeit When a share is forfeited it is taken away from the shareholder and becomes the property of the Company which can do with it as it likes. This process is called “forfeiture”. This can happen if a call on a partly-paid share is not paid on time.

fully-paid shares When all of the money which is due to the Company for a share has been paid, a share is called a fully-paid share.

good title If a person has good title to a share, he owns it outright.

holding company A company which controls another company (for example by owning a majority of its shares) is called the holding company of that other company. The other company is the subsidiary of the holding company.

indemnity If a person gives another person an indemnity, he promises to make good any losses or damage which the other might suffer. The person who gives the indemnity is said to “indemnify” the other person.

in issue See issue.

instruments Formal legal documents.

issue When a share has been issued, everything has been done to make the shareholder the owner of the share. In particular, the shareholder’s name has been put on the Register of shareholders. Existing shares which have been issued are “in issue”.

liabilities Debts and other obligations.

liable jointly and severally Where more than one person is liable jointly and severally it means that any one of them may be sued, or they can all be sued together.
lien and charge Where the Company has a lien and charge over shares, it can take the dividends, and any other payments relating to the shares which it has a charge over, or it can sell the shares, to repay the debt and so on.

members Are shareholders.

nominal value The nominal value of the share. The nominal value of the US$0.11 3/7 Ordinary Shares is US$0.11 3/7. This value is shown on the share certificate for a share, if there is one. When the Company issues new shares this can be for a price which is at a premium to the nominal value. When shares are bought and sold on the stock market this can be for more, or less, than the nominal value. The nominal value is sometimes also called the “par value”.

non-cumulative dividends If a dividend which is non-cumulative cannot be paid in one year because the Company does not have enough profits available to cover the payment, the shareholder does not have the right to receive the dividend in a future year. This is the opposite to a cumulative dividend.

ordinary resolution A decision reached by a simple majority of votes—that is by more than 50 per cent. of the votes cast.

par value See nominal value.

partly-paid shares If any money remains to be paid on a share, it is said to be partly-paid. The unpaid money can be “called” for personal representatives. A person who is entitled to deal with the property (“the estate”) of a person who has died. If the person who has died left a valid will, the will appoints “executors” who are personal representatives. If the person died without a will, the courts will appoint one or more “administrators” to be the personal representatives.

poll A poll vote is usually a card vote but to the extent permitted by the Companies Acts may be an electronic vote. On a poll vote, the number of votes which a shareholder has will depend on the number of shares which he owns. An Ordinary Shareholder has one vote for each share he owns. A poll vote is different to a show of hands vote, where each person who is entitled to vote has just one vote, however many shares he owns.

power of attorney A formal document which legally appoints one or more persons to act on behalf of another person.

pre-emption rights The right of some shareholders which is given by the Companies Acts to be offered a proportion of certain classes of newly issued shares and other securities before they are offered to anyone else. This offer must be made on terms which are at least as favourable as the terms offered to anyone else.

premium If the Company issues a new share for more than its nominal value (for example because the market value is more than the nominal value), the amount above the nominal value is the premium.

proxy A proxy is a person who is appointed by a shareholder to attend a shareholders’ meeting and vote for that shareholder. A proxy is appointed by using a proxy form. A proxy does not have to be a shareholder. At a shareholders’ meeting a proxy can exercise the rights of the shareholder that appointed him.

proxy form A form which a shareholder uses to appoint a proxy to attend a shareholders’ meeting and vote for him. The proxy form must be delivered to the Company before the meeting to which it relates.
quorum The minimum number of shareholders or directors who must be present before a meeting can start. When this number is reached, the meeting is said to be “quorate”.

rank & ranking When either capital or income is distributed to shareholders, it is paid out according to the rank (or ranking) of the shares. For example, a share which ranks before (or ahead of) another share in sharing in the Company’s income is entitled to have its dividends paid first, before any dividends are paid on shares which rank behind (or after) it. If there is not enough income to pay dividends on all shares, the available income must be used first to pay dividends on shares which rank ahead, and then to shares which rank behind. The same applies for repayments of capital. Capital must be paid first to shares which rank ahead in sharing in the Company’s capital, and then to shares which rank behind. The Company’s Fixed Rate Shares rank ahead of its Ordinary Shares. Where certain shares rank equally with other shares, both types of shares have the same rights as each other.

recognised investment exchange An “investment exchange” which has been officially recognised by the UK authorities. An investment exchange is a place where investments, such as shares, are traded. The London Stock Exchange is a recognised investment exchange.

redeem and redemption When a share is redeemed, it is effectively bought back by the Company in return for a sum of money (the “redemption price”) which was fixed before the share was issued. This process is called redemption. A share which can be redeemed is called a “redeemable” share.

relevant system This is a term used in the CREST Regulations for a computer-based system which allows shares without share certificates to be transferred without using transfer forms. The CREST system for paperless share dealing is a “relevant system”.

renunciation Where a share has been allotted, but no one has been entered on the share register as the holder of the share, it can be renounced by the allottee to another person. This transfers the right to be registered as the holder of the share to another person. This process is called renunciation.

requisition a meeting A formal process which shareholders can use to call a shareholders’ meeting. Generally speaking the shareholders who want to call a meeting must hold at least 10 per cent of the issued shares.

reserve fund or reserves A fund which has been set aside in the accounts of a company. Profits which are not paid out to shareholders as dividends, or used up in some other way, are held in a reserve fund by the company. The capital redemption reserve and share premium account are also reserve funds.

revoke To withdraw, or cancel.

securities All shares, bonds and other investment instruments issued by a company which entitle the holder to a share in the profits or assets of that company, to receive a cash payment from a company or to subscribe for such a security.

share premium account If a new share is issued by the Company for more than its nominal value (generally because the market value is more than the nominal value) then the amount above the nominal value is the premium, and the total of these premiums is held in a reserve fund (which cannot be used to pay dividends) called the share premium account.

show of hands A shareholder raises his hand to vote at a shareholders’ meeting (unless there is a poll). Each person who is entitled to vote has just one vote, however many shares he holds.
special notice

This term is defined in Companies Acts. Broadly, if special notice of a resolution is required by the Companies Acts, the resolution is not valid unless the Company has been told about the intention to propose it at least 28 days before the shareholders’ meeting at which it is proposed (although in certain circumstances the meeting can be on a date less than 28 days from the date of the notice).

special resolution

A decision reached by a majority of at least 75 per cent of votes cast.

special rights

These are the rights of a particular class of shares, as distinct from rights which apply to all shares generally. Typical examples of special rights are where the shares rank, their rights to sharing in income and assets and voting rights.

statutory declaration

A formal way of declaring something in writing. Particular words and formalities must be used—these are laid down by the Statutory Declarations Act of 1835.

stock

When shares have been converted into stock the holder’s interest in the Company is expressed by reference to a sum of money divided into transferable units. For example, the interest of a shareholder with one hundred £1 shares might have been converted into £100 worth of stock transferable in units of £1 each.

stockholder

A holder of stock.

subject to

Where something else has priority, or prevails, or must be taken into account. When a statement is subject to another statement this means that the first statement must be read in the light of the other statement, which will prevail if there is any conflict.

subordinate

Where a right or interest is subordinated to something else, it ranks behind it.

subsidiary

This is a term used by the Companies Act 2006. A company which is controlled by another company (for example because the other Company owns a majority of its shares) is called a subsidiary of that company.

subsidiary undertaking

This is a term used by the Companies Acts. It is a wider definition than subsidiary. Generally speaking it is a company which is controlled by another company because the other company:

• has a majority of the votes in the company either alone, or acting with others;
• is a shareholder who can appoint or remove a majority of the directors; or
• can exercise dominant influence over the company because of anything in the Company’s Articles, or because of a certain kind of contract.

treasury shares

Where shares which are held by a company as treasury shares in line with Sections 724 to 726 of the Companies Act 2006.

trustees

People who hold property of any kind for the benefit of one or more other people under a kind of arrangement which the law treats as a “trust”. The people whose property is held by the trustees are called the beneficiary.

uncertificated proxy instruction

A properly authenticated instruction sent by means of a relevant system, in line with the rules of the relevant system to a person acting on the Company’s behalf, on terms decided by the directors.

unincorporated associations

Associations, partnerships, societies and other bodies which the law does not treat as a separate legal person to their members.

warrant

See the definition of dividend warrant.
wind up The formal process to put an end to a company. When a company is wound up its assets are distributed. The assets go first to creditors, and then to shareholders. Shares which rank first in sharing in the Company's assets will receive any funds which are left over before any shares which rank after (or behind) them.
ELEVENTH SUPPLEMENTAL TRUST DEED

11 JULY 2013

VODAFONE GROUP PLC

and

THE LAW DEBENTURE TRUST CORPORATION p.l.c.

further modifying and restating the provisions of
the Trust Deed dated 16 July 1999

relating to a
€30,000,000,000
Euro Medium Term Note Programme

ALLEN & OVERY

Allen & Overy LLP
THIS ELEVENTH SUPPLEMENTAL TRUST DEED is made on 11 July 2013

BETWEEN:

(1) VODAFONE GROUP PLC, a company incorporated with limited liability in England and Wales with registered number 1833679, whose registered office is Vodafone House, The Connection, Newbury, Berkshire RG14 2PN, England (the Issuer); and

(2) THE LAW DEBENTURE TRUST CORPORATION p.l.c., a company incorporated with limited liability in England and Wales with registered number 1675231, whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, England (the Trustee, which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of these presents) as trustee for the Noteholders and the Couponholders.

WHEREAS:

(A) This Eleventh Supplemental Trust Deed is supplemental to:

(i) the Trust Deed dated 16 July 1999 (hereinafter called the Principal Trust Deed) made between the Issuer and the Trustee and relating to the Euro Medium Term Note Programme (the Programme) established by the Issuer;

(ii) the First Supplemental Trust Deed dated 4 May 2000 (the First Supplemental Trust Deed) made between the Issuer and the Trustee modifying and restating the provisions of the Principal Trust Deed;

(iii) the Second Supplemental Trust Deed dated 31 May 2001 (the Second Supplemental Trust Deed) made between the Issuer and the Trustee further modifying and restating the provisions of the Principal Trust Deed;

(iv) the Third Supplemental Trust Deed dated 6 June 2002 (the Third Supplemental Trust Deed) made between the Issuer and the Trustee further modifying the provisions of the Principal Trust Deed;

(v) the Fourth Supplemental Trust Deed dated 19 July 2005 (the Fourth Supplemental Trust Deed) made between the Issuer and the Trustee further modifying and restating the provisions of the Principal Trust Deed;

(vi) the Fifth Supplemental Trust Deed dated 19 July 2006 (the Fifth Supplemental Trust Deed) made between the Issuer and the Trustee further modifying and restating the provisions of the Principal Trust Deed;

(vii) the Sixth Supplemental Trust Deed dated 1 August 2007 (the Sixth Supplemental Trust Deed) made between the Issuer and the Trustee further modifying the provisions of the Principal Trust Deed;

(viii) the Seventh Supplemental Trust Deed dated 14 July 2008 (the Seventh Supplemental Trust Deed) made between the Issuer and the Trustee further modifying the provisions of the Principal Trust Deed;
NOW THIS ELEVENTH SUPPLEMENTAL TRUST DEED WITNESSES AND IT IS HEREBY AGREED AND DECLARED as follows:

(ix) the Eighth Supplemental Trust Deed dated 10 July 2009 (the Eighth Supplemental Trust Deed) made between the Issuer and the Trustee further modifying the provisions of the Principal Trust Deed;

(x) the Ninth Supplemental Trust Deed dated 13 July 2010 (the Ninth Supplemental Trust Deed) made between the Issuer and the Trustee further modifying the provisions of the Principal Trust Deed; and

(xi) the Tenth Supplemental Trust Deed dated 8 July 2011 (the Tenth Supplemental Trust Deed) and, together with the Principal Trust Deed, the First Supplemental Trust Deed, the Second Supplemental Trust Deed, the Third Supplemental Trust Deed, the Fourth Supplemental Trust Deed, the Fifth Supplemental Trust Deed, the Sixth Supplemental Trust Deed, the Seventh Supplemental Trust Deed, the Eighth Supplemental Trust Deed and the Ninth Supplemental Trust Deed, the Subsisting Trust Deeds made between the Issuer and the Trustee further modifying the provisions of the Principal Trust Deed.

(B) On 11 July 2013 the Issuer published a modified and updated Prospectus (the Prospectus) relating to the Programme.

NOW THIS ELEVENTH SUPPLEMENTAL TRUST DEED WITNESSES AND IT IS HEREBY AGREED AND DECLARED as follows:

1. SUBJECT as hereinafter provided and unless there is something in the subject matter or context inconsistent therewith all words and expressions defined in the Principal Trust Deed (as modified and restated as aforesaid) shall have the same meanings in this Eleventh Supplemental Trust Deed.

2. SAVE:

(a) in relation to all Series of Notes the first Tranche of which was issued on or prior to the day last preceding the date of this Eleventh Supplemental Trust Deed; and

(b) for the purpose (where necessary) of construing the provisions of this Eleventh Supplemental Trust Deed, with effect on and from the date of this Eleventh Supplemental Trust Deed:

(i) the Principal Trust Deed (as modified and/or restated as aforesaid) is further modified in such manner as would result in the Principal Trust Deed as so modified being in the form set out in the Schedule hereto; and

(ii) the provisions of the Principal Trust Deed (as modified and/or restated as aforesaid) insofar as the same still have effect shall cease to have effect and in lieu thereof the provisions of the Principal Trust Deed as so modified and restated (and being in the form set out in the Schedule hereto) shall have effect.

3. FOR the avoidance of doubt, the Principal Trust Deed (without the modifications made hereby but, where applicable, as modified and/or restated as aforesaid) shall continue to have effect in relation to all Series of Notes the first Tranche of which was issued on or prior to the day last preceding the date of this Eleventh Supplemental Trust Deed.

4. THE Subsisting Trust Deeds shall henceforth be read and construed as one document with this Eleventh Supplemental Trust Deed.
5. A Memorandum of the Eleventh Supplemental Trust Deed shall be endorsed by the Trustee on the Principal Trust Deed and by the Issuer on its duplicate thereof.

IN WITNESS whereof this Eleventh Supplemental Trust Deed has been executed by the Issuer and the Trustee as a deed and delivered on the day and year first above written.
THE SCHEDULE

FORM OF MODIFIED PRINCIPAL TRUST DEED

TRUST DEED

16 JULY 1999

VODAFONE GROUP PLC

and

THE LAW DEBENTURE TRUST CORPORATION p.l.c.

relating to a

€30,000,000,000

Euro Medium Term Note Programme
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Signatories 129
THIS TRUST DEED is made on 16 July 1999

BETWEEN:

(1) VODAFONE GROUP PLC, a company incorporated with limited liability in England and Wales with registered number 1833679, whose registered office is Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England (the Issuer); and

(2) THE LAW DEBENTURE TRUST CORPORATION p.l.c., a company incorporated with limited liability in England and Wales with registered number 1675231, whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, England (the Trustee, which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of these presents) as trustee for the Noteholders and the Couponholders (each as defined below).

WHEREAS:

(1) By a resolution of the Board of Directors of the Issuer passed on 24 May 1999 the Issuer has resolved to establish a Euro Medium Term Note Programme pursuant to which the Issuer may from time to time issue Notes as set out therein and herein. Notes up to a maximum nominal amount (calculated in accordance with Clause 3.5 of the Programme Agreement (as defined below)) from time to time outstanding of €30,000,000,000 (subject to increase as provided in the Programme Agreement) (the Programme Limit) may be issued pursuant to the said Programme.

(2) The Trustee has agreed to act as trustee of these presents for the benefit of the Noteholders and the Couponholders upon and subject to the terms and conditions of these presents.

NOW THIS TRUST DEED WITNESSES AND IT IS AGREED AND DECLARED as follows:

1. DEFINITIONS

1.1 In these presents unless there is anything in the subject or context inconsistent therewith the following expressions shall have the following meanings:

Agents means, in relation to all or any Series of the Notes, the Issuing and Principal Paying Agent, the other Paying Agents, the Calculation Agent, the Registrar, the other Transfer Agents or any of them;

Agency Agreement means the amended and restated agency agreement dated 11 July 2013, as amended and/or supplemented and/or restated from time to time, pursuant to which the Issuer has appointed the Issuing and Principal Paying Agent and the other Agents in relation to all or any Series of the Notes and any other agreement for the time being in force appointing further or other Agents in relation to all or any Series of the Notes, or in connection with their duties, the terms of which have previously been approved in writing by the Trustee, together with any agreement for the time being in force amending or modifying with the prior written approval of the Trustee any of the aforesaid agreements;

Appointee means any attorney, manager, agent, delegate or other person appointed by the Trustee under these presents;
Auditors means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of these presents, such other firm of accountants as may be nominated or approved by the Trustee for the purposes of these presents;

Bearer Note means a Note that is in bearer form;

Calculation Agency Agreement means in relation to all or any Series of the Notes an agreement in or substantially in the form of Schedule I to the Agency Agreement;

Calculation Agent means, in relation to all or any Series of the Notes, the person appointed as such from time to time pursuant to the provisions of the Calculation Agency Agreement or any Successor calculation agent in relation thereto;

Certificate means a Definitive or Global Certificate representing one or more Registered Notes of the same Series and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Registered Notes of that Series;

CGN means a Temporary Global Note or a Permanent Global Note and in either case in respect of which the applicable Final Terms do not specify that it is a New Global Note;

Clearstream, Luxembourg means Clearstream Banking, societé anonyme;

Conditions means, in relation to the Notes of any Series, the terms and conditions endorsed on or incorporated by reference into the Note or Notes constituting or Certificate or certificates representing such Series, such terms and conditions being in or substantially in the form set out in the First Schedule or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s) as completed by the Final Terms applicable to the Notes of the relevant Series, in each case as from time to time modified in accordance with the provisions of these presents;

Coupon means an interest coupon appertaining to a Definitive Bearer Note (other than a Zero Coupon Note), such coupon being:

(a) if appertaining to a Fixed Rate Note, in the form or substantially in the form set out in Part 6 A of the Second Schedule or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s); or

(b) if appertaining to a Floating Rate Note or an Inflation Linked Interest Note, in the form or substantially in the form set out in Part 6 B of the Second Schedule or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer (s); or

(c) if appertaining to a Definitive Note which is neither a Fixed Rate Note nor a Floating Rate Note nor an Inflation Linked Interest Note, in such form as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s),

and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 11;
Couponholders means the several persons who are for the time being holders of the Coupons and includes, where applicable, the holders of the Talons;

Dealers means the entities named as Dealers in the Programme Agreement and any other entity which the Issuer may appoint as a Dealer and notice of whose appointment has been given to the Agent and the Trustee by the Issuer in accordance with the provisions of the Programme Agreement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Programme Agreement and notice of which termination has been given to the Issuing and Principal Paying Agent and the Trustee by the Issuer in accordance with the provisions of the Programme Agreement and references to a relevant Dealer or relevant Dealer(s) mean, in relation to any Tranche or Series of Notes, the Dealer or Dealers with whom the Issuer has agreed the issue of the Notes of such Tranche or Series and Dealer means any one of them;

Definitive Bearer Note means a bearer Note in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer (s), the Agency Agreement and these presents in exchange for either a Temporary Global Note or part thereof or a Permanent Global Note (all as indicated in the applicable Final Terms), such bearer Note in definitive form being in the form or substantially in the form set out in Part 5 of the Second Schedule with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference (where applicable to this Trust Deed) as indicated in the applicable Final Terms and having the relevant information completing the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Note in bearer form) having Coupons and, where appropriate, Talons attached thereto on issue;

Definitive Certificate means a definitive Regulation S Certificate or DTC Restricted Certificate in or substantially in the form set out in Parts 8 and 9 of the Second Schedule, respectively with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee, the Registrar and the relevant Dealer(s), representing one or more Regulation S Registered Notes or DTC Restricted Registered Notes, respectively of the same Series;

DTC means The Depository Trust Company;

DTC Restricted Certificate means a Definitive Certificate representing DTC Restricted Registered Notes in or substantially in the form set out in Part 9 of the Second Schedule, with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee, the Registrar and the relevant Dealer(s), bearing the Rule 144A Legend and includes any replacement thereof issued pursuant to the Conditions and any DTC Restricted Global Certificate;

DTC Restricted Global Certificate means a Global Certificate in or substantially in the form set out in Part 4 of the Second Schedule with such modification (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee, the Registrar and the relevant Dealer(s), and bearing the Rule 144A Legend and the legends required by DTC;

DTC Restricted Registered Note means a Registered Note represented by a DTC Restricted Global Certificate or DTC Restricted Certificate, as the case may be;

Early Redemption Amount has the meaning ascribed thereto in Condition 7(e);

Early Termination Event has the meaning ascribed thereto in Condition 5(i)(ii)(E);

Euroclear means Euroclear Bank S.A./N.V.;
Eurosystem-eligible NGN means a NGN which is intended to be held in a manner which would allow Eurosystem eligibility, as stated in the applicable Final Terms;

Event of Default means any of the conditions, events or acts provided in Condition 10(A) to be Events of Default (being events upon the happening of which the Notes of any Series would, subject only to declaration by the Trustee as therein provided, become immediately due and repayable);

Exchangeable Bearer Note means a Bearer Note that is exchangeable in accordance with its terms for a Registered Note;

Extraordinary Resolution has the meaning ascribed thereto in paragraph 20 of the Third Schedule in relation to any Series of Notes;

Final Terms has the meaning set out in the Programme Agreement;

Fixed Rate Note means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

Floating Rate Note means a Note on which interest is calculated at a floating rate payable one-, two-, three-, six- or twelve-monthly or in respect of such other period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

Indexation Adviser has the meaning set out in Condition 5(a);

Global Certificate means a Regulation S Global Certificate or a DTC Restricted Global Certificate in or substantially in the forms set out in Part 3 and Part 4 of the Second Schedule, respectively, with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee, the Registrar and the relevant Dealer(s), representing Regulation S Registered Notes or DTC Restricted Registered Notes, respectively, or one or more Tranches of the same Series that are registered in the name of a nominee for Euroclear, Clearstream, Luxembourg and/or DTC and/or any other clearing system;

Global Note means a Temporary Global Note and/or a Permanent Global Note, as the context may require;

Holding Company has the meaning ascribed thereto in Condition 15;

Inflation Linked Interest Note means a Note in respect of which the amount payable in respect of interest is calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

Inflation Linked Note means an Inflation Linked Interest Note and/or an Inflation Linked Redemption Amount Note, as applicable;

Inflation Linked Redemption Amount Note means a Note in respect of which the amount payable in respect of principal is calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

Interest Commencement Date means, in the case of interest-bearing Notes, the date specified in the applicable Final Terms from (and including) which such Notes bear interest, which may or may not be the Issue Date;
**Interest Payment Date** means, in relation to any Floating Rate Note or Inflation Linked Interest Note, either:

(a) the date which falls the number of months or other period specified as the **Specified Period** in the applicable Final Terms after the preceding Interest Payment Date or the Interest Commencement Date (in the case of the first Interest Payment Date); or

(b) such date or dates as are indicated in the applicable Final Terms;

**Issue Date** means, in respect of any Note, the date of issue and purchase of such Note pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s);

**Issue Price** means the price, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes will be issued;

**Issuing and Principal Paying Agent** means, in relation to all or any Series of the Notes HSBC Bank plc at its office at 8 Canada Square, London E14 5HQ, England, or, if applicable, any Successor agent in relation thereto;

**Liability** means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any amount in respect of value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

**London Business Day** has the meaning set out in Condition 4(b)(vii);

**London Stock Exchange** means the London Stock Exchange plc or such other body to which its functions have been transferred;

**Market** means the London Stock Exchange’s regulated market which is a regulated market for the purposes of the Markets in Financial Instruments Directive;


**Maturity Date** means the date on which a Note is expressed to be redeemable;

**NGN** means a Temporary Global Note or a Permanent Global Note and in either case in respect of which the applicable Final Terms specify that the Global Note is a New Global Note;

**Note** means a note issued pursuant to the Programme and denominated in such currency or currencies as may be agreed between the Issuer and the relevant Dealer(s) which:

(a) has such maturity as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant currency; and

(b) has such denomination as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum denomination as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency,
issued or to be issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and these presents and which may be issued in bearer or registered form. Notes which are issued in bearer form shall initially be represented by, and comprised in, either (i) a Temporary Global Note which may (in accordance with the terms of such Temporary Global Note) be exchanged for Definitive Bearer Notes or Registered Notes or a Permanent Global Note, which Permanent Global Note may (in accordance with the terms of such Permanent Global Note) in turn be exchanged for Definitive Bearer Notes or Registered Notes or (ii) a Permanent Global Note which may (in accordance with the terms of such Permanent Global Note) be exchanged for Definitive Bearer Notes or Registered Notes and which shall, in the case of Registered Notes, initially be represented by, and comprised in, a Regulation S Global Certificate and/or a DTC Restricted Global Certificate each of which may, in accordance with their terms, in turn be exchanged for Definitive Certificates (all as indicated in the applicable Final Terms) and includes any replacements for a Note issued pursuant to Condition 11;

Noteholder and holder have the meaning given to them in the Conditions;

notice means, in respect of a notice to be given to Noteholders, a notice validly given pursuant to Condition 14;

NSS means the New Safekeeping Structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations;

Official List has the meaning ascribed thereto in Section 103 of the Financial Services and Markets Act 2000;

outstanding in relation to the Notes, means all Notes issued other than:

(a) those Notes which have been redeemed pursuant to these presents or the Conditions;
(b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Trustee or have been duly paid to the Issuing and Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Noteholders in accordance with Condition 14) and remain available for payment against presentation of the relevant Notes, Certificates and/or Coupons;
(c) those Notes which have been purchased and cancelled in accordance with Conditions 7(f) and (i);
(d) those Notes which have become void under Condition 9;
(e) those mutilated or defaced Bearer Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 9;
(f) (for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Bearer Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 11;
(g) those Exchangeable Bearer Notes that have been exchanged for Registered Notes; and
(h) any Temporary Global Note to the extent that it shall have been exchanged for Definitive Bearer Notes or a Permanent Global Note and any Permanent Global Note to the extent that
it shall have been exchanged for Definitive Bearer Notes in each case pursuant to its provisions, the provisions of these presents and the Agency Agreement,

PROVIDED THAT for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the holders of the Notes of any Series;

(j) the determination of how many and which Notes of any Series are for the time being outstanding for the purposes of Clause 8.1, Conditions 10 and 15 and paragraphs 2, 5, 6 and 9 of the Third Schedule;

(k) any discretion, power or authority (whether contained in these presents or vested by operation of law) which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Notes of any Series; and

(l) the determination by the Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Notes of any Series,

those Notes of the relevant Series (if any) which are for the time being held by or on behalf of the Issuer, any Holding Company of the Issuer or any Subsidiary of the Issuer or any such Holding Company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding. Save for the purposes of the proviso herein, in the case of each NGN, the Trustee shall rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of each NGN;

Paying Agents means, in relation to all or any Series of the Notes, the several institutions (including, where the context permits, the Issuing and Principal Paying Agent) at their respective specified offices initially appointed as paying agents in relation to such Notes by the Issuer pursuant to the Agency Agreement and/or, if applicable, any Successor paying agents in relation thereto;

Permanent Global Note means a global note in the form or substantially in the form set out in Part 2 of the Second Schedule with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Notes of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and these presents;

Person means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government, or any agency or political sub-division thereof;

Potential Event of Default means any condition, event or act which, with the lapse of time and/or the giving of notice and/or the issue of any certificate, would constitute an Event of Default;

Programme means the Euro Medium Term Note Programme established by, or otherwise contemplated in, the Programme Agreement;

Programme Agreement means the agreement of even date herewith between the Issuer and the Dealers named therein concerning the purchase of Notes to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement;

Reference Banks means, in relation to the Notes of any relevant Series, the several banks initially appointed as reference banks and/or, if applicable, any Successor reference banks in relation thereto;
Register means the register maintained by the Registrar;

Registered Notes means those of the Notes which are for the time being in registered form and represented by a Certificate;

Registrar means, in relation to all or any Series of the Notes, HSBC Bank USA, National Association at its office at 452 Fifth Avenue, New York, NY 10018-2708, or, if applicable, any Successor Registrar in relation thereto;

Regulation S means Regulation S under the Securities Act;

Regulation S Certificate means a Definitive Certificate representing Regulation S Registered Notes in or substantially in the form set out in Part 8 of the Second Schedule, with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee, the Registrar and the relevant Dealer(s), and includes any replacement thereof issued pursuant to the Conditions and any Regulation S Global Certificate;

Regulation S Global Certificate means a Global Certificate in or substantially in the form set out in Part 3 of the Second Schedule, with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee, the Registrar and the relevant Dealer(s);

Regulation S Registered Note means a Registered Note represented by a Regulation S Certificate or a Regulation S Global Certificate, as the case may be;

Relevant Date has the meaning set out in Condition 8;

Relevant Jurisdiction has the meaning set out in Condition 8;

Renminbi Currency Event has the meaning set out in Condition 6(g);

Reorganisation means the conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any Person that guarantees the Issuer’s obligations under these presents in accordance with this Clause;

repay, redeem and pay shall each include both the others and cognate expressions shall be construed accordingly;

Rule 144A Legend means the transfer restriction legend under the Securities Act set out in the form of DTC Restricted Certificate in Part 9 of the Second Schedule and the DTC Restricted Global Certificate in Part 4 of the Second Schedule;

Securities Act means the United States Securities Act of 1933, as amended;

Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions Notes of the relevant Series, holders of Notes of the relevant Series and related expressions shall be construed accordingly;

Stock Exchange means the London Stock Exchange or any other or further stock exchange(s) on which any Notes may from time to time be listed, and references in these presents to the relevant Stock Exchange shall, in relation to any Notes, be references to the Stock Exchange on which such Notes are, from time to time, or are intended to be, listed;
Subsidiary means:
(a) a subsidiary within the meaning of Section 736 of the Companies Act 1985, as amended by Section 144 of the Companies Act 1989; and
(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of Section 1162 of the Companies Act 2006;

Successor means, in relation to the Issuing and Principal Paying Agent, the other Paying Agents, the Reference Banks, the Calculation Agent, the Registrar and the Transfer Agents, any successor to any one or more of them in relation to the Notes which shall become such pursuant to the provisions of these presents and/or the Agency Agreement (as the case may be) and/or such other or further issuing and principal paying agent, paying agents, reference banks, calculation agent, registrar and transfer agents (as the case may be) in relation to the Notes as may (with the prior approval of, and on terms previously approved by, the Trustee in writing) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the former case being within the same city as those for which they are substituted) as may from time to time be nominated, in each case by the Issuer and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Noteholders;

Successor in Business means any company which, as the result of any amalgamation, merger or reconstruction the terms of which have previously been approved in writing by the Trustee:
(a) owns beneficially the whole or substantially the whole of the undertaking, property and assets owned by the Issuer immediately prior thereto; and
(b) carries on, as successor to the Issuer, the whole or substantially the whole of the business carried on by the Issuer immediately prior thereto;

Talons means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Bearer Notes (other than the Zero Coupon Notes), such talons being in the form or substantially in the form set out in Part 7 of the Second Schedule or in such other form as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 11;

TARGET2 System has the meaning set out in Condition 4(b)(i);

Temporary Global Note means a temporary global note in the form or substantially in the form set out in Part 1 of the Second Schedule with such modifications (if any) as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Notes of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and these presents;

these presents means this Trust Deed and the Schedules and any trust deed supplemental hereto and the Schedules (if any) thereto and the Notes, the Certificates, the Coupons, the Talons, the Conditions and, unless the context otherwise requires, the Final Terms, all as from time to time modified in accordance with the provisions herein or therein contained;

Tranche means all Notes which are identical in all respects (including as to listing);
Transfer Agents means, in relation to all or any Series of the Notes, the several institutions at their respective specified offices initially appointed as transfer agents in relation to such Notes by the Issuer pursuant to the Agency Agreement and/or, if applicable, any Successor transfer agents in relation thereto;

Trust Corporation means a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee;

Trustee Acts means the Trustee Act 1925 and the Trustee Act 2000;

UK Listing Authority means the Financial Service Authority in its capacity as competent authority under the Financial Services and Markets Act 2000;

United States has the meaning set out in Condition 8;

Zero Coupon Note means a Note on which no interest is payable;

words denoting the singular shall include the plural and vice versa;

words denoting one gender only shall include the other genders; and

words denoting persons only shall include firms and corporations and vice versa.

1.2 (a) All references in these presents to principal and/or principal amount and/or interest in respect of the Notes or to any moneys payable by the Issuer under these presents shall, unless the context otherwise requires, be construed in accordance with Condition 7(e).

(b) All references in these presents to any statute or any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such modification or re-enactment.

(c) All references in these presents to guarantees or to an obligation being guaranteed shall be deemed to include respectively references to indemnities or to an indemnity being given in respect thereof.

(d) All references in these presents to any action, remedy or method of proceeding for the enforcement of the rights of creditors shall be deemed to include, in respect of any jurisdiction other than England, references to such action, remedy or method of proceeding for the enforcement of the rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of proceeding described or referred to in these presents.

(e) All references in these presents to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits (but not in the case of any NGN or any Registered Global Note held under the NSS), be deemed to include references to any additional or alternative clearing system as is approved by the Issuer, the Issuing and Principal Paying Agent and the Trustee.

(f) Unless the context otherwise requires words or expressions used in these presents shall bear the same meanings as in the Companies Act 2006 of Great Britain.
(g) In this Trust Deed references to Schedules, Clauses, subclauses, paragraphs and subparagraphs shall be construed as references to the Schedules to this Trust Deed and to the Clauses, subclauses, paragraphs and subparagraphs of this Trust Deed respectively.

(h) In these presents tables of contents and Clause headings are included for ease of reference and shall not affect the construction of these presents.

(i) All references in these presents involving compliance by the Trustee with a test of reasonableness shall be deemed to include a reference to a requirement that such reasonableness shall be determined by reference solely to the interests of the holders of the Notes of the relevant one or more series as a class.

(j) All references in these presents to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customer’s interest in the Notes.

1.3 Words and expressions defined in these presents or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and these presents, these presents shall prevail and, in the event of inconsistency between the Agency Agreement or these presents and the applicable Final Terms, the applicable Final Terms shall prevail.

1.4 All references in these presents to the relevant currency shall be construed as references to the currency in which payments in respect of the Notes and/or Coupons of the relevant Series are to be made as indicated in the applicable Final Terms.

1.5 All references in these presents to Notes being “listed” or “having a listing” shall, in relation to the London Stock Exchange, be construed to mean that such Notes have been admitted to the Official List by the UK Listing Authority and to trading on the Market and all references in these presents to “listing” or “listed” shall include references to “quotation” and “quoted” respectively and, in relation to any other European Economic Area Stock Exchange, “listed” or “having a listing” shall be construed to mean that such Notes have been admitted to trading on a market with that jurisdiction which is a Market.

1.6 Wherever in these presents there is a requirement for the consent of, or a request from, the Noteholders, then, for so long as any of the Registered Notes is registered in the name of DTC or its nominee and represented by a DTC Restricted Global Certificate, DTC may send an omnibus proxy to the Issuer in accordance with and in the form used by DTC as part of its usual procedures from time to time. Such omnibus proxy shall assign the right to give such consent or, as the case may be, make such request to DTC’s direct participants as of the record date specified therein any such assignee participant may give the relevant consent or, as the case may be make the relevant request in accordance with these presents.

2. AMOUNT AND ISSUE OF THE NOTES

2.1 Amount of the Notes, Final Terms and Legal Opinions

The Notes will be issued in Series in an aggregate nominal amount from time to time outstanding not exceeding the Programme Limit from time to time and for the purpose of determining such aggregate nominal amount Clause 3(5) of the Programme Agreement shall apply.

By not later than 10.00 a.m. (London time) on the London Business Day preceding each proposed Issue Date, the Issuer shall deliver or cause to be delivered to the Trustee a draft of the applicable
Final Terms and drafts of all legal opinions (if any) to be given in relation to the proposed issue and shall notify the Trustee in writing without delay of the relevant Issue Date and the nominal amount of the Notes to be issued and upon the issue of the relevant Notes shall deliver or cause to be delivered to the Trustee a copy of the final form of the applicable Final Terms. Upon the issue of the relevant Notes, such Notes shall become constituted by these presents without further formalities.

Before the first issue of Notes occurring after each anniversary of this Trust Deed, and on such other occasions as the Trustee so requests (if (a) the Trustee considers it necessary in view of a change (or proposed change) in applicable law or regulations (or the interpretation or application thereof) affecting the Issuer, these presents, the Programme Agreement or the Agency Agreement, or (b) the Trustee has other reasonable grounds for such request), the Issuer will procure that a further legal opinion or further legal opinions in such form and with such content as the Trustee may require from the legal advisers specified in the Programme Agreement or such other legal advisers as the Trustee may require is/are delivered to the Trustee. Whenever such a request is made with respect to any Notes to be issued, the receipt of such opinion(s) in a form satisfactory to the Trustee shall be a further condition precedent to the issue of those Notes.

2.2 Covenant to repay principal and to pay interest

The Issuer covenants with the Trustee that it will, as and when the Notes of any Series or any of them becomes due to be redeemed in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee, in the case of any relevant currency other than euro, in the principal financial centre for the relevant currency and, in the case of euro, in a city in which banks have access to the TARGET2 System in each case in immediately available funds the principal amount in respect of the Notes of such Series becoming due for redemption on that date and (except in the case of Zero Coupon Notes) shall (subject to the provisions of the Conditions) in the meantime and until redemption in full of the Notes of such Series (both before and after any judgment or other order of a court of competent jurisdiction) unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid interest (which shall accrue from day to day) on the nominal amount of the Notes outstanding of such Series at rates and/or in amounts calculated from time to time in accordance with, or specified in, and on the dates provided for in, the Conditions (subject to Clause 2.4) PROVIDED THAT:

(a) every payment of principal or interest or other sum due in respect of the Notes made to or to the order of the Issuing and Principal Paying Agent in the manner provided in the Agency Agreement shall be in satisfaction pro tanto of the relative covenant by the Issuer in this Clause contained in relation to the Notes of such Series (including, in the case of Notes represented by a NGN, whether or not the corresponding entries have been made in the records of Euroclear and Clearstream, Luxembourg) except to the extent that there is a default in the subsequent payment thereof in accordance with the Conditions to the relevant Noteholders or Couponholders (as the case may be);

(b) in the case of any payment of principal made to the Trustee or the Issuing and Principal Paying Agent after the due date or on or after accelerated maturity following an Event of Default interest shall continue to accrue on the nominal amount of the relevant Notes (except in the case of Zero Coupon Notes to which the provisions of Condition 6(f) shall apply) (both before and after any judgment or other order of a court of competent jurisdiction) at the rates aforesaid (or, if higher, the rate of interest on judgment debts for the time being provided by English law) up to and including the date which the Trustee determines to be the date on and after which payment is to be made in respect thereof as stated in a notice given to the holders of such Notes (such date to be not later than 30 days after the day on which the whole of such principal amount, together with an amount equal to the interest which has accrued and is to accrue pursuant to this proviso up to and including that date, has been received by the Trustee or the Issuing and Principal Paying Agent); and
(c) in any case where payment of the whole or any part of the principal amount of any Note is improperly withheld or refused upon due presentation thereof or of the Certificate in respect thereof (other than in circumstances contemplated by 2.2(b) above), interest shall accrue on the nominal amount of such Note (except in the case of Zero Coupon Notes to which the provisions of Condition 5(j) shall apply) payment of which has been so withheld or refused (both before and after any judgment or other order of a court of competent jurisdiction) at the rates aforesaid (or, if higher, the rate of interest on judgment debts for the time being provided by English law) from the date of such withholding or refusal until the date on which, upon further presentation of the relevant Note or Certificate, as the case may be, payment of the full amount (including interest as aforesaid) in the relevant currency payable in respect of such Note is made or (if earlier) the seventh day after notice is given to the relevant Noteholder(s) (whether individually or in accordance with Condition 14) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is available for payment, provided that, upon further presentation thereof being duly made, such payment is made.

The Trustee will hold the benefit of this covenant on trust for the Noteholders and the Couponholders and itself in accordance with these presents.

2.3 Trustee's requirements regarding Agents etc

At any time after an Event of Default or a Potential Event of Default shall have occurred or the Trustee shall have received any money which it proposes to pay under Clause 9 to the relevant Noteholders and/or Couponholders, the Trustee may:

(a) by notice in writing to the Issuer and the Agents require the Agents pursuant to the Agency Agreement:

(i) to act thereafter as Agents of the Trustee in relation to payments to be made by or on behalf of the Trustee under the terms of these presents mutatis mutandis on the terms provided in the Agency Agreement (save that the Trustee’s liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Agents shall be limited to the amounts for the time being held by the Trustee on the trusts of these presents relating to the Notes of the relevant Series and the relative Certificates and Coupons and available for such purpose) and thereafter to hold all Notes and Coupons and all sums, documents and records held by them in respect of Notes, Certificates and Coupons on behalf of the Trustee; or

(ii) to deliver up all Notes, Certificates and Coupons and all sums, documents and records held by them in respect of Notes, Certificates and Coupons, in each case held by them in their capacity as Agent, to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any documents or records which the relevant Agent is obliged not to release by any law or regulation; and

(b) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Notes and Coupons to or to the order of the Trustee and not to the Issuing and Principal Paying Agent and, with effect from the issue of any such notice to the Issuer and until such notice is withdrawn, proviso (i) to subclause 2.2 of this Clause relating to the Notes shall cease to have effect.
If the Floating Rate Notes or Inflation Linked Interest Notes of any Series become immediately due and repayable under Condition 10(A) the rate and/or amount of interest payable in respect of them will be calculated at the same intervals as if such Notes had not become due and repayable, the first of which will commence on the expiry of the Interest Period during which the Notes of the relevant Series become so due and repayable mutatis mutandis in accordance with the provisions of Condition 4(b) except that the rates of interest need not be published.

2.5 Currency of payments

All payments in respect of, under and in connection with these presents and the Notes of any Series to the relevant Noteholders and Couponholders shall be made in the relevant currency.

2.6 Further Notes

The Issuer shall be at liberty from time to time (but subject always to the provisions of these presents) without the consent of the Noteholders or Couponholders to create and issue further Notes ranking pari passu in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that the same shall be consolidated and form a single series with the outstanding Notes of a particular Series.

2.7 Separate Series

The Notes of each Series shall form a separate Series of Notes and accordingly, unless for any purpose the Trustee in its absolute discretion shall otherwise determine, the provisions of this Clause and of Clauses 3 to 21 (both inclusive) and 22.2 and the Third Schedule shall apply mutatis mutandis separately and independently to the Notes of each Series and in such Clauses and Schedule the expressions Notes, Noteholders, Coupons, Couponholders and Talons shall be construed accordingly.

3. FORMS OF THE NOTES

3.1 Global Notes

(a) The Notes of each Tranche will initially be represented by either:

(i) in the case of Bearer Notes, a single Temporary Global Note which shall be exchangeable for either Definitive Bearer Notes together with, where applicable, (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached or a Permanent Global Note or (in the case of Exchangeable Bearer Notes) Registered Notes, in each case in accordance with the provisions of such Temporary Global Note. Each Permanent Global Note shall be exchangeable for Definitive Bearer Notes together with, where applicable, (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached or (in the case of Exchangeable Bearer Notes) Registered Notes, in accordance with the provisions of such Permanent Global Note; or

(ii) in the case of Bearer Notes, a single Permanent Global Note which shall be exchangeable for Definitive Bearer Notes together with, where applicable, (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached or (in the case of Exchangeable Bearer Notes) Registered Notes, in accordance with provisions of such Permanent Global Note; or
in the case of Registered Notes which are sold outside the United States in “offshore transactions” within the meaning of Regulation S, a Regulation S Global Certificate which will be exchangeable for Regulation S Certificates and/or Notes represented by a DTC Restricted Global Certificate in accordance with the provisions of such Regulation S Global Certificate; or

in the case of Registered Notes which are sold in the United States, to qualified institutional buyers within the meaning of Rule 144A, a DTC Restricted Global Certificate which will be exchangeable for DTC Restricted Certificates and/or Notes represented by a Regulation S Global Certificate in accordance with the provisions of such DTC Restricted Global Certificate.

All Global Notes shall be prepared, completed and delivered to a common depositary (in the case of a CGN) or common safekeeper (in the case of a NGN or Registered Notes held under the NSS) for Euroclear and Clearstream, Luxembourg, each Regulation S Global Certificate shall be prepared, completed and delivered to, and registered in the name of a nominee of, a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg and each DTC Restricted Global Certificate shall be prepared, completed and delivered to a custodian for and registered in the name of a nominee of DTC, in each case in accordance with the provisions of the Programme Agreement or to or with or in the name of another appropriate custodian, nominee or depositary in accordance with any other agreement between the Issuer and the relevant Dealer(s) and, in each case, the Agency Agreement.

(b) Each Temporary Global Note shall be printed or typed in the form or substantially in the form set out in Part 1 of the Second Schedule and may be a facsimile. Each Temporary Global Note shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by or on behalf of the Issuing and Principal Paying Agent and shall, in the case of a Eurosystem-eligible NGN, be effectuated by the common safekeeper acting on the instructions of the Issuing and Principal Paying Agent. Each Temporary Global Note so executed and authenticated (and effectuated, if applicable) shall be a binding and valid obligation of the Issuer and title thereto shall pass by delivery.

(c) Each Permanent Global Note shall be printed or typed in the form or substantially in the form set out in Part 2 of the Second Schedule and may be a facsimile. Each Permanent Global Note shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by or on behalf of the Issuing and Principal Paying Agent and shall, in the case of a Eurosystem-eligible NGN, be effectuated by the common safekeeper acting on the instructions of the Issuing and Principal Paying Agent. Each Permanent Global Note so executed and authenticated (and effectuated, if applicable) shall be a binding and valid obligation of the Issuer and title thereto shall pass by delivery.

(d) Each Regulation S Global Certificate shall be printed or typed in the form or substantially in the form set out in Part 3 of the Second Schedule and may be a facsimile. Each Regulation S Global Certificate shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by or on behalf of the Registrar and shall, in the case of Notes intended to be held under the NSS, be effectuated by the common safekeeper acting on the instructions of the Issuer. Each Regulation S Global Certificate shall be valid evidence of binding and valid obligations of the Issuer and title thereto shall pass upon registration in the Register.

(e) Each DTC Restricted Global Certificate shall be printed or typed in the form or substantially in the form set out in Part 4 of the Second Schedule and may be a facsimile. Each DTC Restricted Global
Certificate shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by or on behalf of the Registrar. Each DTC Restricted Global Certificate shall be valid evidence of binding and valid obligations of the Issuer and title thereto shall pass upon registration in the Register.

3.2 Definitive Bearer Notes
(a) The Definitive Bearer Notes, the Coupons and the Talons shall be to bearer in the respective forms or substantially in the respective forms set out in Parts 5, 6 and 7 respectively, of the Second Schedule. The Definitive Bearer Notes, the Coupons and the Talons shall be serially numbered and, if listed or quoted, shall be security printed in accordance with the requirements (if any) from time to time of the relevant Stock Exchange and the relevant Conditions shall be incorporated by reference (where applicable to these presents) into such Definitive Bearer Notes if permitted by the relevant Stock Exchange (if any), or, if not so permitted, the Definitive Bearer Notes shall be endorsed with or have attached thereto the relevant Conditions, and, in either such case, the Definitive Bearer Notes shall have endorsed thereon or attached thereto a copy of the applicable Final Terms (or the relevant provisions thereof). Title to the Definitive Bearer Notes, the Coupons and the Talons shall pass by delivery.
(b) The Definitive Bearer Notes shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by or on behalf of the Issuing and Principal Paying Agent. The Definitive Bearer Notes so executed and authenticated, and the Coupons and Talons, upon execution and authentication of the relevant Definitive Bearer Notes, shall be binding and valid obligations of the Issuer. The Coupons and the Talons shall not be signed. No Definitive Bearer Note and none of the Coupons or Talons appertaining to such Definitive Bearer Note shall be binding or valid until such Definitive Bearer Note shall have been executed and authenticated as aforesaid.

3.3 Definitive Certificates
(a) The DTC Restricted Certificates and Regulation S Certificates shall be in the respective forms or substantially in the respective forms set out in Parts 8 and 9, respectively of the Second Schedule and shall be printed in accordance with applicable legal and stock exchange requirements. Title to such certificates shall pass upon registration in the Register.
(b) The DTC Restricted Certificates and Regulation S Certificates shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by or on behalf of the Registrar. The DTC Restricted Certificates and Regulation S Certificates so executed and authenticated shall be valid evidence of binding and valid obligations of the Issuer. Title to such Certificates shall pass upon registration in the Register.

3.4 Facsimile signatures
The Issuer may use the facsimile signature of any person who at the date such signature is affixed to a Global Note or a Definitive Bearer Note or a Certificate is duly authorised by the Issuer notwithstanding that at the time of issue of such Note or Certificate he may have ceased for any reason to be so authorised or to hold such office.

4. FEES, DUTIES AND TAXES
The Issuer will pay any stamp, issue, registration, documentary and other fees, duties or taxes (if any), including interest and penalties, payable (a) in the United Kingdom, Belgium, Luxembourg and the United States of America on or in connection with (i) the execution and delivery of these
The Issuer covenants with the Trustee that it will comply with and perform and observe all the provisions of these presents which are expressed to be binding on it. The Notes and the Coupons shall be held subject to the provisions contained in these presents and the Conditions shall be binding on the Issuer, the Trustee, the Noteholders and the Couponholders and all persons claiming through or under them. The Trustee shall be entitled to enforce the obligations of the Issuer under the Notes, the Coupons and the Conditions in the manner therein provided as if the same were set out and contained in this Trust Deed, which shall be read and construed as one document with the Notes and the Coupons. The Trustee shall hold the benefit of this covenant upon trust for itself and the Noteholders and the Couponholders according to its and their respective interests.

5. COVENANT OF COMPLIANCE

The Issuer covenants with the Trustee that it will comply with and perform and observe all the provisions of these presents which are expressed to be binding on it. The Notes and the Coupons shall be held subject to the provisions contained in these presents and the Conditions shall be binding on the Issuer, the Trustee, the Noteholders and the Couponholders and all persons claiming through or under them. The Trustee shall be entitled to enforce the obligations of the Issuer under the Notes, the Coupons and the Conditions in the manner therein provided as if the same were set out and contained in this Trust Deed, which shall be read and construed as one document with the Notes and the Coupons. The Trustee shall hold the benefit of this covenant upon trust for itself and the Noteholders and the Couponholders according to its and their respective interests.

6. CANCELLATION OF NOTES AND RECORDS

6.1 The Issuer shall procure that all Notes issued by it (a) redeemed or (b) purchased for cancellation by or on behalf of the Issuer or any Subsidiary of the Issuer and surrendered for cancellation or (c) which, being Bearer Notes which have been mutilated or defaced, have been surrendered and replaced pursuant to Condition 11 or (d) exchanged as provided in these presents (together in each case, in the case of Definitive Bearer Notes, with all unmatured Coupons attached thereto or delivered therewith) and, in the case of Definitive Bearer Notes, all relative Coupons paid in accordance with the relevant Conditions or which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 11 shall forthwith be cancelled by or on behalf of the Issuer and a certificate stating:

(a) the aggregate nominal amount of Notes which have been redeemed and the amounts paid in respect thereof and the aggregate amounts in respect of Coupons which have been paid;
(b) the serial numbers of such Notes in definitive form or the Certificates representing Registered Notes;
(c) the total numbers (where applicable, of each denomination) by maturity date of such Coupons;
(d) the aggregate amount of interest paid (and the due dates of such payments) on Global Notes and Registered Notes;
(e) the aggregate nominal amount of Notes (if any) which have been purchased by or on behalf of the Issuer or any Subsidiary of the Issuer and cancelled and the serial numbers of such Notes in definitive form or of the Certificates representing Registered Notes and, in the case of Definitive Bearer Notes, the total number (where applicable, of each denomination) by maturity date of the Coupons and Talons attached thereto or surrendered therewith;
(f) the aggregate nominal amounts of Notes and the aggregate amounts in respect of Coupons which have been so exchanged or surrendered and replaced and the serial numbers of such Notes in definitive form or of the Certificates representing Registered Notes and the total number (where applicable, of each denomination) by maturity date of such Coupons and Talons; and
shall be given to the Trustee by or on behalf of the Issuer as soon as possible and in any event within four months after the date of such redemption, purchase, payment, exchange or replacement (as the case may be). The Trustee may accept such certificate as conclusive evidence of redemption, purchase, exchange or replacement pro tanto of the Notes or payment of interest thereon or exchange of the relative Talons respectively and of cancellation of the relative Notes and Coupons.

6.2 The Issuer shall procure (a) that the Issuing and Principal Paying Agent and/or the Registrar shall keep a full and complete record of all Notes, Coupons and Talons issued by it (other than serial numbers of Coupons) and of their redemption or purchase and cancellation and of all replacement notes, coupons or talons issued in substitution for lost, stolen, mutilated, defaced or destroyed Bearer Notes, Coupons or Talons and of all transfers and exchanges of Registered Notes (b) that the Agent and the Registrar shall, in respect of the Coupons of each maturity where the relevant Bearer Note is redeemed prior to its maturity date, retain until the expiry of 10 years from the Relevant Date in respect of such Coupons a list of the Coupons of that maturity still remaining unpaid or unexchanged and (c) that such records shall be made available to the Trustee during normal business hours.

7. ENFORCEMENT

7.1 The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce its obligations under these presents.

7.2 Proof that as regards any specified Note or Coupon the Issuer has made default in paying any amount due in respect of such Note or Coupon shall (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Notes or Coupons (as the case may be) in respect of which the relevant amount is due and payable.

8. PROCEEDINGS, ACTION AND INDEMNIFICATION

8.1 The Trustee shall not be bound to take any proceedings mentioned in Condition 10 or any other action in relation to these presents unless respectively directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded by the relevant Noteholders to its satisfaction against all proceedings, claims and demands to which it may be liable and against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement, including the costs of its managements’ time and/or other internal resources, calculated using its normal hourly rates in force from time to time.

8.2 Only the Trustee may enforce the provisions of these presents. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of these presents unless the Trustee having become bound as aforesaid to take proceedings fails to do so within a reasonable period and such failure is continuing.

9. APPLICATION OF MONEYS

All moneys received by the Trustee under these presents from the Issuer (including any moneys which represent principal or interest in respect of Notes or Coupons which have become void, or in respect of claims which have become prescribed, under Condition 9) shall, unless and to the extent attributable, in the opinion of the Trustee, to a particular Series of the Notes, be apportioned pari passu and rateably between each Series of the Notes, and all moneys received by the Trustee under these presents from the Issuer to the extent attributable in the opinion of the Trustee to a particular
Series of the Notes or which are apportioned to such Series as aforesaid, be held by the Trustee upon trust to apply them (subject to Clause 11):

FIRST in payment or satisfaction of all amounts then due and unpaid under Clauses 14 and/or 15(j) to the Trustee and/or any Appointee;
SECONDLY in or towards payment pari passu and rateably of all principal and interest then due and unpaid in respect of the Notes of that Series;
THIRDLY in or towards payment pari passu and rateably of all principal and interest then due and unpaid in respect of the Notes of each other Series; and
FOURTHLY in payment of the balance (if any) to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with as between the Issuer and any other person),

PROVIDED ALWAYS that any payment required to be made by the Trustee pursuant to these presents shall only be made subject to any applicable laws and regulations.

10. NOTICE OF PAYMENTS
The Trustee shall give notice to the relevant Noteholders in accordance with Condition 14 of the day fixed for any payment to them under Clause 9. Such payment may be made in accordance with Condition 6 and any payment so made shall be a good discharge to the Trustee.

11. INVESTMENT BY TRUSTEE

11.1 If the amount of the moneys at any time available for the payment of principal and interest in respect of the Notes issued by the Issuer under Clause 9 shall be less than 10% of the nominal amount of the Notes then outstanding the Trustee may at its discretion invest such moneys in some or one of the investments authorised below. The Trustee at its discretion may vary such investments and may accumulate such investments and the resulting income until the accumulations, together with any other funds for the time being under the control of the Trustee and available for such purpose, amount to at least 10% of the nominal amount of the Notes then outstanding and then such accumulations and funds shall be applied under Clause 9.

11.2 Any moneys which under the trusts of these presents ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee (or, if required to comply with applicable law a custodian, co-trustee or separate trustee appointed by it) in any investments for the time being authorised by law for the investment by trustees of trust moneys or in any other investments whether similar to the aforesaid or not which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee (or, if required to comply with applicable law a custodian, co-trustee or separate trustee appointed by it) at such bank or other financial institution and in such currency as the Trustee may think fit. If that bank or institution is the Trustee or a Subsidiary, holding or associated company of the Trustee, it need only account for an amount of interest equal to the amount of interest which would, at then current rates, be payable by it on such a deposit to an independent customer. The Trustee may at any time vary any such investments for or into other investments or convert any moneys so deposited into any other currency and shall not be responsible for any loss resulting from any such investments or deposits, whether due to depreciation in value, fluctuations in exchange rates or otherwise.
12. PARTIAL PAYMENTS

Upon any payment under Clause 9 (other than payment in full against surrender of a Note, Certificate or Coupon) the Note, Certificate or Coupon in respect of which such payment is made shall (except in the case of a NGN or a Registered Global Note held under the NSS) be produced to the Trustee or the Paying Agent by or through whom such payment is made and the Trustee shall or shall cause such Paying Agent to enface thereon a memorandum of the amount and the date of payment but the Trustee may in any particular case dispense with such production and enfacement upon such indemnity being given as it shall think sufficient.

13. COVENANTS

The Issuer covenants with the Trustee that, so long as any of the Notes remains outstanding (or, in the case of paragraphs (f), (g), (i), (k) and (q), so long as any of the Notes or the relative Coupons remains liable to prescription or, in the case of subparagraph (m), until the expiry of a period of 30 days after the Relevant Date) it shall:

(a) give or procure to be given to the Trustee such opinions, certificates and information as it shall reasonably require and in such form as it shall reasonably require (including without limitation the procurement of all such certificates called for by the Trustee pursuant to Clause 16.3 and advice of the Indexation Adviser pursuant to Condition 5) for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under these presents or by operation of law;

(b) at all times keep and procure its Subsidiaries to keep proper books of account and, following the occurrence of an Event of Default or Potential Event of Default or if the Trustee reasonably considers that any such event is likely to occur, allow and procure its Subsidiaries to allow the Trustee and any person appointed by the Trustee to whom the Issuer or the relevant Subsidiary (as the case may be) shall have no reasonable objection free access to such books of account during normal business hours;

(c) send to the Trustee (in addition to any copies to which it may be entitled as a holder of any securities of the Issuer) two copies in English of every balance sheet, profit and loss account, report, circular and notice of general meeting and every other document (other than documents of a promotional, advertising or marketing nature only) issued or sent to its shareholders together with any of the foregoing, and every document issued or sent to holders of securities other than its shareholders (including the Noteholders) as soon as practicable after the issue or publication thereof;

(d) forthwith give notice in writing to the Trustee of the happening of any Event of Default or any Potential Event of Default, Renminbi Currency Event or Early Termination Event;

(e) give to the Trustee (i) within 14 days after demand by the Trustee therefor and (ii) (without the necessity for any such demand) promptly after the publication of its audited accounts in respect of each financial year commencing with the financial year ended 31 March 1999 and in any event not later than 180 days after the end of each such financial year a certificate signed by two Directors of the Issuer to the effect that, to the best of the knowledge, information and belief of the persons so certifying, as at a date not more than seven days before delivering such certificate (the relevant certification date) there did not exist and had not existed since the relevant certification date of the previous certificate (or in the case of the first such certificate the date hereof) any Event of Default or any Potential Event of Default (or if such exists or existed specifying the same) and that during the period from and including the relevant certification date of the last such certificate (or in the case of the first such certificate the date hereof) to

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and including the relevant certification date of such certificate the Issuer has complied with all its obligations contained in these presents or (if such is not the case) specifying the respects in which it has not complied;

(f) so far as permitted by law, at all times execute all such further documents and do all such acts and things as may in the opinion of the Trustee be necessary at any time or times to give effect to the terms and conditions of these presents;

(g) at all times maintain an Issuing and Principal Paying Agent, other Paying Agents, a Calculation Agent, Reference Banks, a Registrar and Transfer Agents in accordance with the Conditions;

(h) use all reasonable endeavours to procure the Issuing and Principal Paying Agent to notify the Trustee forthwith in the event that it does not, on or before the due date for any payment in respect of the Notes or any of them or any of the relative Coupons, receive unconditionally pursuant to the Agency Agreement payment of the full amount in the relevant currency of the moneys payable on such due date on all such Notes or Coupons as the case may be;

(i) in the event of the unconditional payment to the Issuing and Principal Paying Agent or the Trustee of any sum due in respect of the Notes or any of them or any of the relative Coupons being made after the due date for payment thereof forthwith give or procure to be given notice to the relevant Noteholders in accordance with Condition 14 that such payment has been made;

(j) if the applicable Final Terms indicates that the Notes are listed, use all reasonable endeavours to maintain the quotation or listing on the relevant Stock Exchange of those of the Notes which are quoted or listed on the relevant Stock Exchange or, if it is unable to do so having used all reasonable endeavours, use all reasonable endeavours to obtain and maintain a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Trustee) decide and shall also upon obtaining a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to this Trust Deed to effect such consequential amendments to these presents as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market;

(k) give notice to the Noteholders in accordance with Condition 14 of any appointment, resignation or removal of any Issuing and Principal Paying Agent, Calculation Agent, Reference Bank, other Paying Agent, Registrar or Transfer Agent (other than the appointment of the initial Issuing and Principal Paying Agent, Calculation Agent, Reference Bank, other Paying Agents, Registrar and Transfer Agents) after having obtained the prior written approval of the Trustee thereto or any change of any Paying Agent’s or Reference Bank’s or Registrar’s or Transfer Agents’ specified office and (except as provided by the Agency Agreement or the Conditions); PROVIDED ALWAYS THAT so long as any of the Notes or Coupons remains liable to prescription in the case of the termination of the appointment of the Issuing and Principal Paying Agent or the Calculation Agent or the Registrar no such termination shall take effect until a new Issuing and Principal Paying Agent or Calculation Agent or the Registrar (as the case may be) has been appointed on terms previously approved in writing by the Trustee;

(l) obtain the prior written approval of the Trustee to, and promptly give to the Trustee two copies of, the form of every notice given to the holders of any Notes issued by it in accordance with Condition 13 (such approval, unless so expressed, not to constitute approval
for the purposes of Section 21 of the Financial Services and Markets Act 2000 of Great Britain (the *FSMA*) of a communication within the meaning of Section 21 of the FSMA;

(m) if payments of principal or interest in respect of the Notes or the relative Coupons by the Issuer shall become subject generally to the taxing jurisdiction of any territory or any political sub-division or any authority therein or thereof having power to tax other than or in addition to the Relevant Jurisdiction or any political sub-division or any authority therein or thereof having power to tax, immediately upon becoming aware thereof notify the Trustee of such event and (unless the Trustee otherwise agrees) enter forthwith into a trust deed supplemental to this Trust Deed in form and manner satisfactory to the Trustee, such trust deed to modify Condition 8 (but not the proviso thereto) so that, in substitution for (or, as the case may be, addition to) the references therein to the Relevant Jurisdiction or any political sub-division thereof or any authority therein or thereof having power to tax, such Condition makes reference to that other or additional territory or any political sub-division thereof or any authority therein or thereof having power to tax to whose taxing jurisdiction such payments shall have become subject as aforesaid and Condition 7(b) shall be modified accordingly;

(n) comply with and perform all its obligations under the Agency Agreement and use all reasonable endeavours to procure that the Agents comply with and perform all their respective obligations thereunder and any notice given by the Trustee pursuant to Clause 2.3(a) and that the Calculation Agent complies with and performs all its obligations under the Calculation Agency Agreement and not make any amendment to the Agency Agreement or the Calculation Agency Agreement without the prior written approval of the Trustee;

(o) in order to enable the Trustee to ascertain the nominal amount of the Notes of each Series for the time being outstanding for any of the purposes referred to in the proviso to the definition of *outstanding* in Clause 1 deliver to the Trustee as soon as practicable upon being so requested in writing by the Trustee a certificate in writing signed by two Directors of the Issuer setting out the total number and aggregate nominal amount of the Notes of each Series issued by it which:

(i) up to and including the date of such certificate have been purchased by the Issuer, any Holding Company of the Issuer or any Subsidiary of the Issuer or such Holding Company and cancelled; and

(ii) are at the date of such certificate held by, for the benefit of, or on behalf of, the Issuer, any Holding Company of the Issuer or any Subsidiary of the Issuer or such Holding Company;

(p) if, in accordance with the provisions of the Conditions, interest in respect of the Notes becomes payable at the specified office of any Paying Agent in the United States of America promptly give notice thereof to the relative Noteholders in accordance with Condition 14;

(q) procure that each of its Subsidiaries observes the restrictions contained in Condition 7(f);

(r) give prior written notice to the Trustee of any proposed redemption pursuant to Condition 7(b) or (c) and, if it shall have given notice to the Noteholders of its intention to redeem any Notes pursuant to Condition 7(c), duly proceed to make drawings (if appropriate) and to redeem Notes accordingly;

(s) promptly provide the Trustee with copies of all supplements and/or amendments and/or restatements of the Programme Agreement; and
(t) use all reasonable endeavours to procure that Euroclear and/or Clearstream, Luxembourg (as the case may be) issue(s) any record, certificate or other document requested by the Trustee under Clause 15(w) or otherwise as soon as practicable after such request.

14. REMUNERATION AND INDEMNIFICATION OF TRUSTEE

14.1 The Issuer shall pay to the Trustee remuneration for its services as trustee of these presents at such rate and on such dates as shall be agreed from time to time between the Issuer and the Trustee. Such remuneration shall accrue from day to day and be payable (in priority to payments to Noteholders and Couponholders) up to and including the date when, all the Notes having become due for redemption, the redemption moneys and interest thereon to the date of redemption have been paid to the Issuing and Principal Paying Agent or the Trustee PROVIDED THAT if upon due presentation of any Note or Coupon or any Certificate in respect thereof or any cheque payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will commence again to accrue until payment to such Noteholder or Couponholder is duly made.

14.2 In the event of the occurrence of an Event of Default or a Potential Event of Default or the Trustee considering it expedient or necessary or being requested by the Issuer to undertake duties which the Trustee and the Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents the Issuer shall pay to the Trustee such additional remuneration, which may be calculated at the Trustee’s normal hourly rates in force from time to time.

14.3 The Issuer shall in addition pay to the Trustee an amount equal to the amount (if any) of any value added tax or similar tax chargeable in respect of its remuneration under these presents.

14.4 In the event of the Trustee and the Issuer failing to agree:

(a) (in a case to which subclause 14.1 above applies) upon the amount of the remuneration; or

(b) (in a case to which subclause 14.2 above applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents, or upon such additional remuneration, such matters shall be determined by an investment bank or other person (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of The Law Society of England and Wales (the expenses involved in such nomination and the fees of such investment bank being payable by the Issuer) and the determination of any such investment bank or other person shall be final and binding upon the Trustee and the Issuer.

14.5 The Issuer shall also pay or discharge all Liabilities incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, these presents, including but not limited to legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid or payable by the Trustee in connection with any action taken or contemplated by or on behalf of the Trustee for enforcing, or resolving any doubt concerning, or for any other purpose in relation to, these presents.

14.6 All amounts due and payable pursuant to subclause 14.5 above and/or Clause 15(j) shall be payable by the Issuer on the date specified in a written demand by the Trustee, such demand to specify the reason for such demand, and in the case of payments actually made by the Trustee prior to such demand shall (if not paid within 10 days after such demand and the Trustee so requires) carry interest from the date such payment was made or such later date as specified in such demand at the rate of the Trustee’s cost of funding, and in all other cases shall (if not paid on the date specified in
such demand or, if later, within 10 days after such demand and, in either case, the Trustee so requires) carry interest at such rate from the date specified in such demand. All remuneration payable to the Trustee shall carry interest at such rate from the due date therefor.

14.7 Unless otherwise specifically stated in any discharge of these presents the provisions of this Clause and Clause 15(j) shall continue in full force and effect notwithstanding such discharge.

14.8 The Trustee shall be entitled in its absolute discretion to determine in respect of which Series of Notes any Liabilities incurred under these presents have been incurred or to allocate any such Liabilities between the Notes of any Series.

15. SUPPLEMENT TO TRUSTEE ACTS

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Trustee in relation to the trusts constituted by these presents. Where there are any inconsistencies between the Trustee Acts and the provisions of these presents, the provisions of these presents shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of these presents shall constitute a restriction or exclusion for the purposes of that Act. The Trustee shall have all the powers conferred upon trustees by the Trustee Act 1925 of England and Wales and by way of supplement thereto it is expressly declared as follows:

(a) The Trustee may in relation to these presents act on the advice or opinion of or any information obtained from any lawyer, valuer, accountant, surveyor, banker, broker, auctioneer or other expert (including without limitation, an Indexation Adviser) whether obtained by the Issuer, the Trustee or otherwise and shall not be responsible for any Liability occasioned by so acting.

(b) Any such advice, opinion or information may be sent or obtained by letter, telegram, facsimile transmission or cable and the Trustee shall not be liable for acting on any advice, opinion or information purporting to be conveyed by any such letter, telegram, facsimile transmission or cable although the same shall contain some error or shall not be authentic.

(c) The Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by any two Directors of the Issuer, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any Liability that may be occasioned by it or any other person acting on such certificate.

(d) The Trustee shall be at liberty to hold or to place these presents and any other documents relating thereto or to deposit them in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers considered by the Trustee to be of good repute and the Trustee shall not be responsible for or required to insure against any Liability incurred in connection with any such holding or deposit and may pay all sums required to be paid on account of or in respect of any such deposit.

(e) The Trustee shall not be responsible for the receipt or application of the proceeds of the issue of any of the Notes by the Issuer, the exchange of any Global Note or Certificate for another Global Note or Certificate or Definitive Bearer Notes or the delivery of any Global Note, Certificate or Definitive Notes to the person(s) entitled to it or them.

(f) The Trustee shall not be bound to give notice to any person of the execution of any documents comprised or referred to in these presents or to take any steps to ascertain whether any Early Termination Event, Renminbi Currency Event, Event of Default or any
Potential Event of Default has occurred and, until it shall have actual knowledge or express notice pursuant to these presents to the contrary, the Trustee shall be entitled to assume that no Early Termination Event, Renminbi Currency Event, Event of Default or Potential Event of Default has occurred and that the Issuer is observing and performing all its obligations under these presents.

(g) Save as expressly otherwise provided in these presents, the Trustee shall have absolute and uncontrolled discretion as to the exercise or non-exercise of its trusts, powers, authorities and discretions under these presents (the exercise or non-exercise of which as between the Trustee and the Noteholders and Couponholders shall be conclusive and binding on the Noteholders and Couponholders) and shall not be responsible for any Liability which may result from their exercise or non-exercise.

(h) The Trustee shall not be liable to any person by reason of having acted upon any Extraordinary Resolution in writing or any Extraordinary Resolution or other resolution purporting to have been passed at any meeting of the holders of Notes of all or any Series in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution, (in the case of an Extraordinary Resolution in writing) that not all such holders had signed the Extraordinary Resolution or that for any reason the resolution was not valid or binding upon such holders and the relative and Couponholders.

(i) The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any Note, Certificate or Coupon reasonably believed by it to be such and subsequently found to be forged or not authentic.

(j) Without prejudice to the right of indemnity by law given to trustees, the Issuer shall indemnify the Trustee and every Appointee and keep it or him indemnified against all Liabilities to which it or he may be or become subject or which may be properly incurred by it or him in the execution of any of its or his trusts, powers, authorities and discretions under these presents or its or his functions under any such appointment or in respect of any other matter or thing done or omitted in any way relating to these presents or any such appointment.

(k) Any consent or approval given by the Trustee for the purposes of these presents may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit and notwithstanding anything to the contrary in these presents may be given retrospectively.

(l) The Trustee shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be required to disclose to any Noteholder or Couponholder any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available to the Trustee by the Issuer or any other person in connection with the trusts of these presents and no Noteholder or Couponholder shall be entitled to take any action to obtain from the Trustee any such information.

(m) Where it is necessary or desirable for any purpose in connection with these presents to convert any sum from one currency to another it shall (unless otherwise provided by these presents or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange, as may be agreed by the Trustee in consultation with the Issuer and any rate, method and date so agreed shall be binding on the Issuer, the Noteholders and the Couponholders.

(n) The Trustee may certify whether or not any of the conditions, events and acts set out in paragraphs (b), (c), (e) and (f) of Condition 10(A) (each of which conditions, events and acts
shall, unless in any case the Trustee in its absolute discretion shall otherwise determine, for all the purposes of these presents be deemed to include the circumstances resulting therein and the consequences resulting therefrom) is in its opinion materially prejudicial to the interests of the Holders and any such certificate shall be conclusive and binding upon the Issuer, the Noteholders and the Couponholders.

(o) The Trustee as between itself and the Noteholders and the Couponholders may determine all questions and doubts arising in relation to any of the provisions of these presents. Every such determination, whether or not relating in whole or in part to the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the Noteholders and the Couponholders.

(p) In connection with the exercise by it of any of its trusts, powers, authorities or discretions under these presents (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor under these presents.

(q) The Trustee may whenever it thinks fit delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons (whether being a joint trustee of these presents or not) all or any of its trusts, powers, authorities and discretions vested in the Trustee by these presents. Such delegation may be made upon such terms (including power to sub-delegate) and subject to such conditions and regulations as the Trustee may in the interests of the Noteholders think fit. Provided that the Trustee has taken reasonable care in selecting such delegate, it shall not be under any obligation to supervise the proceedings or acts of any such delegate or sub-delegate or be in any way responsible for any Liability incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. The Trustee shall within a reasonable time after any such delegation or any renewal, extension or termination thereof give notice thereof to the Issuer.

(r) The Trustee may in the conduct of the trusts of these presents instead of acting personally employ and pay an agent (whether being a lawyer or other professional person) to transact or conduct, or concur in transacting or conducting, any business and to do, or concur in doing, all acts required to be done in connection with these presents (including the receipt and payment of money). Provided that the Trustee has taken reasonable care in selecting such agent, it shall not be in any way responsible for any Liability incurred by reason of any misconduct or default on the part of any such agent or be bound to supervise the proceedings or acts of any such agent.

(s) The Trustee shall not be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of these presents or any other document relating or expressed to be supplemental thereto and shall not be liable for any failure to obtain any licence, consent or other authority for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance,
enforceability or admissibility in evidence of these presents or any other document relating or expressed to be supplemental thereto.

(t) The Trustee shall not be responsible to any person for failing to request, require or receive any legal opinion relating to any Notes or for checking or commenting upon the content of any such legal opinion.

(u) Any certificate or report of the Auditors or any other person called for by or provided to the Trustee in accordance with or for the purposes of the Notes may be relied upon by the Trustee as sufficient evidence of the facts stated therein whether or not such certificate or report is addressed to the Trustee and whether or not such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors (or such other expert or other person) in respect thereof.

(v) So long as any Global Note is, or any Registered Notes represented by a Global Certificate are, held on behalf of a clearing system, in considering the interests of Noteholders, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to any such Global Note or the Registered Notes and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

(w) The Trustee may call for and shall rely on any records, certificate or other document of or to be issued by Euroclear or Clearstream, Luxembourg in relation to any determination of the principal amount of Notes represented by a NGN. Any such records, certificate or other document shall be conclusive and binding for all purposes. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any such records, certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

(x) no provision of these presents shall require the Trustee to do anything which may in its opinion be illegal or contrary to applicable law or regulation.

(y) any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trusts of these presents and also his properly incurred charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with these presents, including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person.

(z) nothing contained in these presents shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not assured to it.

(aa) The Trustee shall not be bound to take any steps to enforce the performance of any provisions of these presents, the Notes or the Coupons or to appoint an independent financial advisor pursuant to the Conditions unless it shall be indemnified and/or secured and/or prefunded by the relevant Noteholders and/or Couponholders to its satisfaction against all proceedings, claims and demands to which it may be liable and against all costs, charges,
liabilities and expenses which may be incurred by it in connection with such enforcement or appointment, including the cost of its managements’ time and/or other internal resources, calculated using its normal hourly rates in force from time to time.

(bb) when determining whether an indemnity or any security is satisfactory to it, the Trustee shall be entitled to evaluate its risk in given circumstances by considering the worst-case scenario and, for this purpose, it may take into account, without limitation, the potential costs of defending or commencing proceedings in England or elsewhere and the risk however remote, of any award of damages against it in England or elsewhere.

(cc) the Trustee shall be entitled to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

16. TRUSTEE’S LIABILITY

Nothing in these presents shall in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee having regard to the provisions of these presents conferring on it any trusts, powers, authorities or discretions exempt the Trustee from or indemnify it against any liability for breach of trust of which it may be guilty in relation to its duties under these presents.

17. TRUSTEE CONTRACTING WITH THE ISSUER

Neither the Trustee (which for the purpose of this Clause shall include the Holding Company of any corporation acting as trustee hereof or any Subsidiary of such Holding Company) nor any director or officer or Holding Company, Subsidiary or associated company of a corporation acting as a trustee under these presents shall by reason of its or his fiduciary position be in any way precluded from:

(a) entering into or being interested in any contract or financial or other transaction or arrangement with the Issuer or any person or body corporate associated with the Issuer (including without limitation any contract, transaction or arrangement of a banking or insurance nature or any contract, transaction or arrangement in relation to the making of loans or the provision of financial facilities or financial advice to, or the purchase, placing or underwriting of or the subscribing or procuring subscriptions for or otherwise acquiring, holding or dealing with, or acting as paying agent in respect of, the Notes or any other notes, bonds, stocks, shares, debenture stock, debentures or other securities of, the Issuer or any person or body corporate associated as aforesaid); or

(b) accepting or holding the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to the Issuer or any such person or body corporate so associated or any other office of profit under the Issuer or any such person or body corporate so associated,

and each shall be entitled to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such contract, transaction or arrangement as is referred to in 17(a) above or, as the case may be, any such trusteeship or office of profit as is referred to in 17(b) above without regard to the interests of the Noteholders and notwithstanding that the same may be contrary or prejudicial to the interests of the Noteholders and shall not be responsible for any Liability occasioned to the Noteholders thereby and shall be entitled to retain and shall not be in any way liable to account for any profit made or share of brokerage or commission or remuneration or other amount or benefit received thereby or in connection therewith.
Where any Holding Company, Subsidiary or associated company of the Trustee or any director or officer of the Trustee acting other than in his capacity as such a director or officer has any information, the Trustee shall not thereby be deemed also to have knowledge of such information and, unless it shall have actual knowledge of such information, shall not be responsible for any loss suffered by Noteholders resulting from the Trustee’s failing to take such information into account in acting or refraining from acting under or in relation to these presents.

18. WAIVER, AUTHORISATION AND DETERMINATION

18.1 The Trustee may without the consent or sanction of the Noteholders or the Couponholders and without prejudice to its rights in respect of any subsequent breach, Event of Default or Potential Event of Default from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions contained in these presents or any Condition or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of these presents or any Condition PROVIDED ALWAYS THAT the Trustee shall not exercise any powers conferred on it by this Clause in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 10(A) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Noteholders and the Couponholders and, if, but only if, the Trustee shall so require, shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

MODIFICATION

18.2 The Trustee may without the consent or sanction of the Noteholders or the Couponholders at any time and from time to time concur with the Issuer in making any modification (a) to these presents or any Condition which in the opinion of the Trustee it may be proper to make PROVIDED THAT the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or (b) to these presents or any Condition if in the opinion of the Trustee such modification is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of applicable law. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding upon the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

19. HOLDER OF DEFINITIVE BEARER NOTE ASSUMED TO BE COUPONHOLDER

19.1 Wherever in these presents the Trustee is required or entitled to exercise a power, trust, authority or discretion under these presents, except as ordered by a court of competent jurisdiction or as required by applicable law, the Trustee shall, notwithstanding that it may have express notice to the contrary, assume that each holder of a Definitive Bearer Note is the holder of all Coupons appertaining to each Definitive Bearer Note of which he is the holder.

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NO NOTICE TO COUPONHOLDERS

19.2 Neither the Trustee nor the Issuer shall be required to give any notice to the Couponholders for any purpose under these presents and the Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Definitive Bearer Notes in accordance with Condition 14.

20. SUBSTITUTION AND CONSOLIDATION MERGER, CONVEYANCE, TRANSFER OR LEASE

20.1 (a) The Trustee may without the consent of the Noteholders or Couponholders at any time agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Clause) as the principal debtor under these presents and the Deed Poll of either (i) a Successor in Business to the Issuer or (ii) a Holding Company of the Issuer or (iii) any Subsidiary of the Issuer (such substituted company being hereinafter called the New Company) provided that in each case a trust deed is executed or some other form of undertaking is given by the New Company in form and manner reasonably satisfactory to the Trustee, agreeing to be bound by the provisions of these presents with any consequential amendments which the Trustee may deem appropriate as fully as if the New Company had been named in these presents as the principal debtor in place of the Issuer (or of the previous substitute under the Clause) and provided further that (save in the case of a substitution of a Successor in Business to the Issuer) the Issuer unconditionally and irrevocably guarantees all amounts payable under these presents to the satisfaction of the Trustee.

(b) The following further conditions shall apply to 20.1(a) above:
   (i) the Issuer and the New Company shall comply with such other requirements as the Trustee may direct in order to ensure that the interests of the Noteholders are not materially prejudiced (and taking into account the proviso in paragraph 20.1(c) below);
   (ii) undertakings or covenants shall be given by the New Company in terms corresponding to the provisions of Condition 8 and Condition 7(b) shall be modified accordingly;
   (iii) without prejudice to the rights of reliance of the Trustee under the immediately following paragraph (iv), the Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders, provided that in determining such material prejudice the Trustee shall not take into account any prejudice to the interests of the Noteholders as a result of the New Company not being required pursuant to the undertakings or covenants given pursuant to the preceding paragraph (ii) to pay any additional amounts for or on account of any Taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein); and
   (iv) if two Directors of the New Company (or other officers acceptable to the Trustee) shall certify that the New Company is solvent at the time at which the relevant transaction is proposed to be effected (which certificate the Trustee may rely upon absolutely) the Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the New Company or to compare the same with those of the Issuer or any previous substitute under this Clause as applicable.

(c) Any such trust deed or undertaking shall, if so expressed, operate to release the Issuer or the previous substitute as aforesaid from all of its obligations as principal debtor under these
presents. Not later than 14 days after the execution of such documents and compliance with such requirements, the New Company shall give notice thereof in a form previously approved by the Trustee to the Noteholders in the manner provided in Condition 14. Upon the execution of such documents and compliance with such requirements, the New Company shall be deemed to be named in these presents as the principal debtor in place of the Issuer (or in place of the previous substitute under this Clause) under these presents and these presents shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in these presents to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to the New Company.

20.2 (a) The Issuer may consolidate with or merge (which term shall include for the avoidance of doubt a scheme of arrangement) into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Issuer may permit any Person to consolidate with or merge into the Issuer or convey, transfer or lease its properties and assets substantially as an entirety to the Issuer, provided that:

(i) if the Issuer shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Issuer substantially as an entirety shall be a corporation, partnership or trust, shall be organised and validly existing under the laws of any applicable jurisdiction and shall expressly assume (including, in the case of a Reorganisation, by way of a full and unconditional guarantee subject to the proviso to this subclause) by a trust deed supplemental hereto executed and delivered to the Trustee on behalf of the Noteholders in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all the Notes and the performance or observance of every covenant of these presents on the part of the Issuer to be performed or observed; provided, however, that in the case of a Reorganisation;

(A) such assumption shall be effected by means of a supplemental trust deed executed by the guarantor in which:

I. the guarantor covenants to the Trustee to guarantee irrevocably and unconditionally the due and punctual payment of the principal of and interest on all the Notes, and all other amounts payable by the Issuer under these presents, which guarantee shall (inter alia) not be subject to any requirement for presentment or demand and shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation (x) the waiver, surrender, compromise, settlement, release, termination or modification of any or all of the obligations, covenants or agreements of the Issuer under these presents; (y) the bankruptcy or insolvency of the Issuer; and (z) to the extent permitted by law, the release or discharge by operation of law of the Issuer from the performance or observance of any obligation, covenant or agreement contained in these presents; and

II. the guarantor covenants to be bound by each and every obligation of the Issuer contained in these presents, including without limitation the obligation to pay additional amounts with respect to any payment made under the guarantee to the extent and subject to the
exceptions, *mutatis mutandis*, set out in Condition 8, and to be subject to each Event of Default specified in Condition 9(A) or in any Notes or Certificates in respect thereof and to each Potential Event of Default, as though in each case, each reference to the Issuer in connection with such obligations or Events of Default were to the guarantor; provided, however, that the reference to specific statutes in Condition 10 (A)(e) shall be modified, if applicable, to reflect the laws of the jurisdiction of incorporation of the guarantor; and

(B) the Trustee shall have received an opinion of legal counsel (which may be an employee of the guarantor), in form and substance reasonably satisfactory to the Trustee to the effect that such guarantee is the valid, binding and enforceable obligation of the guarantor;

(ii) immediately prior to and after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default or Potential Event of Default shall have happened and be continuing;

(iii) the Person formed by such consolidation or into which the Issuer is merged or to whom the Issuer has conveyed, transferred or leased its properties or assets (if such Person is incorporated or organised and validly existing under the laws of a jurisdiction other than the United States, any State thereof, or the District of Columbia, or England and Wales) agrees to indemnify the Trustee and the holder of each Note and Coupon against (A) any tax, assessment or governmental charge imposed on the Trustee or any such holder or required to be withheld or deducted from any payment to the Trustee or such holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and (B) any costs or expenses of the act of such consolidation, merger, conveyance, transfer or lease;

(iv) the Issuer (and, in the case of a guarantee as provided above, the guarantor) has delivered to the Trustee a Certificate signed by two of its Directors (or other officers acceptable to the Trustee) and an opinion of legal counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental trust deed is required in connection with such transaction, such supplemental trust deed complies with this Clause, that such supplemental trust deed is valid, binding and enforceable and that all conditions precedent herein provided for relating to such transaction have been complied with;

(v) undertakings or covenants shall be given by such Person in terms corresponding to the provisions of Condition 8 and Condition 7(b) shall be modified accordingly;

(vi) without prejudice to the rights of reliance of the Trustee under the immediately following paragraph (vii), the Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders, provided that in determining such material prejudice the Trustee shall not take into account any prejudice to the interests of the Noteholders as a result of the Person pursuant to the undertakings or covenants given pursuant to the preceding paragraph (v) not being required to pay any additional amounts for or on account of any Taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein); and
The Issuer shall severally indemnify the Trustee, every Appointee, the Noteholders and the Couponholders and keep them indemnified against:

The above indemnities shall constitute obligations of the Issuer and separate and independent from its other obligations under the other provisions of these presents and shall apply irrespective of any indulgence granted by the Trustee or the Noteholders or the Couponholders from time to time and shall continue in full force and effect notwithstanding the judgment or filing of any bankruptcy, insolvency or liquidation of the Issuer for a liquidated sum or sums in respect of amounts due under these presents (other than this Clause). Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Noteholders and the Couponholders and no proof or evidence of any actual loss shall be required by the Issuer or its liquidator or liquidators.

21. CURRENCY INDEMNITY

The Issuer shall severally indemnify the Trustee, every Appointee, the Noteholders and the Couponholders and keep them indemnified against:

(a) any loss or damage incurred by any of them arising from the non-payment by the Issuer of any amount due to the Trustee or the holders of the Notes issued by the Issuer and the relative or Couponholders under these presents by reason of any variation in the rates of exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Issuer; and

(b) any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the local currency equivalent of the amounts due or contingently due under these presents (other than this Clause) is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Issuer and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnities shall constitute obligations of the Issuer and separate and independent from its other obligations under the other provisions of these presents and shall apply irrespective of any indulgence granted by the Trustee or the Noteholders or the Couponholders from time to time and shall continue in full force and effect notwithstanding the judgment or filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Issuer for a liquidated sum or sums in respect of amounts due under these presents (other than this Clause). Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Noteholders and the Couponholders and no proof or evidence of any actual loss shall be required by the Issuer or its liquidator or liquidators.
22. **NEW TRUSTEE**

22.1 The power to appoint a new trustee of these presents shall be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. One or more persons may hold office as trustee or trustees of these presents but such trustee or trustees shall be or include a Trust Corporation. Whenever there shall be more than two trustees of these presents the majority of such trustees shall be competent to execute and exercise all the duties, powers, trusts, authorities and discretions vested in the Trustee by these presents provided that a Trust Corporation shall be included in such majority. Any appointment of a new trustee of these presents shall as soon as practicable thereafter be notified by the Issuer to the Agent and in accordance with Condition 14 to the Noteholders.

Separate and Co-Trustees

22.2 Notwithstanding the provisions of subclause 22.1 above, the Trustee may, upon giving prior notice to the Issuer (but without the consent of the Issuer, the Noteholders or the Couponholders), appoint any person established or resident in any jurisdiction (whether a Trust Corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee:

(a) if the Trustee considers such appointment to be in the interests of the Noteholders;

(b) for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts is or are to be performed; or

(c) for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction of either a judgment already obtained or any of the provisions of these presents against the Issuer.

The Issuer irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject always to the provisions of these presents) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by these presents) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses incurred by it in performing its function as such separate trustee or co-trustee, shall for the purposes of these presents be treated as costs, charges and expenses incurred by the Trustee.

23. **TRUSTEE’S RETIREMENT AND REMOVAL**

A trustee of these presents may retire at any time on giving not less than three months’ prior written notice to the Issuer without giving any reason and without being responsible for any Liabilities incurred by reason of such retirement. The Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of these presents. The Issuer undertakes that in the event of the only trustee of these presents which is a Trust Corporation giving notice under this Clause or being removed by Extraordinary Resolution it will use all reasonable endeavours to procure that a new trustee of these presents being a Trust Corporation is appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation is appointed.
24. **TRUSTEE’S POWERS TO BE ADDITIONAL**

The powers conferred upon the Trustee by these presents shall be in addition to any powers which may from time to time be vested in the Trustee by the general law or as a holder of any of the Notes or Coupons.

25. **NOTICES**

Any notice or demand to the Issuer or the Trustee required to be given, made or served for any purposes under these presents shall be given, made or served by sending the same by pre-paid post (first class if inland, first class airmail if overseas) or facsimile transmission or by delivering it by hand as follows:

To the Issuer:

Vodafone House
The Connection
Newbury
Berkshire RG14 2FN
England
(Attention: the Director of Treasury)
Facsimile No.: 01635 676746

To the Trustee:

Fifth Floor
100 Wood Street
London EC2V 7EX
England
(Attention: the Manager, Commercial Trusts)
Facsimile No.: 020 7696 5261

or to such other address or facsimile number as shall have been notified (in accordance with this Clause) to the other party hereto and any notice or demand sent by post as aforesaid shall be deemed to have been given, made or served upon receipt. Any notice or demand sent by facsimile transmission as aforesaid shall be deemed to have been given, made or served upon receipt provided that in the case of a notice or demand given by facsimile transmission such notice or demand shall forthwith be confirmed by post.

26. **GOVERNING LAW**

The Trust Deed, the Notes, the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

27. **COUNTERPARTS**

This Trust Deed and any trust deed supplemental hereto may be executed and delivered in counterparts, both of which, taken together, shall constitute one and the same deed and either party to this Trust Deed or any party to any trust deed supplemental hereto may enter into the same by executing and delivering a counterpart.

28. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to this Trust Deed or any trust deed supplemental hereto has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed or any
trust deed supplemental hereto, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

IN WITNESS whereof this Trust Deed has been executed as a deed by the Issuer and the Trustee and delivered on the date stated on page 1.
SCHEDULE 1

TERMS AND CONDITIONS OF THE NOTES

Notes issued by Vodafone Group Plc (formerly called Vodafone AirTouch Plc) (the “Issuer”) are constituted by a Trust Deed dated 16 July 1999 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include any successor as trustee).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated 11 July 2013 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) made between the Issuer, HSBC Bank plc as issuing and principal paying agent and agent bank (the “Issuing and Principal Paying Agent”), which expression shall include any successor issuing and principal paying agent), the other paying agents named therein (together with the Issuing and Principal Paying Agent, the “Paying Agents”), which expression shall include any additional or successor paying agents), HSBC Bank USA, National Association as exchange agent (the “Exchange Agent”, which expression shall include any successor exchange agent) and HSBC Bank USA, National Association as registrar (the “Registrar”, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the “Transfer Agents”, which expression shall include any additional or successor transfer agent) and the Trustee.

The Noteholders (as defined below) and the holders of the Coupons (the “Couponholders”) of the interest coupons (the “Coupons”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note. Part A of the Final Terms completes these Terms and Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the Noteholders and the Couponholders, (which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX, England) and at the specified office of each of the Paying Agents. In addition, Final Terms will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange plc at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html or otherwise published in accordance with Article 14 of Directive 2003/71/EC (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Words and expressions defined in the Trust Deed and/or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed shall prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

References herein to “RMB Notes” are to Notes denominated in Renminbi. References herein to “Renminbi”, “RMB” and “CNY” are to the lawful currency of the People’s Republic of China (the “PRC”) which, for the purposes of the Conditions, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.
1. Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("Registered Notes") or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") in each case in the Specified Denomination(s) shown hereon.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Inflation Linked Interest Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The Notes may be redeemable at par or may be Inflation Linked Redemption Notes, depending on the Redemption Basis shown in the applicable Final Terms.

Bearer Notes are serially numbered and are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and Coupons will pass by delivery. Title to the Registered Notes will pass by registration in the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). The Issuer, any Paying Agent, the Registrar, the Transfer Agents, the Exchange Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder (as defined below) of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon (or on the Certificate representing it) or any notice of previous loss or theft of the Note or Coupon (or that of the related Certificate) or of trust or any interest therein) and shall not be required to obtain any proof thereof or as to the identity of such holder and no person shall be liable for so treating the holder.

In these Terms and Conditions, "Noteholder" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note or Coupon) means the bearer of any Bearer Note or Coupon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder (in substantially the same form set out in Schedule 3 of the Agency Agreement) and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 6(c)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the
transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferee.

(c) **Partial Redemption in Respect of Registered Notes**

In the case of a partial redemption of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) above shall only be available for delivery within three business days of receipt of the request for exchange, form of transfer or Put Notice (as defined in Condition 7(d)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Put Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Put Notice or other in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition (d), “business day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Exchange or Transfer Free of Charge**

Exchange and transfer of Notes and Certificates on registration, transfer and exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(c), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. **Status of the Notes**

The Notes and any relative Coupons are direct, unconditional and unsecured obligations of the Issuer and rank and will rank pari passu, without any preference among themselves, with all other, present and future, outstanding unsecured and unsubordinated obligations of the Issuer (other than obligations preferred by law).

4. **Interest**

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date.

In the case of RMB Notes, if:

(i) Interest Payment Date Adjustment is specified as applying in the applicable Final Terms; and

(ii) (x) there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) any Interest Payment Date would otherwise fall on a day which is not a Business Day,
then such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

For these purposes, “Business Day” has the meaning given to in Condition 4(b) below.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In these Terms and Conditions:

“Fixed Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 4 (a):

(i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year;
(ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(iii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the relevant period divided by 365.

In these Terms and Conditions:

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Inflation Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Inflation Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B), the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.
In these Terms and Conditions, “Business Day” means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Wellington, respectively), (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong.

(ii) Rate of Interest for Floating Rate Notes

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuing and Principal Paying Agent under an interest rate swap transaction if the Issuing and Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and amended and updated as at the Issue Date of the first Tranche of the Notes) (the "ISDA Definitions") and under which:

1. the Floating Rate Option is as specified in the applicable Final Terms;
2. the Designated Maturity is a period specified in the applicable Final Terms; and
3. the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), (i) “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions, (ii) the definition of “Banking Day” in the ISDA Definitions shall be amended to insert after the words “are open for” in the second line the word “general” and (iii) “Euro-zone” means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

1. the offered quotation; or
the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Issuing and Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issuing and Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B)(1) above, no such offered quotation appears or, in the case of Condition 4(b)(ii)(B)(2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph above, the Issuing and Principal Paying Agent shall request each of the Reference Banks to provide the Issuing and Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate, at approximately the Relevant Time, on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuing and Principal Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issuing and Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuing and Principal Paying Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issuing and Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issuing and Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time, on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is TIBOR, the Tokyo inter-bank market or, if the Reference Rate is CDOR, the Toronto inter-bank market or, if the Reference Rate is JIBAR, the Johannesburg inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issuing and Principal Paying Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at approximately the Relevant Time, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Issuing and Principal Paying Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is TIBOR, the Tokyo inter-bank market or, if the Reference Rate is CDOR, the Toronto inter-bank market or, if the Reference Rate is JIBAR, the Johannesburg inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period). In these Terms and Conditions:

“Interest Determination Date” means:

(i) if the Reference Rate is LIBOR (other than Sterling or Euro LIBOR), the second London business day prior the start of each Interest Period;

(ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
(iii) if the Reference Rate is Euro LIBOR or EURIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period;

(iv) if the Reference Rate is the Tokyo inter-bank offered rate ("TIBOR"), the second Tokyo Business Day prior to the start of each Interest Period;

(v) if the Reference Rate is the Canadian Dollar offered rate ("CDOR"), the first day of each Interest Period; and

(vi) if the Reference Rate is the Johannesburg inter-bank agreed rate ("JIBAR"), the first day of each Interest Period;

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal office of four major banks in the Euro-zone inter-bank market, in the case of a determination of TIBOR, the principal Tokyo office of ten major banks in the Tokyo inter-bank market, in the case of a determination of CDOR, four major Canadian Schedule I chartered banks, in the case of a determination of JIBAR, the principal Johannesburg office of four major banks in the Johannesburg inter-bank market, in each case selected by the Issuing and Principal Paying Agent;

"Reference Rate" means (i) LIBOR, (ii) EURIBOR, (iii) TIBOR, (iv) CDOR or (v) JIBAR, in each case for the relevant period, as specified in the applicable Final Terms;

"Relevant Financial Centre" means (i) London, in the case of a determination of LIBOR, (ii) Brussels, in the case of a determination of EURIBOR, (iii) Tokyo, in the case of a determination of TIBOR, (iv) Toronto, in the case of a determination of CDOR and (v) Johannesburg, in the case of a determination of JIBAR; and

"Relevant Time" means (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of TIBOR, 11.00 a.m., (iv) in the case of CDOR, 10.00 a.m. and (v) in the case of JIBAR, 11.00 a.m., in each case in the Relevant Financial Centre.

(iii) Rate of Interest for Inflation Linked Interest Notes

The Rate of Interest in respect of Inflation Linked Interest Notes for each Interest Period will be as specified in the applicable Final Terms. Amounts of interest payable in respect of Inflation Linked Interest Notes determined by reference to the applicable Rate of Interest shall be subject to adjustment in accordance with Condition 5.

(iv) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of sub-paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of sub-paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(v) Determination of Rate of Interest and calculation of Interest Amounts

The Issuing and Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Inflation Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Inflation Linked Interest Notes, the Calculation Agent will notify the Issuing and Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.
The Issuing and Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Inflation Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Inflation Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes or Inflation Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Inflation Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if “Actual/Actual-ISDA” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{(Y_2 - Y_1 + \frac{M_2 - M_1}{12} + D_2 - D_1)}{360}
\]

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and
“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

(vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{360 \cdot (Y₂ - Y₁) + \lceil (M₂ - M₁) \rceil \cdot (D₂ - D₁)}{360}
\]

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

(vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \left[ \frac{30 \times (Y₂ - Y₁) + \lceil (M₂ - M₁) \rceil \cdot (D₂ - D₁)}{360} \right]
\]

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(vi) Notification of Rate of Interest and Interest Amounts

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The Issuing and Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vii) Determination or Calculation by Trustee

If for any reason at any relevant time the Issuing and Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Issuing and Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above, as the case may be, and in each case in accordance with sub-paragraph (v) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4, but subject always to any Minimum or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issuing and Principal Paying Agent or the Calculation Agent, as applicable.

(viii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Issuing and Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issuing and Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Issuing and Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5. Inflation Linked Notes

This Condition 5 is applicable only if the applicable Final Terms specifies the Notes as Inflation Linked Interest Notes and/or Inflation Linked Redemption Notes (“Inflation Linked Notes”).

(a) U.K. Retail Price Index

Where RPI (as defined below) is specified as the Index in the applicable Final Terms, Conditions 5(a) to 5(f) will apply. For purposes of Conditions 5(a) to 5(f), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Base Index Figure” means (subject to Condition 5(c)(i)) the base index figure as specified in the applicable Final Terms;

“Calculation Agent” means the person appointed by the Issuer as calculation agent in relation to a Series of Inflation Linked Notes and specified in the applicable Final Terms, and shall include any successor calculation agent appointed in respect of such Notes;

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“Her Majesty’s Treasury” means Her Majesty’s Treasury or any officially recognised party performing the function of a calculation agent (whatever such party’s title), on its or its successor’s behalf, in respect of the Reference Gilt;

“Index” or “Index Figure” means, subject as provided in Condition 5(c)(i), the U.K. Retail Price Index (RPI) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the U.K. Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt (the “RPI”). Any reference to the Index Figure:

(i) applicable to a particular month, shall, subject as provided in Conditions 5(c) and 5(e), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or

(ii) applicable to the first calendar day of any month shall, subject as provided in Conditions 5(c) and 5(e), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or

(iii) applicable to any other day in any month shall, subject as provided in Conditions 5(c) and 5(e), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in sub-paragraph (ii) above and rounded to the nearest fifth decimal place;

“Index Ratio” applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place;

“Limited Index Ratio” means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“Limited Indexation Date” means any date falling during the period specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Indexation Factor” means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the applicable Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the applicable Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“Limited Indexation Month” means any month specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Index Linked Notes” means Inflation Linked Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the applicable Final Terms) applies; and

“Reference Gilt” means the index-linked Treasury Stock or Treasury Gilt specified as such in the applicable Final Terms for so long as such gilt is in issue, and thereafter such issue of index-linked Treasury Stock or Treasury Gilt determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an “Indexation Adviser”).

(b) Application of the Index Ratio

Each payment of interest (in the case of Inflation Linked Interest Notes) and principal (in the case of Inflation Linked Redemption Notes) in respect of the Notes shall be the amount provided in, or determined in accordance with, these Terms and Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Index Linked Notes
applicable to the month or date, as the case may be, on which such payment falls to be made and rounded in accordance with Condition 4(b)(v).

(c) Changes in Circumstances Affecting the Index

(i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of "Index" and “Index Figure” in Condition 5(a) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.

(ii) Delay in publication of Index if sub-paragraph (i) of the definition of Index Figure is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the "relevant month") before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the "date for payment"), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(c)(i)) before the date for payment.

(iii) Delay in publication of Index if sub-paragraph (ii) and/or (iii) of the definition of Index Figure is applicable: If the Index Figure relating to any month (the “calculation month”) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the “date for payment”), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(c)(i)) before the date for payment.

(d) Application of Changes

Where the provisions of Condition 5(ii) or Condition 5(c)(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 5(c)(ii)(2) or Condition 5(c)(iii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

(i) in relation to a payment of interest (in the case of Inflation Linked Interest Notes) and/or principal (in the case of Inflation Linked Redemption Notes) in respect of such Note other than upon final redemption of such Note, the interest and/or principal (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment.

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made on the basis of the Index Figure applicable by virtue of Condition 5(c)(ii)(2) or Condition 5(c)(iii)(2) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

(ii) in relation to a payment of interest (in the case of Inflation Linked Interest Notes) and/or principal (in the case of Inflation Linked Redemption Notes) upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) Material Changes or Cessation of the Index

(i) Material changes to the Index: If notice is published by Her Majesty’s Treasury, or on its behalf, following a change to the coverage or the basic calculation of the Index, then the Calculation Agent shall make any such adjustments to the Index consistent with any adjustments made to the Index as applied to the Reference Gilt.

(ii) Cessation of the Index: If the Trustee and the Issuer have been notified by the Calculation Agent that the Index has ceased to be published, or if Her Majesty’s Treasury, or a person acting on its behalf, announces that it will no longer continue to publish the Index, then the Calculation Agent shall determine a successor index in lieu of any previously applicable index (the “Successor Index”) by using the following methodology:

(a) if at any time a successor index has been designated by Her Majesty’s Treasury in respect of the Reference Gilt, such successor index shall be designated the “Successor Index” for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraphs (b) or (c) below; or

(b) if a Successor Index has not been determined under paragraph (a) above, the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published; or

(c) if the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (ii), a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 business day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the “Expert”), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.

(iii) Adjustment or replacement: The Index shall be adjusted or replaced by a substitute index pursuant to the foregoing paragraphs, as the case may be, and references in these Terms and Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Trustee and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 14 of such amendments as promptly as practicable following such notification or adjustment.
Redemption for Index Reasons

If either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 5(c)(ii)(2) and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty’s Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, or (in either case) no amendment or substitution of the Index shall have been designated by Her Majesty’s Treasury in respect of the Reference Gilt and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days’ notice to the Noteholders (or such other notice period as may be specified in the applicable Final Terms) in accordance with Condition 14, redeem all, but not some only, of the Notes at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption (in each case adjusted in accordance with Condition 5(b)).

(g) HICP

Where HICP (as defined below) is specified as the Index in the applicable Final Terms, the Conditions 5(g) to 5(j) will apply. For purposes of Conditions 5(g) to 5(j), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Base Index Level” means the base index level as specified in the applicable Final Terms;

“Calculation Agent” means the person appointed by the Issuer as calculation agent in relation to a Series of Inflation Linked Notes and specified in the applicable Final Terms, and shall include any successor calculation agent appointed in respect of such Notes;

“Index” or “Index Level” means (subject as provided in Condition 5(i) the non-revised Harmonised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 5(i)(iii)), measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by Eurostat (the “HICP”). The first publication or announcement of a level of such index for a calculation month (as defined in Condition 5(i)(i)(A)) shall be final and conclusive and later revisions to the level for such calculation month will not be used in any calculations. Any reference to the Index Level which is specified in these Conditions as applicable to any day (“d”) in any month (“m”) shall, subject as provided in Condition 5(i), be calculated as follows:

\[ I_d = \frac{\text{HICP}_{m-3} \times \text{nbd}}{\text{qm}} + \text{HICP}_{m-2} - \text{HICP}_{m-3}, \]

where:

“\( I_d \)” is the Index Level for the day \( d \)

“HICP” \( m-2 \) is the level of HICP for month \( m-2 \)

“HICP” \( m-3 \) is the level of HICP for month \( m-3 \)

“\( \text{nbd} \)” is the actual number of days from and excluding the first day of month \( m \) to but including day \( d \); and

“\( \text{qm} \)” is the actual number of days in month \( m \), provided that if Condition 5(i) applies, the Index Level shall be the Substitute Index Level determined in accordance with such Condition.

“Index Business Day” means a day on which the TARGET System is operating;

“Index Determination Date” means in respect of any date for which the Index Level is required to be determined, the fifth Index Business Day prior to such date;

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“Index Ratio” applicable to any date means the Index Level applicable to the relevant Index Determination Date divided by the Base Index Level and rounded to the nearest fifth decimal place, 0.000005 being rounded upwards;

“Related Instrument” means an inflation-linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union with a maturity date which falls on (a) the same day as the Maturity Date or (b) the next longest maturity date after the Maturity Date or the next shortest maturity for the Maturity Date at its sole discretion, if there is no such bond maturing on the Maturity Date. The Calculation Agent will select the Related Instrument from such of those inflation-linked bonds issued on or before the relevant Issue Date and, if there is more than one such inflation-linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such bonds at its sole discretion. If the Related Instrument is redeemed the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged).

(h) Application of the Index Ratio

Each payment of interest (in the case of Inflation Linked Interest Notes) and principal (in the case of Inflation Linked Redemption Notes) in respect of the Notes shall be the amount provided in, or determined in accordance with, these Terms and Conditions, multiplied by the Index Ratio applicable to the date on which such payment falls to be made and rounded in accordance with Condition 4(b)(v)

(i) Changes in Circumstances Affecting the Index

(i) Delay in publication of Index

(A) If the Index Level relating to any month (the “calculation month”) which is required to be taken into account for the purposes of the determination of the Index Level for any date (the “Relevant Level”) has not been published or announced by the day that is five Business Days before the date on which such payment is due (the “Affected Payment Date”), the Calculation Agent shall determine a Substitute Index Level (as defined below) (in place of such Relevant Level) by using the following methodology:

(1) if applicable, the Calculation Agent will take the same action to determine the “Substitute Index Level” for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument;

(2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level / Reference Level)

Where:

“Base Level” means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined;

“Latest Level” means the latest level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) prior to the month in respect of which the Substitute Index Level is being calculated; and

“Reference Level” means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month that is 12 calendar months prior to the month referred to in “Latest Level” above.

(B) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 5(i) will be the definitive level for that calculation month.
(ii) Cessation of publication: If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a successor index in lieu of any previously applicable Index (the “Successor Index”) by using the following methodology:

(A) if at any time (other than after an Early Termination Event as defined below) has been designated by the Calculation Agent pursuant to paragraph (E) below a successor index has been designated by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument and such successor index shall be designated the “Successor Index” for the purposes of all subsequent Interest Payment Dates notwithstanding that any other Successor Index may previously have been determined under paragraphs (B), (C) or (D) below; or

(B) if a Successor Index has not been determined under paragraph (A) above (and there has been no designation of an Early Termination Event pursuant to paragraph (E) below), and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes such index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index from the date that such replacement index comes into effect; or

(C) if a Successor Index has not been determined under paragraphs (A) or (B) above (and there has been no designation of an Early Termination Event pursuant to paragraph (E) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If four or five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the “Successor Index”. If fewer than three responses are received, the Calculation Agent will proceed to paragraph (D) below;

(D) if no Successor Index has been determined under paragraphs (A), (B) or (C) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed the “Successor Index”;

(E) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer shall, in conjunction with the Calculation Agent, determine in good faith an appropriate alternative index. If the Issuer, in conjunction with the Calculation Agent, does not decide on an appropriate alternative index within a period of ten Business Days, then an “Early Termination Event” will be deemed to have occurred and the Issuer will redeem the Notes pursuant to Condition 5(j).

(iii) Rebasing of the Index: If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index will be used for the purposes of determining each relevant Index Level from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.

(iv) Material Modification Prior to Interest Payment Date: If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent must make any such adjustments to the Index consistent with adjustments made to the Related Instrument.

(v) Manifest Error in Publication: If, within thirty days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes such index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the parties of (A) that correction,
(B) the amount that is payable, in respect of interest payments falling after such correction, as a result of that correction and
(C) take such other action as it may deem necessary to give effect to such correction.

(j) Redemption for Index Reasons
If an Early Termination Event as described under Condition 5(i)(ii)(E) is deemed to have occurred, the Issuer will, upon giving
not more than 60 nor less than 30 days’ notice to the Noteholders (or such other notice period as may be specified in the
applicable Final Terms) in accordance with Condition 14, redeem all, but not some only, of the Notes at their Early Redemption
Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of
redemption (in each case adjusted in accordance with Condition 5(h)).

6. Payments
(a) Method of payment
Subject as provided below:

(i) payments in a Specified Currency other than euro or Renminbi will be made by credit or transfer to an account in the
relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a
non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified
Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the
Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Wellington, respectively);

(ii) payments in euro will be made by credit or transfer to a euro account (or to any other account to which euro may be
credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

(iii) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the payee with
a bank in Hong Kong.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but
without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement
described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections
1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without
prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(b) Presentation of Bearer Notes and Coupons
Payments of principal in respect of Bearer Notes will be made in the manner provided in paragraph (a) above only against
presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Bearer Notes, and payments of
interest in respect of Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender
(or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying
Agent outside the United States (which expression, as used herein, means the United States of America (including the States and
the District of Columbia and its possessions)).

Fixed Rate Notes in bearer form (other than Fixed Rate Notes which specify Interest Payment Date Adjustment as being
applicable in the applicable Final Terms or Inflation Linked Notes) should be presented for payment together with all unmatured
Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of
matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full,
the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted
from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against
surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in
Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9)
or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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Upon any Fixed Rate Note in bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Fixed Rate Note which specifies Interest Payment Date Adjustment as being applicable in the applicable Final Terms or Inflation Linked Interest Note in bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) Payments in respect of Registered Notes

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in the sub-paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register on the Record Date. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(iii) Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, The Depository Trust Company (“DTC”) and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee in accordance with the following provisions. The amounts in such Specified Currency payable by the Registrar or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Registrar who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC Business Day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC Business Days prior to the relevant payment date, to receive that payment in such Specified Currency. The Registrar, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made. For the purposes of this Condition 6(c), “DTC Business Day” means any day on which DTC is open for business.

(d) General provisions applicable to payments

The holder of a Global Note or a Global Certificate shall be the only person entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note or Global Certificate.
Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due; and

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “Payment Day” means any day which (subject to Condition 9) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Wellington, respectively), (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong.

(f) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;
Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(g) **Renminbi Currency Event**

If Renminbi Currency Event is specified as applying in the applicable Final Terms and a Renminbi Currency Event (as defined below) occurs, the Issuer, on giving not less than five nor more than thirty days’ irrevocable notice in accordance with Condition 14 to the Noteholders and the Trustee prior to any due date for payment, shall be entitled to satisfy its obligations in respect of such payment (in whole or in part) by making such payment in U.S. dollars on the basis of the Spot Rate for the relevant Determination Date as promptly notified to the Issuer, the Trustee and the Paying Agents by the Calculation Agent.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar denominated account maintained by the payee with, or by a U.S. dollar denominated cheque drawn on, a bank in New York City and the definition of “**Payment Day**” in Condition 6(e) shall mean any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) London and New York City.

For the purpose of this Condition:

“**Determination Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

“**Determination Date**” means the day which is three Determination Business Days before the due date of the relevant payment under the Notes;

“**Government Authority**” means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

“**Local Time**” means the time of day in the jurisdiction in which the Calculation Agent, appointed in connection with the Notes, is located;

“**Renminbi Currency Event**” means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

“**Renminbi Dealer**” means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong reasonably selected by the Issuer;

“**Renminbi Illiquidity**” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

“**Renminbi Inconvertibility**” means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes into Renminbi in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“**Renminbi Non-Transferability**” means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong.
Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); and

“Spot Rate” means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in three Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Local Time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall in good faith and in a commercially reasonable manner determine the Spot Rate at or around 11.00 a.m. (Local Time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by the State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Spot Rate, the Trustee shall determine (or, at the expense of the Issuer, appoint an expert to determine) the Spot Rate in such manner as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition), it shall deem fair and reasonable in all the circumstances and each such determination shall be deemed to have been made by the Calculation Agent.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(h), whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issuing and Principal Paying Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provision.

7. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Inflation Linked Interest Note), on giving not less than 30 nor more than 60 days’ notice to the Issuing and Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due in respect of the Notes, the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 8) (or any political subdivision or taxing authority thereof or therein), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such requirement cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts were a payment in respect of the Notes then due.
Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (i) above will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon the expiry of any such notice as is referred to in this paragraph, the Issuer shall be bound to redeem the Notes in accordance with the provisions of this paragraph.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (c) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(i) notice within the Issuer Call Period to the Noteholders in accordance with Condition 14; and

(ii) not less than 10 days before the giving of the notice referred to in sub-paragraph (i) above, notice to the Issuing and Principal Paying Agent and the Trustee.

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

(d) **Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 notice within the Investor Put Period the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise this option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, accompanied by a duly completed and signed notice of exercise (a “Put Notice” in the form (for the time being current) obtainable from any specified office of any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition.

(e) **Early Redemption Amounts**

For the purpose of paragraph (b) and Condition 10, each Note will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of a Note (other than a Zero Coupon Note), at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(ii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

\[
\text{Early Redemption Amount} = \text{RP} \times \left(1 + \frac{A}{Y}\right)^Y
\]
where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365)

(f) Purchases

The Issuer or any Subsidiary (as defined in the Trust Deed) of the Issuer may at any time purchase Notes (provided that, in the case of Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

(g) Cancellation

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer will forthwith be cancelled (together with all Certificates or unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption) and accordingly may not be reissued or resold. Any Notes which are purchased by or on behalf of any of the Issuer’s Subsidiaries may, at the option of the purchaser, be held or resold or surrendered to a Paying Agent for cancellation.

(h) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and payable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph e(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. Taxation

All payments in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for any present or future taxes, assessments or other governmental charges ("Taxes") of the Issuer’s jurisdiction of incorporation (the "Relevant Jurisdiction") (or any political subdivision or taxing authority thereof or therein), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amount paid to each holder of any Note or Coupon who, with respect to any such Tax is not resident in the Relevant Jurisdiction, after such withholding or deduction shall be not less than the respective amount to which such holder would have been entitled in respect of such Note or Coupon, as the case may be, in the absence of the withholding or deduction; provided however that the Issuer shall not be required to pay any
additional amounts (i) for or on account of any such Tax imposed by the United States (or any political subdivision or taxing authority thereof or therein) or (ii) for or on account of:

(a) any Tax which would not have been imposed but for (i) the existence of any present or former connection between a holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) and the Relevant Jurisdiction or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or (ii) the presentation of such Note or Coupon (x) for payment on a date more than 30 days after the Relevant Date (as defined below) or (y) in the Relevant Jurisdiction

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any Tax which is payable otherwise than by withholding or deduction from payments of (or in respect of) principal of, or any interest on, such Note or Coupon;

(d) any Tax that is imposed or withheld by reason of the failure by the holder or any beneficial owner of such Note or Coupon to comply with a request of the Issuer given to the holder in accordance with Condition 14 (i) to provide information concerning the nationality, residence or identity of the holder or any beneficial owner or (ii) to make any declaration or other similar claim or satisfy any information or reporting requirements, which, in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Jurisdiction as a precondition to exemption from all or part of such Tax;

(e) any Tax imposed on a payment to an individual which is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(f) any Tax payable with respect to a Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(g) any combination of items (a), (c), (d), (e) and (f) above,

nor shall the Issuer be required to pay any additional amounts with respect to any payment of the principal of, or any interest on, any Note or Coupon to any holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Relevant Jurisdiction (or any political subdivision or taxing authority thereof or therein) to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner which would not have been entitled to such additional amounts had it been the holder of such Note or Coupon.

As used herein:

“Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuing and Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

“United States” means the United States of America (including the States and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).
9. Prescription

The Notes and Coupons will become void unless a claim for payment is made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor (subject to the provisions of Condition 6(b)).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default and Enforcement

(A) Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount as referred to in Condition 7(e) together (if applicable) with accrued interest as provided in the Trust Deed, in any of the following events (“Events of Default”):  

(a) if default is made in the payment of any principal or any interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of a payment of principal or 21 days in the case of a payment of interest; or  

(b) if the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or  

(c) if any Indebtedness for Borrowed Money of the Issuer becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security or if default is made by the Issuer in making any payment due under any guarantee and/or indemnity (at the expiry of any originally applicable grace period) given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no event shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other relative liability either alone or when aggregated with other Indebtedness for Borrowed Money and/or other liabilities relative to all (if any) other events which shall have occurred equals or exceeds (i) £50,000,000 (or its equivalent in any other currency) in relation to any such event falling on or before 1 August 2014 and (ii) £150,000,000 (or its equivalent in any other currency) in relation to any such event falling after 1 August 2014; or  

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of a reorganisation on terms approved in writing by the Trustee; or  

(e) if the Issuer stops payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts (within the meaning of section 123(1)(e) or (2) of the Insolvency Act 1986), or is adjudicated or found bankrupt or insolvent or shall enter into any composition or other similar arrangements with its creditors under section 1 of the Insolvency Act 1986; or  

(f) if (i) an administrative or other receiver, manager, administrator or other similar official is appointed in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of it, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of
it, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of it and (ii) in any case (other than the appointment of an administrator) is not discharged, removed or paid within 45 days;

PROVIDED, in the case of any Event of Default other than those described in paragraphs (a) and (d) above, the Trustee shall have certified in writing to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition, “Indebtedness for Borrowed Money” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any bonds, notes, debentures, debenture stock or loan stock.

(B) Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the relevant Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the relevant Notes then outstanding, and (ii) it shall have been indemnified to its satisfaction.

Save as otherwise provided herein, no Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. Replacement of Notes, Certificates, Coupons and Talons

Should any Note, Certificate, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Principal Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

The names of the initial Issuing and Principal Paying Agent, the other Paying Agents, the Registrar and the Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of the Issuing and Principal Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent and/or appoint additional or other Paying Agents or Transfer Agents or another Registrar and/or approve any change in the specified office through which any such agent acts, provided that:

(i) there will at all times be an Issuing and Principal Paying Agent;
(ii) there will at all times be a Registrar and a Transfer Agent in relation to Registered Notes;
(iii) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
(iv) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee outside the Relevant Jurisdiction; and
In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d).

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 60 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Issuing and Principal Paying Agent, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent or Registrar or Transfer Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent, registrar or transfer agent, as the case may be.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing.

Notices to the holders of Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the United Kingdom. It is expected that such publication will be made in the Financial Times. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. Meeting of Noteholders, Modification, Authorisation, Waiver, Determination and Substitution

(a) Meetings

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed. Such a meeting may be convened by the Issuer or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all and Couponholders.
The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as principal debtor in respect of the Notes and the Coupons and under the Trust Deed of either (i) a Successor in Business (as defined in the Trust Deed) to the Issuer or (ii) a Holding Company of the Issuer or (iii) a Subsidiary of the Issuer, in each case subject to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby provided that in determining such material prejudice the Trustee shall not take into account any prejudice to the interests of the Noteholders as a result of such substituted company not being required pursuant to proviso (i) to Condition 8 to pay any additional amounts for or on account of any Taxes imposed by the United States of America or any political subdivision or taxing authority thereof or therein and certain other conditions set out in the Trust Deed being complied with.

The Trust Deed contains provisions permitting the Issuer to consolidate with or merge into any other person or convey, transfer or lease its properties and assets substantially as an entirety to any person provided that (i) in the case of a consolidation or merger (except where the Issuer is the continuing entity) such person agrees to be bound by the terms of the Notes, the Coupons and the Trust Deed as principal debtor in place of the Issuer; (ii) in the case of a conveyance, transfer or lease, such person guarantees the obligations of the Issuer under the Notes, the Coupons and the Trust Deed and (iii) certain other conditions set out in the Trust Deed are complied with.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

For the purposes of this Condition “Holding Company” means, in relation to a person, an entity of which that person is a Subsidiary.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

17. Indemnification of the Trustee and its Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.
The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. Third Party Rights

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Governing Law

The Trust Deed, the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with any of them, are governed by and shall be construed in accordance with, English law. The Agency Agreement is governed by and shall be construed in accordance with English law.
AGENT
HSBC Bank plc
8 Canada Square
London E14 5HQ

OTHER PAYING AGENTS

Credit Suisse First Boston
Uetlibergstrasse 231
8045 Zurich

Banque Internationale à Luxembourg,
société anonyme
69 route d’Esch
L-2953 Luxembourg
FORMS OF GLOBAL AND DEFINITIVE NOTES, CERTIFICATES, COUPONS AND TALONS

PART 1

FORM OF TEMPORARY GLOBAL NOTE

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]1

VODAFONE GROUP PLC
(the Issuer)
(incorporated with limited liability in England and Wales)

TEMPORARY GLOBAL NOTE

This Note is a Temporary Global Note in respect of a duly authorised issue of Notes of the Issuer (the Notes) of the Nominal Amount, Specified Currency(ies) and Specified Denomination(s) as are specified in the Final Terms applicable to the Notes (the Final Terms), a copy of which is annexed hereto. References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in the Schedule 1 to the Trust Deed (as defined below) as completed by the Final Terms but, in the event of any conflict between the provisions of the Conditions and the information in the Final Terms, the Final Terms will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Global Note. This Global Note is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone AirTouch Plc) and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

The Issuer, subject as hereinafter provided and subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the bearer hereof on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed, upon presentation and, at maturity, surrender of this Global Note to or to the order of the Issuing and Principal Paying Agent or any of the other Paying Agents located outside the United States, its territories and possessions (except as provided in the Conditions) from time to time appointed by the Issuer in respect of the Notes.

If the Final Terms indicates that this Global Note is intended to be a New Global Note, the nominal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg) and together with Euroclear, the relevant Clearing Systems. The records of the relevant Clearing Systems (which expression in this Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of such customer’s interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by this Global Note and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the

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1 Include where the original maturity of the Notes is more than 365 days.
bearer (upon request) stating the nominal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

If the Final Terms indicates that this Global Note is not intended to be a New Global Note, the nominal amount of the Notes represented by this Global Note shall be the amount stated in the applicable Final Terms or, if lower, the nominal amount most recently entered by or on behalf of the Issuer in the relevant column in Part II, or III of Schedule One hereto or in Schedule Two hereto.

On any redemption of, or payment of interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note the Issuer shall procure that:

(a) if the Final Terms indicates that this Global Note is intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered pro rata in the records of the relevant Clearing Systems, and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled; or

(b) if the Final Terms indicates that this Global Note is not intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such redemption, payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such redemption or purchase and cancellation, the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled.

Payments due in respect of Notes for the time being represented by this Global Note shall be made to the bearer of this Global Note and each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make entries referred to above shall not affect such discharge.

Payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will only be made to the bearer hereof to the extent that there is presented to the Agent by Clearstream, Luxembourg or Euroclear a certificate to the effect that it has received from or in respect of a person entitled to a beneficial interest in a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate of non-US beneficial ownership in the form required by it. The bearer of this Global Note will not (unless upon such presentation of this Global Note for exchange, delivery of the appropriate number of Definitive Bearer Notes (together, if applicable, with the Coupons and Talons appertaining thereto in or substantially in the forms set out in Parts 5, 6 and 7 of Schedule 2 to the Trust Deed) or, as the case may be issue and delivery (or, as the case may be, endorsement) of the Permanent Global Note is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment hereon due on or after the Exchange Date.

If this Temporary Global Note is an Exchangeable Bearer Note then, subject to Condition 2(f), this Temporary Global Note may be exchanged in whole or from time to time in part for one or more Registered Notes in accordance with the Conditions on or after the Issue Date but before its Exchange Date referred to below by its presentation to any Transfer Agent at its specified office. On or after the Exchange Date, the outstanding nominal amount of this Temporary Global Note may be exchanged for Definitive Bearer Notes and Registered Notes in accordance with the next paragraph.

On or after the date (the Exchange Date) which is the 40th day after the Issue Date, this Global Note may be exchanged (free of charge) in whole or in part for, as specified in the Final Terms, either (a) Definitive Bearer Notes and (if applicable) Coupons and/or Talons (on the basis that all the appropriate details have been included on the face of such Definitive Bearer Notes and (if applicable) Coupons and/or Talons and the relevant information completing the Conditions appearing in the Final Terms has been endorsed on or
attached to such Definitive Bearer Notes) or (b) either (if the Final Terms indicates that this Global Note is intended to be a New Global Note) interests recorded in the records of the relevant Clearing Systems in a Permanent Global Note or (if the Final Terms indicates that this Global Note is not intended to be a New Global Note) a Permanent Global Note which, in either case, is in or substantially in the form set out in Part 2 of the Schedule 2 to the Trust Deed (together with the Final Terms attached thereto) or (if this Global Note is an Exchangeable Bearer Note) for Registered Notes upon notice being given by Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in this Global Note and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the Final Terms.

If Definitive Bearer Notes and (if applicable) Coupons and/or Talons have already been issued in exchange for all the Notes represented for the time being by the Permanent Global Note, then this Global Note may only thereafter be exchanged for Definitive Bearer Notes and (if applicable) Coupons and/or Talons pursuant to the terms hereof. This Global Note may be exchanged by the bearer hereof on any day (other than a Saturday or Sunday) on which banks are open for general business in London.

The Issuer shall procure that Definitive Bearer Notes or (as the case may be) the Permanent Global Note shall be issued and delivered and (in the case of the Permanent Global Note where the Final Terms indicates that this Global Note is intended to be a New Global Note) interests in the Permanent Global Note shall be recorded in the records of the relevant Clearing Systems in exchange for only that portion of this Global Note in respect of which there shall have been presented to the Principal Paying Agent by Euroclear or Clearstream, Luxembourg a certificate to the effect that it has received from or in respect of a person entitled to a beneficial interest in a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate of non-US beneficial ownership in the form required by it.

On an exchange of the whole of this Global Note, this Global Note shall be surrendered to or to the order of the Principal Paying Agent. The Issuer shall procure that:

(a) if the Final Terms indicates that this Global Note is intended to be a New Global Note, on an exchange of the whole or part only of this Global Note, details of such exchange shall be entered pro rata in the records of the relevant Clearing Systems such that the nominal amount of Notes represented by this Global Note shall be reduced by the nominal amount of this Global Note so exchanged; or

(b) if the Final Terms indicates that this Global Note is not intended to be a New Global Note, on an exchange of part only of this Global Note details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two thereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of this Global Note so exchanged. On any exchange of this Global Note for a Permanent Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two to the Permanent Global Note and the relevant space in Schedule Two thereto recording such exchange shall be signed by or on behalf of the Issuer.

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respects be entitled to the same benefits as if he were the bearer of Definitive Bearer Notes and the relative Coupons and/or Talons (if any) in the form(s) set out in Part 5, Part 6 and Part 7 (as applicable) of the Schedule 2 to the Trust Deed.

The holder of this Global Note shall be treated at any meeting of the Noteholders as having one vote in respect of each Definitive Bearer Note for which this Global Note would be exchangeable.

In considering the interests of Noteholders while this Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the
identity (either individually or by category) of its account holders with entitlements to this Global Note and may consider such interests as if such account holders were the holder of this Global Note.

This Global Note does not confer on a third party any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Global Note, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

This Global Note, and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, English law.

This Global Note shall not be valid unless authenticated by HSBC Bank plc as Issuing and Principal Paying Agent and, if the Final Terms indicates that this Global Note is intended to be held in a manner which would allow Eurosystem eligibility, effectuated by the entity appointed as common safekeeper by the relevant Clearing Systems.
IN WITNESS whereof the Issuer has caused this Global Note to be signed manually or in facsimile by a person duly authorised on its behalf.

Issued as of ________________________

VODAFONE GROUP PLC

By: ________________________________

Duly Authorised

Authenticated by

HSBC Bank plc.

as Issuing and Principal Paying Agent.

By: ________________________________

Authorised Officer

1 Effectuated without recourse, warranty or liability by

By: ________________________________

as common safekeeper

1 This should only be completed where the Final Terms indicates that this Global Note is intended to be held in a manner which would allow Eurosytem eligibility.

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## Schedule One*

**PART I**

**INTEREST PAYMENTS**

<table>
<thead>
<tr>
<th>Date made</th>
<th>Interest Payment Date</th>
<th>Total amount of interest payable</th>
<th>Amount of interest paid</th>
<th>Confirmation of payment by or on behalf of the Issuer</th>
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* Schedule One should only be completed where the Final Terms indicates that this Global Note is not intended to be a New Global Note.
### PART II

#### REDEMPTIONS

<table>
<thead>
<tr>
<th>Date made</th>
<th>Total amount of principal payable</th>
<th>Amount of principal paid</th>
<th>Remaining nominal amount of this Global Note following such redemption*</th>
<th>Confirmation of redemption by or on behalf of the Issuer</th>
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* See most recent entry in Part II or III of Schedule Two in order to determine this amount.

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<table>
<thead>
<tr>
<th>Date made</th>
<th>Part of nominal amount of this Global Note purchased and cancelled</th>
<th>Remaining nominal amount of this Global Note following such purchase and cancellation*</th>
<th>Confirmation of purchase and cancellation by or on behalf of the Issuer</th>
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* See most recent entry in Part II or III of Schedule Two in order to determine this amount.
EXCHANGES
FOR DEFINITIVE BEARER NOTES, REGISTERED NOTES OR PERMANENT GLOBAL NOTE

The following exchanges of a part of this Global Note for Definitive Bearer Notes or Registered Notes or a part of a Permanent Global Note have been made:

<table>
<thead>
<tr>
<th>Date made</th>
<th>Nominal amount of this Global Note exchanged for Definitive Bearer Notes, Registered Notes or a part of a Permanent Global Note (stating which)</th>
<th>Remaining nominal amount of this Global Note following such exchange*</th>
<th>Notation made by or on behalf of the Issuer</th>
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* Schedule Two should only be completed where the Final Terms indicates that this Global Note is not intended to be a New Global Note.

* See most recent entry in Part II or III of Schedule One or in this Schedule Two in order to determine this amount.
ANNEX

[attach Final Terms that relate to this Global Note]

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PART 2

FORM OF PERMANENT GLOBAL NOTE

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]¹

VODAFONE GROUP PLC

(the Issuer)

(incorporated with limited liability in England and Wales)

PERMANENT GLOBAL NOTE

This Note is a Permanent Global Note in respect of a duly authorised issue of Notes of the Issuer (the Notes) of the Nominal Amount, Specified Currency(ies) and Specified Denomination(s) as are specified in the Final Terms applicable to the Notes (the Final Terms), a copy of which is annexed hereto. References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in the Schedule 1 to the Trust Deed (as defined below) as completed by the Final Terms but, in the event of any conflict between the provisions of the Conditions and the information in the Final Terms, the Final Terms will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Global Note. This Global Note is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone AirTouch Plc) and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

The Issuer, subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the bearer hereof on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed, upon presentation and, at maturity, surrender of this Global Note at the specified office of the Issuing and Principal Paying Agent at 8 Canada Square, London EC2V 7EX, England or such other specified office as may be specified for this purpose in accordance with the Conditions or at the specified office of any of the other Paying Agents located outside the United States, its territories and possessions (except as provided in the Conditions) from time to time appointed by the Issuer in respect of the Notes.

If the Final Terms indicates that this Global Note is intended to be a New Global Note, the nominal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg and together with Euroclear, the relevant Clearing Systems). The records of the relevant Clearing Systems (which expression in this Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of such customer’s interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by this Global Note and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the bearer upon request) stating the nominal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

¹ Include where the original maturity of the Notes is more than 365 days.
If the Final Terms indicate that this Global Note is not intended to be a New Global Note, the nominal amount of the Notes represented by this Global Note shall be the amount stated in the applicable Final Terms or, if lower, the nominal amount most recently entered by or on behalf of the Issuer in the relevant column in Part II or Part III of Schedule One hereto or in Schedule Two hereto.

On any redemption of, or payment of interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note the Issuer shall procure that:

(a) if the Final Terms indicates that this Global Note is intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled; or

(b) if the Final Terms indicates that this Global Note is not intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such redemption, payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such redemption or purchase and cancellation, the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled.

Payments due in respect of Notes for the time being represented by this Global Note shall be made to the bearer of this Global Note and each payment so made will discharge the Issuer’s obligations in respect thereof and any failure to make entries referred to above shall not affect such discharge.

If the Notes represented by this Global Note were, on issue, represented by a Temporary Global Note then on any exchange of such Temporary Global Note for this Global Note or any part hereof, the Issuer shall procure that:

(a) if the Final Terms indicates that this Global Note is intended to be a New Global Note, details of such exchange shall be entered in the records of the relevant Clearing Systems such that the nominal amount of Notes represented by this Global Note shall be increased by the nominal amount of the Temporary Global Note so exchanged; or

(b) if the Final Terms indicates that this Global Note is not intended to be a New Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be increased by the nominal amount of the Temporary Global Note so exchanged.

This Global Note may be exchanged (free of charge) in whole, but, except as provided below, not in part, for Definitive Bearer Notes and (if applicable) Coupons and/or Talons in or substantially in the forms set out in Part 5, Part 6 and Part 7 of the Schedule 2 to the Trust Deed (on the basis that all the appropriate details have been included on the face of such Definitive Bearer Notes and (if applicable) Coupons and/or Talons and the relevant information completing the Conditions appearing in the Final Terms has been endorsed on or attached to such Definitive Bearer Notes) or (if this Global Note is an Exchangeable Bearer Note) Registered Notes represented by the Certificates described in the Trust Deed:

(a) if specified in the applicable Final Terms, upon not less than 60 days’ written notice being given to the Issuing and Principal Paying Agent by Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in this Global Note); or

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An Exchange Event means (unless otherwise specified in the applicable Final Terms):

- if specified in the applicable Final Terms, only upon the occurrence of an Exchange Event; or
- if this Global Note is an Exchangeable Bearer Note then, subject to Condition 2(f), by the holder hereof giving notice to the Issuing and Principal Paying Agent of its election to exchange the whole or a part of this Global Note for Registered Notes.

Upon the occurrence of an Exchange Event:

- an Event of Default has occurred and is continuing;
- the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available; or
- the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Bearer Notes in definitive form.

This Global Note is exchangeable in part only if this Global Note is an Exchangeable Bearer Note and the part thereof submitted for exchange is to be exchanged for Registered Notes.

Any such exchange shall occur on a date specified in the notice not later than 60 days (or, in the case of an exchange for Registered Notes, 5 days) after the date of receipt of the first relevant notice by the Issuing and Principal Paying Agent.

The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the occurrence of such Exchange Event; and

Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in this Global Note) or the Trustee may give notice to the Issuing and Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Issuing and Principal Paying Agent requesting exchange.
Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respects be entitled to the same benefits as if he were the bearer of Definitive Bearer Notes and the relative Coupons and/or Talons (if any) in the form(s) set out in Part 5, Part 6 and Part 7 (as applicable) of the Schedule 2 to the Trust Deed.

The holder of this Global Note shall be treated at any meeting of the Noteholders as having one vote in respect of each Definitive Bearer Note for which this Global Note would be exchangeable.

In considering the interests of Noteholders while this Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to this Global Note and may consider such interests as if such accountholders were the holder of this Global Note.

This Global Note does not confer on a third party any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Global Note, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

This Global Note, and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, English law.

This Global Note shall not be valid unless authenticated by HSBC Bank plc as Issuing and Principal Paying Agent and, if the Final Terms indicates that this Global Note is intended to be held in a manner which would allow Eurosystem eligibility, effectuated by the entity appointed as common safekeeper by the relevant Clearing Systems.
IN WITNESS whereof the Issuer has caused this Global Note to be signed manually or in facsimile by a person duly authorised on its behalf.

Issued as of ____________________________

VODAFONE GROUP PLC

By: ____________________________
   Duly Authorised

Authenticated by
HSBC Bank plc
as Issuing and Principal Paying Agent.

By: ____________________________
   Authorised Officer

1Effectuated without recourse, warranty or liability by

______________________________
as common safekeeper

By: ____________________________

1 This should only be completed where the Final Terms indicates that this Global Note is intended to be held in a manner which would allow Eurosytem eligibility.
## Schedule One*

### PART I

### INTEREST PAYMENTS

<table>
<thead>
<tr>
<th>Date made</th>
<th>Interest Payment Date</th>
<th>Total amount of interest payable</th>
<th>Amount of interest paid</th>
<th>Confirmation of payment by or on behalf of the Issuer</th>
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* Schedule One should only be completed where the Final Terms indicates that this Global Note is not intended to be a New Global Note.
PART II
REDEMPTION

<table>
<thead>
<tr>
<th>Date made</th>
<th>Total amount of principal payable</th>
<th>Amount of principal paid</th>
<th>Remaining nominal amount of this Global Note following such redemption*</th>
<th>Confirmation of redemption by or on behalf of the Issuer</th>
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* See most recent entry in Part II or III of Schedule Two in order to determine this amount.
### PART III

**PURCHASES AND CANCELLATIONS**

<table>
<thead>
<tr>
<th>Date made</th>
<th>Part of nominal amount of this Global Note purchased and cancelled</th>
<th>Remaining nominal amount of this Global Note following such purchase and cancellation*</th>
<th>Confirmation of purchase and cancellation by or on behalf of the Issuer</th>
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* See most recent entry in Part II or III of Schedule Two in order to determine this amount.
Schedule Two*

EXCHANGES

The following exchanges of a part of this the Temporary Global Note for a part of this Global Note or a part of this Global Note for Registered Notes have been made:

<table>
<thead>
<tr>
<th>Date made</th>
<th>Nominal amount of Temporary Global Note exchanged for this Global Note or of this Global Note exchanged for Registered Notes</th>
<th>Increased/decreased nominal amount of this Global Note following such exchange*</th>
<th>Notation made by or on behalf of the Issuer</th>
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* See most recent entry in Part II or III of Schedule One or in this Schedule Two in order to determine this amount.

* Schedule Two should only be completed where the Final Terms indicates that this Global Note is not intended to be a New Global Note.
ANNEX

[attach the Final Terms that relate to this Global Note]
PART 3
FORM OF REGULATION S GLOBAL CERTIFICATE

THE NOTES REPRESENTED BY THIS REGULATION S GLOBAL CERTIFICATE HAVE NOT BEEN AND WILL NOT
BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH
ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED
STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED
STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

VODAFONE GROUP PLC
(the Issuer)
(incorporated with limited liability in England and Wales)

REGULATION S GLOBAL CERTIFICATE

This Regulation S Global Certificate is issued in respect of a duly authorised issue of Notes of the Issuer (the Notes) of the Nominal
Amount, Specified Currency(ies) and Specified Denomination(s) as are specified in the Final Terms applicable to the Notes (the
Final Terms), a copy of which is annexed hereto. This Regulation S Global Certificate certifies that the person whose name is
entered in the Register is the registered holder (the Registered Holder) of such nominal amount of the Notes specified in the Final
Terms at the date hereof.

Interpretation and Definitions

References in this Regulation S Global Certificate to the Conditions are to the Terms and Conditions of the Notes as set out in the
Schedule 1 to the Trust Deed (as defined below) as completed by the Final Terms but, in the event of any conflict between the
provisions of the Conditions and the information in the Final Term; the Final Terms will prevail. Words and expressions defined in
the Conditions shall bear the same meanings when used in this Regulation S Global Certificate. This Regulation S Global Certificate
is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented
and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone
AirTouch Plc) and The Law Debenture Trust Corporation p.l.c as Trustee for the holders of the Notes.

Promise to Pay

The Issuer, subject as hereinafter provided and subject to and in accordance with the Conditions and the Trust Deed, promises to pay
to the holder of the Notes represented by this Regulation S Global Certificate on the Maturity Date and/or on such earlier date(s) as all
or any of the Notes represented by this Regulation S Global Certificate may become due and repayable in accordance with the
Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Notes on each such date and to pay
interest (if any) on the nominal amount of the Notes from time to time represented by this Regulation S Global Certificate calculated
and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the
Trust Deed.

For the purposes of this Regulation S Global Certificate, (a) the Issuer certifies that the Registered Holder is, at the date hereof,
entered in the Register as the holder of the Notes represented by this Regulation S Global Certificate, (b) this Regulation S Global
Certificate is evidence of entitlement only, (c) title to the Notes represented by this Regulation S Global Certificate passes only on due
registration on the Register, (d) only the holder of the Notes, as on the immediately preceding Clearing System Business Day,
represented by this
Regulation S Global Certificate is entitled to payments in respect of the Notes represented by this Regulation S Global Certificate, and (e) the nominal amount of Notes represented by this Regulation S Global Certificate from time to time shall be that amount shown in the Register as being registered in the name of the Registered Holder hereof at such time.

For the purposes hereof “Clearing System Business Day” means any day other than (i) Saturdays or Sundays and (ii) 1 January and 25 December.

Transfer of Notes represented by Regulation S Global Certificates

If the Final Terms state that the Notes are to be represented by a Regulation S Global Certificate on issue, transfers of the holding of Notes represented by this Regulation S Global Certificate pursuant to Condition 2(b) may only be made in part:

(a) if the Notes represented by this Regulation S Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an Alternative Clearing System) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or

(b) an Event of Default has occurred and is continuing; or

(c) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (a) or (b) above, the holder of the Notes represented by this Regulation S Global Certificate has given the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such transfer. Where the holding of Notes represented by this Regulation S Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Regulation S Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Regulation S Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Interests in a Regulation S Global Certificate will be exchangeable, free of charge to the holder, for definitive Regulation S Certificates only upon the occurrence of an Exchange Event. An Exchange Event means (unless otherwise specified in the applicable Final Terms) that:

(a) if the Notes represented by this Regulation S Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an Alternative Clearing System) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or

(b) an Event of Default has occurred and is continuing; or

(c) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or

(d) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by definitive Regulation S Certificates.

Upon the occurrence of an Exchange Event:

(A) the Issuer will promptly give notice to Noteholders in accordance with Condition 14; and

(B) Euroclear and Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Regulation S Global Certificate) may give notice to the Registrar requesting

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exchange and, in the event of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange.

Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

**Meetings**

At any meeting of Noteholders, the holder of the Notes represented by this Regulation S Global Certificate shall be treated as having one vote in respect of each nominal amount of Notes equal to the minimum Specified Denomination of the Notes.

This Regulation S Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar and, if the applicable Final Terms indicates that this Regulation S Global Certificate is intended to be held under the New Safekeeping Structure, effectuated by the entity appointed as common safekeeper by Euroclear or Clearstream, Luxembourg.

This Regulation S Global Certificate, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with English law.

**IN WITNESS** whereof the Issuer has caused this Regulation S Global Certificate to be signed manually or in facsimile by a person duly authorised on its behalf.

Dated as of the Issue Date.

**VODAFONE GROUP PLC**

By:

Duly Authorised

Authenticated
by HSBC Bank USA, National Association as Registrar

By:

Authorised Officer

1 Effectuated without recourse, warranty or liability by

as common safekeeper

By:

1 This should only be completed where the Final Terms indicates that this Regulation S Global Certificate is intended to be held under the NSS.
Form of Transfer

For value received the undersigned transfers to

__________________________________________

__________________________________________

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[●] nominal amount of the Notes represented by this Regulation S Global Certificate, and all rights under them.

Dated

Signed ________________________________ Certifying Signature

Notes:

(a) The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this Regulation S Global Certificate or (if such signature corresponds with the name as it appears on the face of this Regulation S Global Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.

(b) A representative of the Noteholder should state the capacity in which he signs e.g. executor.
ANNEX

[attach Final Terms that relate to this Global Certificate]

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PART 4

FORM OF DTC RESTRICTED GLOBAL CERTIFICATE

THE NOTES REPRESENTED BY THIS DTC RESTRICTED GLOBAL CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (RULE 144A) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A QIB) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (REGULATION S) TO A NON-US PERSON (AS DEFINED IN THE REGULATIONS) OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) , IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES REPRESENTED BY THIS DTC RESTRICTED CERTIFICATE.

Unless this DTC Restricted Global Certificate is presented by an authorised representative of The Depository Trust Company, a corporation incorporated under the laws of the State of New York (DTC), to the Issuer or its agent for registration of transfer, exchange or payment, and any definitive Note issued is registered in the name of Cede & Co. or such other name as is requested by an authorised representative of DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.

VODAFONE GROUP PLC
(incorporated with limited liability in England and Wales)

DTC RESTRICTED GLOBAL CERTIFICATE

Registered Holder:

Address of Registered Holder:

Nominal amount of Notes represented by this DTC Restricted Global Certificate:

This DTC Restricted Global Certificate is issued in respect of a duly authorised issue of Notes of the Issuer (the Notes) of the Nominal Amount, Specified Currency(ies) and Specified Denomination(s) as are specified in the Final Terms applicable to the Notes (the Final Terms), a copy of which is annexed hereto. This DTC Restricted Global Certificate certifies that the Registered Holder (as defined above) is registered as the holder of such nominal amount of the Notes at the date hereof.

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Interpretation and Definitions

References in this DTC Restricted Global Certificate to the Conditions are to the Terms and Conditions or the Notes as set out in the Schedule 1 to the Trust Deed (as defined below) as completed by the Final Terms but, in the event of any conflict between the provisions of the Conditions and the information in the Final Terms, the Final Terms will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this DTC Restricted Global Certificate. This DTC Restricted Global Certificate is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone AirTouch Plc) and The Law Debenture Trust Corporation p.l.c as Trustee for the holders of the Notes.

Promise to Pay

The Issuer, subject as hereinafter provided and subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the holder of the Notes represented by this DTC Restricted Global Certificate on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this DTC Restricted Global Certificate may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this DTC Restricted Global Certificate calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed.

For the purposes of this DTC Restricted Global Certificate, (a) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Notes represented by this DTC Restricted Global Certificate, (b) this DTC Restricted Global Certificate is evidence of entitlement only, (c) title to the Notes represented by this DTC Restricted Global Certificate passes only on due registration on the Register, (d) only the holder of the Notes as on the immediately preceding Clearing System Business Day, represented by this DTC Restricted Global Certificate is entitled to payments in respect of the Notes represented by this DTC Restricted Global Certificate, and (e) the nominal amount of Notes represented by this DTC Restricted Global Certificate from time to time shall be that amount shown in the Register as being registered in the name of the Registered Holder hereof at such time.

For the purposes hereof “Clearing System Business Day” means any day other than (i) Saturdays or Sundays and (ii) 1 January and 25 December.

Transfer of Notes represented by DTC Restricted Global Certificates

If the Final Terms state that the Notes are to be represented by a DTC Restricted Global Certificate on issue, transfers of the holding of Notes represented by this DTC Restricted Global Certificate pursuant to Condition 2(b) may only be made in part:

(a) if the Notes represented by this DTC Restricted Global Certificate are held on behalf of DTC or any other clearing system (an Alternative Clearing System) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or

(b) an Event of Default has occurred and is continuing; or

(c) with the consent of the Issuer

provided that, in the case of the first transfer of part of a holding pursuant to (a) or (b) above, the holder of the Notes represented by this DTC Restricted Global Certificate has given the Registrar not less than 30 days'
notice at its specified office of such holder’s intention to effect such transfer. Where the holding of Notes represented by this DTC Restricted Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a DTC Restricted Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be DTC Restricted Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, DTC and/or an Alternative Clearing System.

Interests in a DTC Restricted Global Certificate will be exchangeable, free of charge to the holder, for definitive DTC Restricted Certificates only upon the occurrence of an Exchange Event. An Exchange Event means (unless otherwise specified in the applicable Final Terms) that:

(i) an Event of Default has occurred and is continuing; or
(ii) either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; or
(iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by definitive DTC Restricted Certificates.

Upon the occurrence of an Exchange Event:

(A) the Issuer will promptly give notice to Noteholders in accordance with Condition 13; and
(B) DTC (acting on the instructions of any holder of an interest in such DTC Restricted Global Certificate) may give notice to the Registrar requesting exchange and, in the event of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange.

Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Covenants

The statements set forth in the legend above are an integral part of the Notes in respect of which this DTC Restricted Global Certificate representing DTC Restricted Registered Notes is issued and by acceptance hereof each holder of such Notes agrees to be subject to and bound by the terms and provisions set forth in such legend.

Meetings

At any meeting of Noteholders, the holder of the Notes represented by this DTC Restricted Global Certificate shall be treated as having one vote in respect of each nominal amount of Notes equal to the minimum Specified Denomination of the Notes.

This DTC Restricted Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

This DTC Restricted Global Certificate, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with English law.

IN WITNESS whereof the Issuer has caused this DTC Restricted Global Certificate to be signed manually or in facsimile by a person duly authorised on its behalf.
Dated as of the Issue Date.

VODAFONE GROUP PLC

By:

Duly Authorised

Authenticated by HSBC Bank USA, National Association as Registrar

By:

Authorised Officer
Form of Transfer

For value received the undersigned transfers to


(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[•] nominal amount of the Notes represented by this DTC Restricted Global Certificate, and all rights under them.

Dated

Signed ____________________________  Certifying Signature

Notes:

(a) The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this DTC Restricted Global Certificate or (if such signature corresponds with the name as it appears on the face of this DTC Restricted Global Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.

(b) A representative of the Noteholder should state the capacity in which he signs e.g. executor.
ANNEX

[attach Final Terms that relate to this Global Certificate]

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PART 5

FORM OF DEFINITIVE NOTE

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.]1

VODAFONE GROUP PLC

(the Issuer)

(incorporated with limited liability in England and Wales)

[Specified Currency and Nominal Amount of Tranche]

NOTES DUE

[Year of Maturity]

This Note is one of a Series of Notes of [Specified Currency(ies) and Specified Denomination(s)] each of the Issuer (Notes). References herein to the Conditions shall be to the Terms and Conditions [endorsed hereon/set out in the Schedule 1 to the Trust Deed (as defined below) which shall be incorporated by reference herein and have effect as if set out herein] as completed by the relevant information (appearing in the Final Terms (the Final Terms)) endorsed hereon but, in the event of any conflict between the provisions of the said Conditions and such information in the Final Terms, such information will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Note. This Note is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone AirTouch Plc) and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

The Issuer, subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the bearer hereof on the Maturity Date or on such earlier date as this Note may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable on redemption of this Note and to pay interest (if any) on the nominal amount of this Note calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed.

This Note shall not be valid unless authenticated by HSBC Bank plc as Issuing and Principal Paying Agent.

1 Include where the original maturity of the Notes is more than 365 days.
IN WITNESS whereof this Note has been executed on behalf of the Issuer.

Issued as of

VODAFONE GROUP PLC

By: ________________________________

Duly Authorised

Authenticated by
HSBC Bank plc
as Issuing and Principal Paying Agent.

By: ________________________________

Authorised Officer
[Conditions]

[Conditions to be as set out in the Schedule 1 to this Trust Deed or such other form as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Trustee and the relevant Dealer(s), but shall not be endorsed if not required by the relevant Stock Exchange]
Final Terms

[Here to be set out the text of the relevant information completing the Conditions which appears in the Final Terms relating to the Notes]
PART 6
FORM OF COUPON

On the front:

VODAFONE GROUP PLC

[Specified Currency and Nominal Amount of Tranche]
NOTES DUE
[Year of Maturity]

Series No. [

[Coupon appertaining to a Note in the denomination of [Specified Currency and Specified Denomination]].

Part A

[For Fixed Rate Notes:
This Coupon is payable to bearer, separately negotiable and subject to the Terms and Conditions of the said Notes.

Coupon for [ ], due on [ ], [ ]

Part B

[For Floating Rate Notes or Inflation Linked Interest Notes:

Coupon for the amount due in accordance with the Terms and Conditions endorsed on, attached to or incorporated by reference into the said Notes on [the Interest Payment Date falling in ] [ ]/[ ].

This Coupon is payable to bearer, separately negotiable and subject to such Terms and Conditions, under which it may become void before its due date.]

[ANY UNITED STATES PERSON (WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.]

1 Delete where the Notes are all of the same denomination.
2 Include where the original maturity of the Notes is more than 365 days.
PART 7

FORM OF TALON

On the front:

VODAFONE GROUP PLC

[Specified Currency and Nominal Amount of Tranche]

NOTES DUE

[Year of Maturity]

Series No. [                ]

[Talon appertaining to a Note in the denomination of [Specified Currency and Specified Denomination]].

On and after [ ] further Coupons [and a further Talon] appertaining to the Note to which this Talon appertains will be issued at the specified office of any of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders) upon production and surrender of this Talon.

This Talon may, in certain circumstances, become void under the Terms and Conditions endorsed on the Note to which this Talon appertains.

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.]

1 Delete where the Notes are all of the same denomination.
2 Not required on last Coupon sheet.
3 Include where the original maturity of the Notes is more than 365 days.
On the back of Coupons and Talons:

ISSUING AND PRINCIPAL PAYING AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ

OTHER PAYING AGENTS

Credit Suisse First Boston
Uetlibergstrasse 231
8045 Zurich

Banque Internationale à Luxembourg société anonyme
69 route d’Esch
L-2953 Luxembourg
FORM OF REGULATION S CERTIFICATE

On the front:

THE NOTES REPRESENTED BY THIS REGULATION S GLOBAL CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

VODAFONE GROUP PLC
(the Issuer)
(incorporated with limited liability in England and Wales)

[Specified Currency and Nominal Amount of Tranche]

NOTES DUE
[Year of Maturity]

This Regulation S Certificate certifies that [●] (the Registered Holder) is, as at the date hereof, registered as the holder of [nominal amount] of the Notes referred to above (the Notes) of the Issuer. References herein to the Conditions shall be to the Terms and Conditions [endorsed hereon/set out in the Schedule 1 to the Trust Deed (as defined below) which shall be incorporated by reference herein and have effect as if set out herein] as completed by the relevant information (appearing in the Final Terms (the Final Terms)) endorsed hereon but, in the event of any conflict between the provisions of the said Conditions and such information in the Final Terms, such information will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Certificate. This Certificate is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone AirTouch Plc) and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

The Issuer, subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the Registered Holder hereof on the Maturity Date or on such earlier date as the Notes represented by this Certificate may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable on redemption of such Notes and to pay interest (if any) on the nominal amount of such Notes calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed.

For the purposes of this Regulation S Certificate, (a) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Note(s) represented by this Regulation S Certificate, (b) this Regulation S Certificate is evidence of entitlement only, (c) title to the Note(s) represented by this Regulation S Certificate passes only on due registration on the Register, and (d) only the holder of the Note(s) represented by this Regulation S Certificate is entitled to payments in respect of the Note(s) represented by this Regulation S Certificate.

This Regulation S Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.
This Regulation S Certificate, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with English law.

IN WITNESS whereof this Regulation S Certificate has been executed on behalf of the Issuer.

Dated as of the Issue Date.

VODAFONE GROUP PLC

By: ____________________________
   Duly Authorised

Authenticated by HSBC Bank USA, National Association as Registrar.

By: ____________________________
   Authorised Officer
Terms and Conditions of the Notes

[Conditions to be as set out in the Schedule 1 to this Trust Deed or such other form as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Registrar, the Trustee and the relevant Dealer(s), but shall not be endorsed if not required by the relevant Stock Exchange.]
Final Terms

[Here to be set out the text of the relevant information completing the Conditions which appears in the Final Terms relating to the Notes].

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Form of Transfer

For value received the undersigned transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[•] nominal amount of the Notes represented by this Regulation S Certificate, and all rights under them.

Dated

Signed ________________________

Certifying Signature

Notes:

(c) The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this Regulation S Certificate or (if such signature corresponds with the name as it appears on the face of this Regulation S Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.

(d) A representative of the Noteholder should state the capacity in which he signs.

Unless the context otherwise requires capitalised terms used in this Form of Transfer have the same meaning as in the Trust Deed.

[TO BE COMPLETED BY TRANSFEREE:]

[INSERT ANY REQUIRED TRANSFEREE REPRESENTATIONS, CERTIFICATIONS, ETC.]]

ISSUING AND PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

HSBC Bank plc
8 Canada Square
London E14 5HQ

PAYING AGENT AND TRANSFER AGENT

HSBC Bank USA, National Association
452 Fifth Avenue
New York
NY 10018-2708

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PART 9

FORM OF DTC RESTRICTED CERTIFICATE

On the front:

THE NOTES REPRESENTED BY THIS DEFINITIVE REGISTERED NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (RULE 144A) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A QIB) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (REGULATION S) TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED UNDER REGULATION S) OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE NOTES REPRESENTED BY THIS DEFINITIVE REGISTERED NOTE.

[FOR PURPOSES OF SECTIONS 1271 ET. SEQ. OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE HAS ORIGINAL ISSUE DISCOUNT OF [currency][amount] PER EACH [currency][amount] OF PRINCIPAL AMOUNT OF THIS NOTE; THE ISSUE PRICE OF THIS NOTE IS [currency][amount]; THE ISSUE DATE IS [date]; AND THE YIELD TO MATURITY (COMPOUNDED [semi-annually]) IS [yield].]*

VODAFONE GROUP PLC
(incorporated with limited liability in England and Wales)

[Specified Currency and Nominal Amount of Tranche]

NOTES DUE [Year of Maturity]

This DTC Restricted Certificate certifies that [•] (the Registered Holder) is, as at the date hereof, registered as the holder of [nominal amount] of the Notes referred to above (the Notes) of the Issuer. References herein to the Conditions shall be to the Terms and Conditions [endorsed hereon/set out in Schedule 1 to the Trust Deed (as defined below) which shall be incorporated by reference herein and have effect as if set out herein] as completed by the relevant information (appearing in the Final Terms (the Final Terms)) endorsed hereon but, in the event of any conflict between the provisions of the said Conditions and such information in the Final Terms, such information will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this DTC Restricted Certificate. This DTC Restricted Certificate is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 16 July 1999 and made between the Issuer (under its then name of Vodafone AirTouch Plc) and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

* Legend to be borne by any Definitive Certificate issued with “original issue discount” for U.S federal income tax purposes.
The Issuer, subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the Registered Holder hereof on the Maturity Date or on such earlier date as the Notes represented by this DTC Restricted Certificate may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable on redemption of such Notes and to pay interest (if any) on the nominal amount of such Notes calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed.

The statements set forth in the legend above are an integral part of the Notes in respect of which this DTC Restricted Certificate is issued and by acceptance hereof each holder of such Notes agrees to be subject to and bound by the terms and provisions set forth in such legend.

For so long as the Notes are outstanding, the Issuer will, during the period in which the Issuer is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to the holder hereof, or to any prospective purchaser hereof designated by such holder, upon request, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act of 1933, as amended.

For the purposes of this DTC Restricted Certificate, (a) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Note(s) represented by this DTC Restricted Certificate, (b) this DTC Restricted Certificate is evidence of entitlement only, (c) title to the Note(s) represented by this DTC Restricted Certificate passes only on due registration on the Register, and (d) only the holder of the Note(s) represented by this DTC Restricted Certificate is entitled to payments in respect of the Note(s) represented by this DTC Restricted Certificate.

This DTC Restricted Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

This DTC Restricted Certificate, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with English law.

IN WITNESS whereof this DTC Restricted Certificate has been executed on behalf of the Issuer.

Dated as of the Issue Date.

VODAFONE GROUP PLC

By: ________________________________
    Duly Authorised

Authenticated by HSBC Bank USA, National Association as Registrar.

By: ________________________________
    Authorised Officer

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Terms and Conditions of the Notes

[Conditions to be as set out in the Schedule 1 to this Trust Deed or such other form as may be agreed between the Issuer, the Issuing and Principal Paying Agent, the Registrar, the Trustee and the relevant Dealer(s), but shall not be endorsed if not required by the relevant Stock Exchange.]
Final Terms

[Here to be set out the text of the relevant information completing the Conditions which appears in the Final Terms relating to the Notes].
Form of Transfer

For value received the undersigned transfers to

___________________________________________________________

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[•] nominal amount of the Notes represented by this Regulation S Certificate, and all rights under them.

Dated

Signed ____________________________________________

Certifying Signature

Notes:

(e) The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this DTC Restricted Certificate or (if such signature corresponds with the name as it appears on the face of this DTC Restricted Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.

(f) A representative of the Noteholder should state the capacity in which he signs.

Unless the context otherwise requires capitalised terms used in this Form of Transfer have the same meaning as in the Trust Deed.

[TO BE COMPLETED BY TRANSFEREE:

[INSERT ANY REQUIRED TRANSFEREE REPRESENTATIONS, CERTIFICATIONS, ETC.]]

ISSUING AND PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

HSBC Bank plc
8 Canada Square
London E14 5HQ

PAYING AGENT AND TRANSFER AGENT

HSBC Bank USA, National Association
452 Fifth Avenue
New York
NY 10018-2708
PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. (a) As used in this Schedule the following expressions shall have the following meanings unless the context otherwise requires:

   (i) **voting certificate** shall mean an English language certificate issued by a Paying Agent and dated in which it is stated:

   (A) that on the date thereof Bearer Notes (whether in definitive form or represented by a Global Note and not being Bearer Notes in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate or any adjourned such meeting) were deposited with such Paying Agent or (to the satisfaction of such Paying Agent) were held to its order or under its control or blocked in an account with a clearing system and that no such Bearer Notes will cease to be so deposited or held or blocked until the first to occur of:

   I. the conclusion of the meeting specified in such certificate or, if later, of any adjourned such meeting; and

   II. the surrender of the certificate to the Paying Agent who issued the same; and

   (B) that the bearer thereof is entitled to attend and vote at such meeting and any adjourned such meeting in respect of the Bearer Notes represented by such certificate;

   (ii) **block voting instruction** shall mean an English language document issued by a Paying Agent and dated in which:

   (A) it is certified that Bearer Notes (whether in definitive form or represented by a Global Note and not being Bearer Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction and any adjourned such meeting) have been deposited with such Paying Agent or (to the satisfaction of such Paying Agent) were held to its order or under its control or blocked in an account with a clearing system and that no such Bearer Notes will cease to be so deposited or held or blocked until the first to occur of:

   I. the conclusion of the meeting specified in such document or, if later, of any adjourned such meeting; and

   II. the surrender to the Paying Agent not less than 48 hours before the time for which such meeting or any adjourned such meeting is convened of the receipt issued by such Paying Agent in respect of each such deposited Bearer Note which is to be released or (as the case may require) the Bearer Note or Bearer Notes ceasing with the agreement of the Paying Agent to be held to its order or under its control or so blocked and the giving of notice by the Paying Agent to the Issuer in accordance with paragraph 17 hereof of the necessary amendment to the block voting instruction;
(B) it is certified that each holder of such Bearer Notes has instructed such Paying Agent that the vote(s) attributable to the Bearer Note or Bearer Notes so deposited or held or blocked should be cast in a particular way in relation to the resolution or resolutions to be put to such meeting or any adjourned such meeting and that all such instructions are during the period commencing 48 hours prior to the time for which such meeting or any adjourned such meeting is convened and ending at the conclusion or adjournment thereof neither revocable nor capable of amendment;

(C) the aggregate nominal amount of the Bearer Notes so deposited or held or blocked are listed distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

(D) one or more persons named in such document (each hereinafter called a proxy) is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Bearer Notes so listed in accordance with the instructions referred to in (C) above as set out in such document;

(iii) 24 hours shall mean a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business in all of the places as aforesaid; and

(iv) 48 hours shall mean a period of 48 hours including all or part of two days upon which banks are open for business both in the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of two days upon which banks are open for business in all of the places as aforesaid.

(b) A holder of a Bearer Note (whether in definitive form or represented by a Global Note) may obtain a voting certificate in respect of such Bearer Note from a Paying Agent or require a Paying Agent to issue a block voting instruction in respect of such Note by depositing such Bearer Note with such Paying Agent or (to the satisfaction of such Paying Agent) by such Bearer Note being held to its order or under its control or being blocked in an account with a clearing system, in each case not less than 48 hours before the time fixed for the relevant meeting and on the terms set out in sub-paragraph (a)(i)(A) or (a)(ii)(A) above (as the case may be), and (in the case of a block voting instruction) instructing such Paying Agent to the effect set out in sub-paragraph (a)(ii)(B) above. The holder of any voting certificate or the proxies named in any block voting instruction shall for all purposes in connection with the relevant meeting or adjourned meeting of Noteholders be deemed to be the holder of the Bearer Notes to which such voting certificate or block voting instruction relates and the Paying Agent with which such Bearer Notes have been deposited or the person holding the same the to the order or under the control of such Paying Agent or the clearing system in which such Bearer Notes have been blocked shall be deemed for such purposes not to be the holder of those Bearer Notes.
A holder of Registered Notes (whether in definitive form or represented by a Global Certificate (other than a Registered Note referred to in (iv) below)) may, by an instrument in writing in the English language (a **form of proxy** signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Registrar not less than 48 hours before the time fixed for the relevant meeting, appoint any person (a **proxy**) to act on his or its behalf in connection with any meeting of the Noteholders and any adjourned such meeting.

Any holder of Registered Notes (whether in definitive form or represented by a Global Certificate) which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a **representative**) in connection with any meeting of the Noteholders and any adjourned such meeting.

Any proxy appointed pursuant to sub-paragraph (i) above or representative appointed pursuant to sub-paragraph (ii) above shall so long as such appointment remains in force be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Noteholders, to be the holder of the Registered Notes to which such appointment relates and the holder of the Registered Notes shall be deemed for such purposes not to be the holder.

For so long as any of the Registered Notes is represented by a Global Certificate registered in the name of DTC or its nominee, DTC may mail an Omnibus Proxy to the relevant Issuer in accordance with and in the form used by DTC as part of its usual procedures from time to time in relation to meetings of Noteholders. Such Omnibus Proxy shall assign the voting rights in respect of the relevant meeting to DTC’s direct participants as of the record date specified therein. Any such assignee participant may, by an instrument in writing in the English language signed by such assignee participant, or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Registrar or any Transfer Agent before the time fixed for the relevant meeting, appoint any person (a **sub-proxy**) to act on his or its behalf in connection with any meeting of Noteholders and any adjourned such meeting. All references to proxy or proxies in this Schedule other than in this paragraph shall be read as to include references to “sub-proxy” or “sub-proxies”.

The Issuer or the Trustee may at any time and the Issuer shall upon a requisition in writing in the English language signed by the holders of not less than one-tenth in nominal amount of the Notes for the time being outstanding convene a meeting of the Noteholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Trustee or the requisitionists. Every such meeting shall be held at such time and place as the Trustee may appoint or approve.

At least 21 days’ notice (exclusive of the day on which the notice is given and the day on which the meeting is to be held) specifying the place, day and hour of meeting shall be given to the holders of the relevant Notes prior to any meeting of such holders in the manner provided by Condition 14. Such notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting thereby convened but (except for an Extraordinary Resolution) it shall not be necessary to specify in such notice the terms of any resolution to be proposed. Such notice shall include statements, if applicable, to the effect that (i) Bearer Notes may, not less than 48 hours before the time fixed for the meeting, be deposited with Paying Agents or (to their satisfaction) held to their order or under their control or blocked in an account with a clearing system for the purpose of obtaining voting certificates or appointing proxies and (ii) the holders of Registered Notes may appoint proxies by executing and delivering a form of proxy in the English language to the specified
office of the Registrar not less than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body and delivering a certified copy thereof to the specified office of the Registrar. A copy of the notice shall be sent by post to the Trustee (unless the meeting is convened by the Trustee) and to the Issuer (unless the meeting is convened by the Issuer) and to each Agent (other than the Calculation Agent).

4. A person (who may but need not be a Noteholder) nominated in writing by the Trustee shall be entitled to take the chair at the relevant meeting or adjourned meeting but if no such nomination is made or if at any meeting or adjourned meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting or adjourned meeting the Noteholders present shall choose one of their number to be Chairman, failing which the Issuer may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

5. At any such meeting one or more persons present holding Definitive Notes or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-twentieth of the nominal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the relevant business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more persons present holding Definitive Notes or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in nominal amount of the Notes for the time being outstanding.

6. If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any such meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall if convened upon the requisition of Noteholders be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Trustee). If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Trustee) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Trustee, and the provisions of this sentence shall apply to all further adjourned such meetings. At any adjourned meeting one or more persons present holding Definitive Notes or voting certificates or being proxies or representatives (whatever the nominal amount of the Notes so held or represented by them) shall form a quorum and shall have power to pass any resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the requisite quorum been present.

7. Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in paragraph 3 above and such notice shall state the required quorum. Subject as aforesaid it shall not be necessary to give any notice of an adjourned meeting.
8. Every question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder or as a holder of a voting certificate or as a proxy or as a representative.

9. At any meeting unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, the Issuer, the Trustee or any person present holding a Definitive Note of the relevant Series or a voting certificate or being a proxy or representative (whatever the nominal amount of the Notes so held or represented by him) a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

10. Subject to paragraph 12 below, if at any such meeting a poll is so demanded it shall be taken in such manner and subject as hereinafter provided either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

11. The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.

12. Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

13. The Trustee and its lawyers and any director, officer or employee of a corporation being a trustee of these presents and any director or officer of the Issuer and its or their lawyers and any other person authorised so to do by the Trustee may attend and speak at any meeting. Save as aforesaid, but without prejudice to the proviso to the definition of “outstanding” in Clause 1, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of Noteholders or join with others in requesting the convening of such a meeting or to exercise the rights conferred on Noteholders by Condition 11 unless he either produces the Definitive Bearer Note or Definitive Bearer Notes of which he is the holder or a voting certificate or is a proxy or a representative or is the holder of a Registered Note or Registered Notes in definitive form. No person shall be entitled to vote at any meeting in respect of Notes held by, for the benefit of, or on behalf of, the Issuer, any Holding Company of the Issuer or any Subsidiary of the Issuer or any such Holding Company. Nothing herein shall prevent any of the proxies named in any block voting instruction or form of Proxy from being a director, officer or representative of or otherwise connected with the Issuer.

14. Subject as provided in paragraph 13 hereof at any meeting:
   (a) on a show of hands every person who is present in person and produces a Definitive Bearer Note or voting certificate or is a holder of a Registered Note in definitive form or is a proxy or representative shall have one vote; and
   (b) on a poll every person who is so present shall have one vote in respect of each €1.00 or such other amount as the Trustee may in its absolute discretion stipulate (or, in the case of meetings of holders of Notes denominated in another currency, such amount in such other currency as the Trustee in its absolute discretion may stipulate) in nominal amount of the Definitive Bearer Notes so produced or represented by the voting certificate so produced or
in respect of which he is a proxy or representative or in respect of which (being a Registered Note in definitive form) he is the registered holder.

Without prejudice to the obligations of the proxies named in any block voting instruction or form of proxy any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

15. The proxies named in any block voting instruction or form of proxy need not be Noteholders.

16. Each block voting instruction together (if so requested by the Trustee) with proof satisfactory to the Trustee of its due execution on behalf of the relevant Paying Agent and each form of proxy or resolution appointing a representative shall be deposited by the relevant Paying Agent (or as the case may be) by the Registrar or the relevant Transfer Agent at such place as the Trustee shall approve not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the block voting instruction or form of proxy propose to vote and in default the block voting instruction or form of proxy or resolution appointing a representative shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. A certified copy of each block voting instruction or form of proxy or resolution appointing a representative shall be deposited with the Trustee before the commencement of the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxies named in any such block voting instruction or form of proxy or of the representative named in such resolution.

17. Any vote given in accordance with the terms of a block voting instruction or form of proxy or resolution appointing a representative shall be valid notwithstanding the previous revocation or amendment of the block voting instruction or form of proxy or of any of the relevant Noteholders’ instructions pursuant to which it was executed provided that no intimation in writing of such revocation or amendment shall have been received from the relevant Paying Agent or in the case of Registered Note from the holder thereof by the Issuer at its registered office (or such other place as may have been required or approved by the Trustee for the purpose) by the time being 24 hours before the time appointed for holding the meeting or adjourned meeting at which the block voting instruction or form of proxy is to be used.

18. A meeting of the Noteholders shall in addition to the powers hereinbefore given have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained in paragraphs 5 and 6 above) namely:

(a) Power to sanction any compromise or arrangement proposed to be made between the Issuer, the Trustee, any Appointee and the Noteholders and Couponholders or any of them.

(b) Power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Trustee, any Appointee, the Noteholders, the Couponholders, the Issuer against any other or others of them or against any of their property whether such rights shall arise under these presents or otherwise.

(c) Power to assent to any modification of the provisions of these presents which shall be proposed by the Issuer, the Trustee or any Noteholder.

(d) Power to give any authority or sanction which under the provisions of these presents is required to be given by Extraordinary Resolution.

(e) Power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees
any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

(f) Power to approve of a person to be appointed a trustee and power to remove any trustee or trustees for the time being of these presents.

(g) Power to discharge or exonerate the Trustee and/or any Appointee from all liability in respect of any act or omission for which the Trustee and/or such Appointee may have become responsible under these presents.

(h) Power to authorise the Trustee and/or any Appointee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution.

(i) Power to sanction any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with the power on behalf of the Noteholders to execute an instrument of transfer of the Registered Notes held by them in favour of the persons with or to whom the Notes are to be exchanged or sold respectively.

19. Any resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents shall be binding upon all the Noteholders whether present or not present at such meeting and whether or not voting and upon all Couponholders and each of them shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Noteholders shall be published in accordance with Condition 13 by the Issuer within 14 days of such result being known PROVIDED THAT the non-publication of such notice shall not invalidate such result.

20. The expression Extraordinary Resolution when used in these presents means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll; or (b) a resolution in writing signed by or on behalf of all the Noteholders, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.

21. Minutes of all resolutions and proceedings at every meeting of the Noteholders shall be made and entered in books to be from time to time provided for that purpose by the Issuer and any such minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.

22. (a) If and whenever the Issuer shall have issued and have outstanding Notes of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:
(i) a resolution which in the opinion of the Trustee affects the Notes of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Notes of that Series;

(ii) a resolution which in the opinion of the Trustee affects the Notes of more than one Series but does not give rise to a conflict of interest between the holders of Notes of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Notes of all the Series so affected;

(iii) a resolution which in the opinion of the Trustee affects the Notes of more than one Series and gives or may give rise to a conflict of interest between the holders of the Notes of one Series or group of Series so affected and the holders of the Notes of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Notes of each Series or group of Series so affected; and

(iv) to all such meetings all the preceding provisions of this Schedule shall mutatis mutandis apply as though references therein to Notes and Noteholders were references to the Notes of the Series or group of Series in question or to the holders of such Notes, as the case may be.

(b) If the Issuer shall have issued and have outstanding Notes which are not denominated in euro, in the case of any meeting of holders of Notes of more than one currency, the nominal amount of such Notes shall (i) for the purposes of paragraph 2 above be the equivalent in euro at the spot rate of a bank nominated by the Trustee for the conversion of the relevant currency or currencies into euro on the seventh dealing day prior to the day on which the requisition in writing is received by the Issuer and (ii) for the purposes of paragraphs 5, 6 and 14 above (whether in respect of the meeting or any adjourned such meeting or any poll resulting therefrom) be the equivalent at such spot rate on the seventh dealing day prior to the day of such meeting. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Trustee may in its absolute discretion stipulate) in nominal amount of the Notes (converted as above) which he holds or represents.

23. Subject to all other provisions of these presents the Trustee may, without the consent of the Issuer, the Noteholders or the Couponholders, prescribe such further regulations regarding the requisitioning and/or the holding of meetings of Noteholders and attendance and voting thereat as the Trustee may in its sole discretion think fit.
SIGNATORIES

THE COMMON SEAL of VODAFONE GROUP PLC was affixed to this deed in the presence of:

Director

Secretary

THE COMMON SEAL of THE LAW DEBENTURE TRUST CORPORATION p.l.c. was affixed to this deed in the presence of:

Director

Authorised Signatory
16 July 1999

VODAFONE GROUP PLC
(formerly called Vodafone AirTouch Plc)

and

THE LAW DEBENTURE TRUST CORPORATION p.l.c.

relating to a
€30,000,000,000
Euro Medium Term Note Programme

TRUST DEED

ALLEN & OVERY
Allen & Overy LLP
SIGNATORIES

EXECUTED as a DEED by

for and on behalf of

VODAFONE GROUP PLC

in the presence of:

Director /s/ ANDREW HALFORD

Witness: /s/ NEIL GARROD

Name: 

Address:

THE COMMON SEAL of

THE LAW DEBENTURE TRUST

CORPORATION p.l.c.

was affixed to this deed

in the presence of:

Director /s/ DENYSE ANDERSON

Authorised Signatory /s/ CAROL MORRIS

131
11 JULY 2013
VODAFONE GROUP PLC

and

THE LAW DEBENTURE TRUST
CORPORATION p.l.c.

further modifying and restating the provisions of
the Trust Deed dated 16 July 1999

relating to a €30,000,000,000
Euro Medium Term Note Programme

ELEVENTH
SUPPLEMENTAL
TRUST DEED

ALLEN & OVERY

Allen & Overy LLP
To: THE ROYAL BANK OF SCOTLAND PLC as Agent  
From: VODAFONE GROUP PLC as Borrower  
Date: 27 March 2014

Vodafone Group Plc - € 4,230,000,000  
Revolving Credit Agreement dated 1 July 2010 (the “Facility Agreement”)

Irrevocable notice of cancellation

1. We refer to the Facility Agreement. Terms defined in the Facility Agreement have the same meaning in this cancellation notice.

2. Vodafone is currently in the process of replacing the Facility Agreement with a new €3,860,000,000 revolving credit agreement (the “New Facility Agreement”), which is due to be entered into on or about 27 March 2014.

3. At the date hereof, we confirm that there are no Revolving Credit Advances and/or Swingline Advances outstanding under the Facility Agreement.

4. Subject to the New Facility Agreement being entered into and having full force and effect, we hereby, pursuant to paragraph (a) of Clause 7.2 (Voluntary cancellation), give you irrevocable notice of the cancellation of the Total Commitments in full.

5. Please acknowledge receipt of this notice as soon as possible by returning a countersigned copy to us.

Vodafone Group Plc

/s/Andy Halford
By: Andy Halford
Its: Chief Financial Officer

FOR ACKNOWLEDGEMENT AND RECEIPT

The Royal Bank of Scotland Plc

/s/Bob Ottewill
By: Bob Ottewill
Its: authorised representative
Date: 27/3/ 2014

Vodafone Group Plc

CONFORMED COPY

FACILITY AGREEMENT
DATED 28 March 2014
EURO 3,860,000,000
REVOLVING CREDIT FACILITY
for
VODAFONE GROUP PLC
ALLEN & OVERY
ALLEN & OVERY LLP
LONDON
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Signatories 124
THIS AGREEMENT is dated 28 March 2014 and made BETWEEN:

(1) VODAFONE GROUP PLC (registered number 1833679) as borrower (“Vodafone”);
(2) THE FINANCIAL INSTITUTIONS listed in Part 3 of Schedule 1 as Mandated Lead Arrangers;
(3) THE FINANCIAL INSTITUTIONS listed in Part 4 of Schedule 1 as Co Arrangers;
(4) THE FINANCIAL INSTITUTIONS listed in Part 1 of Schedule 1 as Original Lenders;
(5) THE ROYAL BANK OF SCOTLAND PLC as agent (in this capacity the “Agent”); and
(6) THE ROYAL BANK OF SCOTLAND PLC as euro swingline agent (in this capacity the “Euro Swingline Agent”).

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

“Acceptable bank”
means a bank or financial institution which has a rating for its long-term unsecured and non-credit enhanced debt obligations of A- or higher by S&P or Fitch or A3 or higher by Moody’s or a comparable rating from an internationally recognised credit rating agency.

“Acquisition”
means the acquisition of any interest in the share capital (or equivalent) or in the business or undertaking of any company or other person (including, without limitation, any partnership or joint venture).

“Additional Borrower”
means any member of the Restricted Group which becomes an additional borrower pursuant to Clause 27.8 (Additional Borrowers) and which has not been released as a borrower in accordance with Clause 27.9 (Removal of Borrowers).

“Additional Guarantor”
means any member of the Consolidated Group which at such time has become a Guarantor in accordance with Clause 27.7 (Additional Guarantors) and has not been released in accordance with Clause 15.9 (Removal of Guarantors).

“Additional Lender”
means a financial institution or other entity which becomes an additional lender pursuant to Clause 2.8 (Additional Lenders) or a transferee, successor or permitted assignee of such financial institution or other entity which is for the time being participating in the Facility.
“Adjusted Group Operating Cash Flow”
means, without double counting, in relation to any period, a sum equal to the Consolidated Group’s total operating profit or loss for continuing operations, acquisitions (as a component of continuing operations) and discontinued operations before taxation, interest and after:
(a) adding depreciation;
(b) adding amortisation;
(c) deducting the profit or adding any loss on exceptional items which are included in the foregoing;
(d) deducting any gain or adding any loss on disposal of tangible or intangible fixed assets;
(e) adjusting for movements in working capital (being movements in stock, creditors, provision, and debtors);
(f) adding dividends or proceeds of a similar nature received from any entity not in the Consolidated Group; and
(g) excluding exceptional items,
and for the avoidance of doubt excluding (other than as set out in paragraph (f) above) the results of any entity not in the Consolidated Group.

“Advance”
means a Revolving Credit Advance or a Swingline Advance.

“Affected Lender”
has the meaning given to it in Clause 2.2(c) (Overall facility limits).

“Affiliate”
means, in relation to a person, a Subsidiary or a Holding Company of that person and any other Subsidiary of that Holding Company.

“Agent’s Spot Rate of Exchange”
means the spot rate of exchange as determined by the Agent for the purchase of the relevant Optional Currency in the London foreign exchange market with euros at or about 11.00 a.m. on a particular day.

“Agreed Percentage”
means in relation to a Lender and a Swingline Advance, the amount of its Revolving Credit Commitment expressed as a percentage of the Total Commitments.

“All Quoting Credit Rating Agencies”
has the meaning given to it in Clause 9.5(a).

“Arranger”
means a financial institution or other entity listed in Part 3 or Part 4 of Schedule 1.
“Asset Disposal”
means any sale, transfer, grant, lease or other disposal of an asset (which for the avoidance of doubt does not include returns to shareholders) by any member of the Controlled Group to a person outside the Controlled Group made after the Signing Date.

“Available Cash”
means:
(a) cash in hand and cash in deposits repayable on demand with any Qualifying Financial Institution;
(b) the marked to market position of in the money derivative contracts; and
(c) Liquid Resources,
to the extent denominated in any freely convertible and transferable currencies, beneficially owned and unencumbered by any Security Interests other than Permitted Security Interests.

“Available Commitment”
means a Lender’s Commitment minus:
(a) the amount of its participation in any outstanding Advances (other than, in relation to any proposed Advance, that Lender’s participation in any Advances that are due to be repaid or prepaid on or before the proposed Drawdown Date); and
(b) in relation to any proposed Advance, the amount of its participation in any Advances that are due to be made on or before the proposed Drawdown Date.

“Availability Period”
means, subject to Clause 6 (Extension Option), the period from the Signing Date up to and including the date which is five years after the Signing Date or, if that day is not a Business Day, the preceding Business Day.

“Back to Back Loan”
means any Financial Indebtedness made available to a member of the Restricted Group to the extent that the economic exposure of the creditor in respect of that Financial Indebtedness (taking any related transactions together) is reduced by reason of that creditor:
(a) having recourse directly or indirectly to a deposit of cash or cash equivalent investments beneficially owned by any member of the Restricted Group placed, as part of a related transaction, with that creditor (or an Affiliate of that creditor) or a financial institution approved by that creditor; or
(b) having granted a funded sub-participation or similar arrangement to a member of the Restricted Group.

“Base Currency”
means euro.

“Basel III”
means:

(a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(b) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

“Basel III Cost” means any increased cost attributable to the introduction, implementation or application of or compliance with or change in Basel III or CRD IV or any other law or regulation which implements Basel III or CRD IV.

“Borrower” means Vodafone or an Additional Borrower.

“Borrower Accession Agreement” means an agreement substantially in the form of Part 3 of Schedule 4 or with such amendments as the Agent may approve (such approval not to be unreasonably withheld or delayed) or may reasonably require.

“Business Day” means a day (other than a Saturday or Sunday) on which banks and the interbank and foreign exchange markets are open for general business in London and:

(a) if a payment is required in U.S. Dollars, New York; or

(b) if a payment is required in euro, a TARGET Day; or

(c) if a payment is required in any other currency, the principal financial centre of the country of that currency.

“Change of Control” has the meaning given to it in Clause 8.4 (Change of Control).


“Combined Commitments”
means the aggregate of the Total Commitments under this Agreement and the Total Commitments under and as defined in the 2017 Facility.

“Combined Swingline Commitments”
means the aggregate of the Swingline Total Commitments under this Agreement and the Swingline Total Commitments under and as defined in the 2017 Facility.

“Commitment”
means a Revolving Credit Commitment or a Swingline Commitment, in each case to the extent not transferred, cancelled or reduced under or in accordance with this Agreement.

“Consolidated Group”
means Vodafone (or, following a Hive Up, NewTopco), its IFRS Consolidated Subsidiaries and Joint Ventures.

“Contractual Currency”
has the meaning given to it in Clause 24.1(a) (Currency indemnity).

“Controlled Group”
means Vodafone (or, following a Hive Up, NewTopco) and its Controlled Subsidiaries.

“Controlled Subsidiaries”
means, those Subsidiaries of Vodafone (or, following a Hive Up, NewTopco) in which Vodafone or NewTopco, as the case may be, controls more than 50% of such Subsidiaries voting rights and has recourse to the cash flows of the Subsidiary. Until the first certificate is given by Vodafone to the Agent in accordance with Clause 17.2(a)(iii) (Financial information) (in respect of the financial year ended 31 March 2014), the Controlled Subsidiaries include, without limitation, the following operating Subsidiaries: Vodafone AG & Co; Vodafone Romania S.A.; Vodafone Czech Republic A.S.; Vodafone Albania Sh.A; Vodafone GmbH; Vodafone Egypt Telecommunications S.A.E; Vodafone España S.A.; Vodafone India Limited; Vodafone Hungary Mobile Telecommunications Ltd; Vodafone Ireland Limited; Vodafone Libertel B.V.; Vodafone Limited; Vodafone Malta Limited; Vodafone New Zealand Limited; Vodafone Omnitel N.V.; Vodafone-Panafon Hellenic Telecommunications Company S.A.; Vodafone Telekomunikasyon A.S., Vodafone Portugal-Comunicações Pessoais S.A., Vodacom Group Limited; Ghana Telecommunication Company Limited; and Cable & Wireless Worldwide Plc.

“Controlled USA Group”
means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with any U.S. Obligor, are treated as a single employer under Section 414(b) or (c) of the Code.

“Core Jurisdictions”
are member states of the European Union as at 1 January 2014 (being Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK), Japan, United States, Australia, New Zealand, Canada and Switzerland and any other states which become members of the European Union after 1
January 2014 provided that Vodafone has notified the Agent in writing of its agreement to their inclusion in this definition of Core Jurisdictions.

“CRD IV”

“CTA”

“Credit Rating Agency”
has the meaning given to it in Clause 9.5 (Margin).

“Default”
means (a) an Event of Default or (b) an event which, with the expiry of any grace period or giving of any notice specified in Clause 19.2 (Non-payment), 19.3 (Breach of other obligations), 19.5 (Cross default), 19.6 (Winding up), 19.8 (Enforcement proceedings) or 19.10 (Similar proceedings) would constitute an Event of Default.

“Default Margin”
has the meaning given to it in Clause 9.3 (Default interest).

“Default Rate”
has the meaning given to it in Clause 9.3 (Default interest).

“Defaulting Lender”
means any Lender:

(a) which has failed to make its participation in an Advance available or has notified the Agent that it will not make its participation in an Advance available by the Drawdown Date of that Advance in accordance with Clause 5.6 (Payment of proceeds);

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error and payment is made within three Business Days of its due date; or

(B) a Disruption Event and payment is made within eight Business Days of its due date; or
(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

“Designated Term”
has the meaning given to it in Clause 9.3(a)(ii) (Default interest).

“Discharged Obligations”
has the meaning given to it in Clause 27.4(c)(i) (Procedure for novations).

“Discharged Rights”
has the meaning given to it in Clause 27.4(c)(iii) (Procedure for novations).

“Disruption Event”
means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the payment transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
   (i) from performing its payment obligations under the Finance Documents; or
   (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,
and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“Drawdown Date”
means the date for the making of an Advance.

“EONIA”
means:

(a) in relation to any day which is a TARGET Day:
   (i) the EONIA Screen Rate for that day; or
   (ii) (if no EONIA Screen Rate is available for that day) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Euro Swingline Agent at its request by the Reference Banks as the rate which is the weighted average of the lending rates applied to all overnight unsecured lending transactions in euro undertaken by the relevant Reference Bank in the European interbank market during that day; and
“EONIA Screen Rate”
means the euro overnight index average administered by the Banking Federation of the European Union (or any other person which takes over the administration of the rate) displayed on page EONIA of the Reuters screen or any replacement Reuters screen (or any replacement Reuters page which displays the rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Euro Swingline Agent may specify another page or service displaying the relevant rate after consultation with Vodafone.

“ERISA”
means the U.S. Employee Retirement Income Security Act of 1974, as amended (or any successor legislation thereto), and any rule or regulation issued thereunder from time to time in effect.

“EURIBOR”
means in relation to any Advance or unpaid sum in euro:
(a) the applicable Screen Rate;
(b) if no Screen Rate is available for the Required Period of that Advance or unpaid sum, the Interpolated Screen Rate for that Advance or unpaid sum; or
(c) if no Screen Rate is available for the Required Period of that Advance or unpaid sum and it is not possible to calculate an Interpolated Screen Rate for that Advance or unpaid sum, the Reference Bank Rate,

as of, in the case of paragraphs (a) and (c) above, 11.00 a.m. (Brussels time) on the Rate Fixing Day for euro and (in each case) for a period in length equal to the Required Period, and for the purposes of this definition and the definition of “Interpolated Screen Rate”, “Required Period” means the Term of such Advance for Revolving Credit Advances, or the period in respect of which EURIBOR falls to be determined in relation to any unpaid sum.

“Event of Default”
means an event specified as such in Clause 19 (Default).

“Existing Commitment”
has the meaning given to it in Clause 17.8(a)(i) (Priority borrowing).

“Existing Lender”
has the meaning given to it in Clause 27.2(a) (Transfers by Lenders).

“Existing Parties”
has the meaning given to it in Clause 27.4(c)(i) (Procedure for novations).

“Facility”
means any of the facilities to draw Revolving Credit Advances, or Swingline Advances referred to in Clause 2.1 (Facilities).

“Facility Office”
means the office(s) notified by a Lender to the Agent:
(a) on or before the date it becomes a Lender; or
(b) by not less than five Business Days’ notice,
as the office(s) through which it will perform all or any of its obligations under this Agreement.

“FATCA”
means:
(a) sections 1471 to 1474 of the Code, any associated regulations and other official guidance;
(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; and
(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the United States Internal Revenue Service, the government of the United States of America or any governmental or taxation authority in any other jurisdiction.

“FATCA Application Date”
means:
(a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the United States of America), 1 July 2014;
(b) in relation to a “withholdable payment” described in section 1473(1)(A)(ii) of the Code (which relates to “gross proceeds” from the disposition of property of a type that can produce interest from sources within the United States of America), 1 January 2017; or
(c) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

“FATCA Deduction”
means a deduction or withholding from a payment under a Finance Document required by FATCA.

“FATCA Exempt Party”
means a Party that is entitled to receive payments free from any FATCA Deduction.
“Fee Letters”
means each letter:
(a) dated on or about the date of this Agreement between the Agent and Vodafone; and
(b) dated on or about the date of this Agreement between the Original Lenders as at the Signing Date and Vodafone; and
(c) (if applicable) entered into between an Additional Lender and Vodafone substantially in the form of Schedule 6, in each case setting out the amount of various fees referred to in Clause 21.3 (Agent’s fee) or 21.4 (Front-end fees).

“Final Maturity Date”
means the last day of the Availability Period.

“Finance Document”
means this Agreement, each Fee Letter, Novation Certificate, Borrower Accession Agreement, Guarantor Accession Agreement and Increase Confirmation and any other document agreed in writing as such by the Agent and Vodafone.

“Finance Party”
means an Arranger, a Lender, the Agent or the Euro Swingline Agent.

“Financial Indebtedness”
means any indebtedness in respect of:
(a) moneys borrowed or raised by way of loan or redeemable preference shares or in the form of any debenture, bond, note, loan stock, commercial paper or similar instrument;
(b) any acceptance credit, bill-discounting, note purchase or documentary credit facility;
(c) any finance lease;
(d) any receivables purchase, factoring or discounting arrangement under which there is recourse in whole or in part to any member of the relevant group;
(e) any other transaction having the commercial effect of a borrowing; and
(f) any guarantees or other legally binding assurance against financial loss in respect of the indebtedness of any person arising under an obligation falling within (a) to (e) above (but, for the avoidance of doubt, excluding any guarantees in respect of indebtedness falling within (i) to (v) below),

but without double counting and excluding (i) preference shares which are not accounted for as indebtedness under IFRS GAAP, (ii) any convertible or exchangeable debt which must or, at the option of the issuer, may be converted or exchanged without condition (other than the availability of sufficient authorised share capital of the issuer), prior to or upon the date any amount of principal would otherwise fall due in respect of that debt, into equity share capital or preference shares, which in each case are not redeemable on or before the Final Maturity Date, (iii) deferred consideration in
respect of the cost of Acquisitions, (iv) obligations of any member of the relevant group arising under any form of exchangeable, convertible, option or other similar instrument issued by that member of the relevant group in connection with a transaction the commercial effect of which is to effect the disposal by that member of the relevant group of shares or partnership or other ownership interests in any other person or entity (whether or not having a separate legal identity), provided that any such instrument may not, on or prior to the Final Maturity Date, be converted (whether by acceleration, maturity or otherwise) into cash or any other instrument constituting or evidencing Financial Indebtedness and (v) for the avoidance of doubt, derivatives primarily entered into to manage currency, credit or interest rate risks or to assist in purchasing or selling shares.

“Fitch”
means Fitch Investors Services Inc.

“Funding Rate”
means any rate notified to the Agent by a Lender pursuant to paragraph (b)(iii) of Clause 12.2 (Alternative rates).

“Guarantor”
means each of:
(a) Vodafone; and
(b) each Additional Guarantor.

“Guarantor Accession Agreement”
means a deed substantially in the form of Part 2 of Schedule 4 or with such amendments as the Agent may approve (such approval not to be unreasonably withheld or delayed) or may reasonably require.

“Hive Up”
means a reorganisation by way of a scheme of arrangement (other than in an insolvency) or otherwise under which Vodafone becomes a Subsidiary of NewTopco, NewTopco controls (directly or indirectly) all of the voting rights in Vodafone other than any voting rights in Vodafone held by holders of a class of capital issued by Vodafone, where such voting rights relate only to any variation in the rights attaching to that class of capital issued by Vodafone) and NewTopco becomes the listed ultimate Holding Company of the Consolidated Group.

“Holding Company”
means in relation to a person, an entity of which that person is a Subsidiary.

“HMRC”
means HM Revenue & Customs.

“IFRS Consolidated Subsidiaries”
means those Subsidiaries of Vodafone (or, following a Hive Up, NewTopco) which would be required to be fully consolidated (which excludes proportionate consolidation) in the consolidated accounts of Vodafone (or, following a Hive Up, NewTopco) in accordance with IFRS GAAP.
“IFRS GAAP”
means the generally accepted accounting principles applied in the preparation of the IFRS consolidated audited accounts of Vodafone for the year ended 31 March 2013 or later audited accounts, if notified by Vodafone in writing to the Agent within three months (or such longer period as may be agreed by the Agent) of publication of such audited accounts.

“Impaired Agent”
means the Agent or the Euro Swingline Agent at any time when:
(a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
(b) the Agent or the Euro Swingline Agent otherwise rescinds or repudiates a Finance Document;
(c) (if the Agent or the Euro Swingline Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of Defaulting Lender; or
(d) an Insolvency Event has occurred and is continuing with respect to the Agent or the Euro Swingline Agent;

Unless, in the case of paragraph (a) above:
(i) its failure to pay is caused by:
   (A) administrative or technical error and payment is made within three Business Days of its due date; or
   (B) a Disruption Event and payment is made within eight Business Days of its due date; or
(ii) the Agent or the Euro Swingline Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

“Increase Confirmation”
means a confirmation substantially in the form set out in Schedule 7 (Form of Increase Confirmation).

“Increase Lender”
has the meaning given to that term in Clause 2.3 (Increase).

“increased cost”
has the meaning given to that term in Clause 13.1 (Increased costs)

“Insolvency Event”
in relation to a Finance Party means that the Finance Party:
(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability to pay its debts as they become due in each case under the laws of any relevant jurisdiction applicable to that Finance Party;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) has made against it a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or an order is made for its winding-up or liquidation;

(e) has an order made against it for a bank insolvency pursuant to Part 2 of the Banking Act 2009 or a bank administration pursuant to Part 3 of the Banking Act 2009;

(f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets other than by way of Undisclosed Administration;

(h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; or

(i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above.

“Intermediate Holding Company”

means in relation to Vodafone, an entity (other than NewTopco) which is a Subsidiary of NewTopco and of which Vodafone is a Subsidiary.

“Interpolated Screen Rate”

means, in relation to LIBOR or EURIBOR for any Advance or unpaid sum, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

(a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Required Period of that Advance or unpaid sum; and

(b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Required Period of that Advance or unpaid sum,

each as of 11.00 a.m. (London time) in the case of LIBOR and 11.00 a.m. (Brussels time) in the case of EURIBOR on the Rate Fixing Day for the currency of that Advance.

“ITA 2007”


“Joint Venture”
means at any time an entity (which is not an IFRS Consolidated Subsidiary) in which any member of the Consolidated Group holds a long term interest and shares control under a contractual arrangement where each venturer has a veto over policy decisions and which is, or will be, accounted for on a proportionate basis in the consolidated accounts of Vodafone (or, following a Hive Up, NewTopco) for that time, and shall exclude any entity which is accounted for on an equity basis in those accounts (in each case, in accordance with the generally applicable accounting principles applied to those accounts).

“Lender”
means each Original Lender, each Additional Lender (if any) and each Increase Lender (if any).

“Lender Accession Agreement”
means an agreement substantially in the same form of Part 4 of Schedule 4 or with such amendments as the Agent may approve or may reasonably require.

“LIBOR”
means in relation to any Advance or unpaid sum in a currency other than euro:
(a) the applicable Screen Rate;
(b) if no Screen Rate is available for the Required Period of that Advance or unpaid sum, the Interpolated Screen Rate for that Advance or unpaid sum; or
(c) if no Screen Rate is available for the currency of that Advance or the Required Period of that Advance or unpaid sum and it is not possible to calculate an Interpolated Screen Rate for that Advance or unpaid sum, the Reference Bank Rate,
as of, in the case of paragraphs (a) and (c) above, 11.00 a.m. (London time) on the Rate Fixing Day for the currency of that Advance or unpaid sum and (in each case) for a period equal to the Required Period and for the purposes of this definition and the definition of “Interpolated Screen Rate”, “Required Period” means the Term of such Advance for Revolving Credit Advances or the period in respect of which LIBOR falls to be determined in relation to any unpaid sum.

“Liquid Resources”
means a current asset investment held as a readily disposable store of value which can be disposed of without curtailing or disrupting the business of the disposer and which is either:
(a) readily convertible into a known amount of cash at or close to its carrying value; or
(b) traded in an active market.

“Long Term Credit Rating Assigned to Vodafone”
has the meaning given to it in Clause 9.5(d) (Margin).

“Majority Lenders”
means, at any time:
(a) Lenders whose Revolving Credit Commitments aggregate more than 60 per cent. of the Total Commitments; or
Margin in relation to an Advance at any time, means the percentage rate per annum determined to be the Margin applicable to that Advance in accordance with Clause 9.5 (Margin).

Maturity Date means the last day of the Term of:
(a) a Revolving Credit Advance; or
(b) a Swingline Advance.

Moody's means Moody's Investors' Service, Inc.

Multi-employer Plan means a "multi-employer plan" as defined in Section 4001(a)(3) of ERISA to which any U.S. Obligor or any member of the Controlled USA Group has an obligation to contribute.

Net Debt means at any time, Total Gross Borrowings less Available Cash, both at that time. Net Debt for any Ratio Period will be calculated as the aggregate of Net Debt outstanding on the last day of each month during the relevant Ratio Period (as shown in Vodafone’s, or following a Hive Up, NewTopco’s, consolidated management accounts prepared at the end of each month during the relevant Ratio Period) divided by the number of months during the relevant Ratio Period.

NewTopco means a company used for the purposes of a Hive Up.

New Lender has the meaning given to it in Clause 27.2(a) (Transfers by Lenders).

Novation Certificate has the meaning given to it in Clause 27.4(a)(i) (Procedure for novations).

Obligor means each Borrower and each Guarantor.

Operating Cash Flow means, without double counting, total operating profit or loss for continuing operations before taxation, interest and after (i) adding depreciation, (ii) adding amortisation, (iii) deducting the profit or adding the loss on exceptional items which are included in the foregoing, (iv) deducting any gain or adding any loss on disposal of tangible or intangible fixed assets, (v) adjusting for movements in
working capital (being movements in stock, creditors, provisions and debtors) and (vi) excluding exceptional items.

“Optional Currency” means, in relation to any Advance or proposed Advance, a currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (Conditions relating to Optional Currencies).

“Original Euro Amount” means:
(a) the principal amount of an Advance denominated in euro; or
(b) the principal amount of an Advance denominated in any other currency, translated into euro on the basis of the Agent’s Spot Rate of Exchange on the date of receipt by the Agent of the Request for that Advance.

“Original Lender” means a financial institution or other entity listed in Part 1 or Part 2 of Schedule 1 or a transferee, successor or permitted assignee of such financial institution or other entity which is for the time being participating in the Facility.

“Overdue Amount” has the meaning given to it in Clause 9.3(a) (Default interest).

“Participating Member State” means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

“Party” means a party to this Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA, or any successor.

“Permitted Security Interest” means:
(a) any Security Interest arising out of retention of title provisions or created or subsisting over documents of title, insurance policies (including any export credit agencies’ agreements) and sale contracts in relation to commercial goods in each case created or made in the ordinary course of business to secure the purchase price of such goods or loans to finance such purchase price; or
(b) any Security Interest over any assets acquired by a member of the Restricted Group after 1 February 2014 (and/or over the assets of any person that becomes a member of the Restricted Group after 1 February 2014) provided that:

(i) any such Security Interest is in existence before such acquisition or before such person becomes a member of the Restricted Group and is not created in contemplation of such acquisition or such person becoming a member of the Restricted Group; and

(ii) to the extent that the aggregate principal amount secured by such Security Interest upon such acquisition or such person becoming a member of the Restricted Group thereafter exceeds (measured in the same currency) the amount available to be drawn (assuming all drawdown conditions will be met) under the relevant commitment existing at the time of such acquisition or such person becoming a member of the Restricted Group, such Security Interest shall not fall within this paragraph (b);

for the purposes of this paragraph (b) Restricted Group shall not include any companies which have become members of the Restricted Group due to the expansion of the definition of Core Jurisdiction to include any other states which become members of the European Union after 1 January 2014; or

(c) any Security Interest created for the purpose of securing obligations of Vodafone (or, following a Hive Up, NewTopco) or any member of the Restricted Group under any agreement (including, without limitation, any agreement under Section 106 of the Town and Country Planning Act 1990 or Section 111 of the Local Government Act 1972) entered into with a local or other public authority and related to the development or maintenance of property owned by Vodafone (or, following a Hive Up, NewTopco) or any member of the Restricted Group; or

(d) any Security Interest created on or subsisting over any asset held in Clearstream Banking, société anonyme or Euroclear Bank S.A./N.V. as operator of the Euroclear System, or any other securities depository or any clearing house pursuant to the standard terms and procedures of the relevant clearing house applicable in the normal course of trading; or

(e) any Security Interest which arises in connection with any cash management, set-off or netting arrangements made between banks or financial institutions and any member(s) of the Restricted Group in the ordinary course of business; or

(f) any Security Interest created in favour of a plaintiff or defendant in any action of the court or tribunal before whom such action is brought as pre-judgment security for costs or expenses where any member of the Restricted Group is prosecuting or defending such action in the bona fide interest of the Controlled Group; or

(g) any Security Interest created pursuant to any order of attachment, distraint, garnishee order, arrestment, adjudication or injunction or interdict restraining disposal of assets or similar legal process arising in connection with pre-judgment court proceedings; or

(h) any Security Interest which arises by operation of law in the ordinary course of trading and securing an amount not more than 45 days overdue or which is being contested in good faith on the basis of favourable legal advice; or

(i) any Security Interest over shares in entities which are not members of the Restricted Group which do not secure Financial Indebtedness of the Restricted Group (or over shares and/or other ownership interests in and/or loans to entities which are Project Finance Subsidiaries to secure Project Finance Indebtedness); or
to the extent they constitute Security Interests (or to the extent that the relevant transaction includes the creation of any Security Interest over the assets which are the subject of the finance lease), finance leases in respect of existing or future assets; or

any Security Interest comprising a right of set-off which arises by agreement between parties providing mutual rights of set-off or operation of law or by agreement having substantially the same effect; or

any Security Interest for taxes, assessments or charges not yet due or that are being contested in good faith by appropriate proceedings and (unless the amount thereof is not material to the Consolidated Group’s financial condition) for which adequate reserves are being maintained (in accordance with generally accepted accounting principles); or

deposits or pledges to secure obligations under workers’ compensation, social security or similar laws, or under unemployment insurance; or

any Security Interest created with the prior written consent of the Majority Lenders; or

any Security Interest over deposits of cash or cash equivalent investments securing (directly or indirectly) Financial Indebtedness under (i) finance or structured tax lease arrangements as described in paragraph (b) of Clause 17.8 (Priority borrowing) or (ii) Back to Back Loans; or

any Security Interest securing Project Finance Indebtedness over the assets (or the income, cash flow or other proceeds deriving from the assets) which are the subject of that Project Finance Indebtedness; or

any Security Interest (a “Substitute Security Interest”) which replaces any other Security Interest permitted under paragraphs (a) to (p) above inclusive and which secures an amount not exceeding the principal amount secured by such permitted Security Interest (or, in the case of paragraph (b) above, the amount available to be drawn, assuming all drawdown conditions will be met) at the time it is replaced together with any interest accruing on such amounts from the date such Substitute Security Interest is created or arises and any related fees or expenses provided that the existing Security Interest to be replaced is released and all amounts secured thereby are paid or otherwise discharged in full at or prior to the time of such Substitute Security Interest being created or arising; or

any Security Interest over the shares or other interests as described in paragraph (iv) of the last paragraph of the definition of Financial Indebtedness securing indebtedness of a kind referred to in that paragraph; or

any Security Interest created (i) between Obligors (including by an Obligor to a member of the Restricted Group which concurrently becomes an Obligor) or (ii) by a member of the Restricted Group which is not an Obligor in favour of an Obligor or to another member of the Restricted Group; or

any Security Interest over Available Cash created in the ordinary course of business to secure obligations, liabilities or performance criteria in relation to any mobile telecommunications licence where such Security Interest is required to be in compliance with the requirements of the relevant telecommunications regulator or an associated governmental or regulatory body; or

any Security Interest over Available Cash created to defease (directly or indirectly) Financial Indebtedness in the form of debentures, bonds, notes, loan stock, or other similar instruments issued by a Controlled Subsidiary where (A) such Financial Indebtedness was either in existence at the Signing Date or (B) if the Subsidiary became a Controlled
Subsidiary after the Signing Date such Financial Indebtedness existed at the time that the Controlled Subsidiary became a part of the Controlled Group and was not created in contemplation of that Controlled Subsidiary becoming part of the Controlled Group; or

(v) any Security Interest over loan notes or other securities issued by Verizon Communications Inc. or any of its affiliates in connection with the acquisition of Vodafone’s interest in Verizon Wireless (the “Verizon Notes”), provided that:

(i) the maximum aggregate principal amount of Verizon Notes which may be subject to Security Interests pursuant to this paragraph (v) is U.S.$5,000,000,000;

(ii) the Security Interest is removed or discharged within 30 months from the date of issuance of the Verizon Notes; and

(iii) the Security Interest was created for the purpose of, or in contemplation of, an issuance by Vodafone of loan notes or other securities which are secured by that Security Interest (the “Secured Notes”), provided that any holders of the Secured Notes shall not have any recourse to Vodafone in respect of any amounts outstanding (other than interest payable) under or in connection with the Secured Notes; or

(w) any other Security Interest (in addition to those listed in (a) to (v) above) where the aggregate principal amount secured by all such Security Interests does not exceed €3,000,000,000 or its equivalent.

“Plan” means an “employee benefit plan” as defined in Section 3(3) of ERISA.

“Principal Subsidiary” means, from the date that each notice is given by Vodafone to the Agent pursuant to Clause 17.2(a)(iii) (Financial Information) or, as the case may be, 17.2(a)(iv) (Financial Information) the four Controlled Subsidiaries which are members of the Restricted Group whose revenues are primarily generated by operations licensed by telecommunications authorities in Core Jurisdictions (excluding for this purpose any Subsidiaries whose principal activity is to act as a Holding Company of other Subsidiaries) that had the largest, if positive or smallest if negative Operating Cash Flow in the previous financial year of Vodafone or, following the Reorganisation Date, NewTopco.

Until the first notice is given by Vodafone to the Agent (in respect of the financial year ended 31 March 2014), the Principal Subsidiaries are Vodafone Limited, Vodafone GmbH, Vodafone Omnitel N.V. and Vodafone Libertel B.V. being Vodafone’s principal subsidiaries operating in UK, Germany, Italy and the Netherlands, respectively.

For the purposes of this definition, until such new notice is given by Vodafone to the Agent pursuant to Clause 17.2(a)(iii) (Financial Information) or, as the case may be, Clause 17.2(a)(iv) (Financial Information), if any Principal Subsidiary sells, transfers, merges into or with or otherwise disposes of the majority of its undertakings or assets whether by a single transaction or a number of related transactions (unless such Principal Subsidiary is the surviving entity following such merger) (the “Seller”) to any member of the Restricted Group (the “Purchaser”), then from the date of the relevant sale, transfer, merger or disposal the Purchaser shall be deemed to become a Principal Subsidiary and the Seller shall no longer be deemed to be a Principal Subsidiary.

On the date of each notice given by Vodafone (or as the case may be, NewTopco) to the Agent pursuant to Clause 17.2(a)(iii) (Financial Information) or, as the case may be, Clause 17.2(a)(iv) (Financial Information), any Subsidiary which is identified as a Principal Subsidiary in the relevant
notice, which was not identified as such in the immediately preceding notice, shall be deemed to immediately replace any Subsidiary which was a Principal Subsidiary immediately prior to the delivery of the notice and which is not named in such notice.

“Project Finance Indebtedness”

means any Financial Indebtedness which finances or otherwise relates to the acquisition, development, ownership and/or operation of an asset or combination of assets whether directly or indirectly, where the Financial Indebtedness is incurred pursuant to facilities available prior to the date the relevant entity becomes a member of the Controlled Group (and not created in contemplation of the acquisition):

(a) which is incurred by a Project Finance Subsidiary; or

(b) in respect of which the person or persons to whom such borrowing is or may be owed by the relevant debtor (whether or not a member of the Controlled Group) has or have no recourse whatsoever to any member of the Controlled Group (other than to a Project Finance Subsidiary) for any payment or repayment in respect thereof other than:

(i) recourse to such debtor for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets; and/or

(ii) recourse to such debtor for the purpose only of enabling amounts to be claimed in respect of such Financial Indebtedness in an enforcement of any Security Interest given by such debtor over such asset or assets or the income, cash flow or other proceeds deriving from the asset (or given by any shareholder or the like in the debtor over its shares and/or other ownership interest in and/or loans to the debtor) to secure such Financial Indebtedness or any recourse referred to in paragraph (iii) below, provided that:

(A) the extent of such recourse to such debtor is limited solely to the amount of any recoveries made on any such enforcement; and

(B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such Financial Indebtedness, to commence proceedings for the winding up or dissolution of the debtor or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the debtor or any of its assets (save only for the assets the subject of that Security Interest); and/or

(iii) recourse:

(A) to such debtor generally, or directly or indirectly to a member of the Controlled Group, under any form of assurance, undertaking or support which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specific way) for breach of an obligation (not being a payment obligation or any obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available; and/or

(B) to shares and/or other ownership interest in and/or loans to and/or the assets of such debtor and/or any Project Finance Subsidiary owned by a member of the Controlled Group; or
(c) which the Majority Lenders have agreed in writing to treat as Project Finance Indebtedness.

“Project Finance Subsidiary”
means any member of the Controlled Group:

(a) whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of any asset or combination of assets whether directly or indirectly; and

(b) none of whose Financial Indebtedness in respect of the financing of the ownership, acquisition, development and/or operation of any such asset benefits from any recourse whatsoever (including, without limitation, any obligation to subscribe for equity or provide loans) to any member of the Controlled Group (other than such person or another Project Finance Subsidiary) in respect of any payment or repayment in respect thereof, except as expressly referred to in paragraph (b)(iii) of the definition of “Project Finance Indebtedness”; and

(c) which has been designated as such by Vodafone by written notice to the Agent.

“Qualifying Financial Institution”
means any bank or financial institution that as part of its business generally receives deposits or other repayable funds and grants credits for its own account.

“Qualifying Lender”
means a Lender which is beneficially entitled to interest payable to that Lender in respect of an Advance and is:

(a) a Lender;

(i) which is a bank (as defined for the purpose of Section 879 of the ITA 2007) making an Advance under this Agreement; or

(ii) in respect of an Advance made under this Agreement by a person that was a bank (as defined for the purpose of Section 879 of the ITA 2007) at the time that Advance was made, and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that Advance at the time payments are made (or in the case of sub-paragraph (i) above would be within such charge as respects such payments apart from section 18A of the CTA); or

(b) a Treaty Lender.

“Rate Fixing Day”
means:

(a) the Drawdown Date for an Advance denominated in Sterling; or

(b) the second TARGET Day before the Drawdown Date for an Advance denominated in euro; or
or such other day as the Agent, after consultation with Vodafone and the Lenders, may designate as market practice in the Relevant Interbank Market for leading banks to give quotations in the relevant currency for delivery on the relevant Drawdown Date.

“Ratio Period” has the meaning given to it in Clause 18.2 (Calculation times and periods).

“Recovering Finance Party” has the meaning given to it in Clause 30.1 (Redistribution).

“Recovery” has the meaning given to it in Clause 30.1 (Redistribution).

“Redistribution” has the meaning given to it in Clause 30.1(c) (Redistribution).

“Reference Banks” means, subject to Clause 27.10 (Reference Banks), the principal London offices of BNP Paribas, Barclays Bank PLC, JPMorgan Chase Bank, N.A., and The Royal Bank of Scotland plc.

“Reference Bank Quotation” means any quotation supplied to the Agent by a Reference Bank.

“Reference Bank Rate” means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks:

(a) in relation to LIBOR, as the rate at which the relevant Reference Bank could borrow funds in the London interbank market; or

(b) in relation to EURIBOR, as the rate at which the relevant Reference Bank could borrow funds in the European interbank market,

in the relevant currency and for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period.

“Reference Bond” has the meaning given to it in Clause 9.5(d) (Margin).

“Relevant Interbank Market” means, in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market.
“Relevant Tax”
means any tax imposed or levied by or in (or by any political sub-division or taxing authority of any of the following):
(a) the UK;
(b) the United States; or
(c) any other jurisdiction in or through which any payment under the Finance Documents is made.

“Reportable Event”
means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412 (d) of the Code.

“Reorganisation Date”
means the date NewTopco or any other Intermediate Holding Company acquires any shares or assets (other than the shares in Vodafone acquired pursuant to the Hive Up) in circumstances where the aggregate market value of the assets of Vodafone (as determined by Vodafone (acting reasonably)) immediately following the acquisition is an amount which represents 95 per cent. or less of the aggregate market value of the assets of NewTopco (as determined by Vodafone (acting reasonably)) at that time.

“Request”
means a request made by a Borrower to utilise a Facility, substantially in the form of Schedule 3 (or in such other form as may be agreed by the Agent and Vodafone).

“Requested Amount”
means the amount requested in a Request.

“Restricted Group”
means Vodafone, NewTopco (following the Reorganisation Date) and any Controlled Subsidiary (other than a Project Finance Subsidiary) of Vodafone or, following the Reorganisation Date, NewTopco:
(a) whose principal operations or assets are located in a Core Jurisdiction; and/or
(b) whose revenues are primarily generated by operations licensed by telecommunications authorities in Core Jurisdictions,
but excludes any Controlled Subsidiary whose principal business is satellite telecommunications.

“Revolving Credit Advance”
means an advance (other than a Swingline Advance) made to a Borrower by the Revolving Credit Lenders under the Revolving Credit Facility.

“Revolving Credit Commitment”

means:

(a) in respect of an Original Lender, the amount in euro set opposite the name of that Lender in Part 1 of Schedule 1 (Lenders and Commitments) or assumed by it in accordance with Clause 2.3 (Increase); and

(b) in respect of an Additional Lender, the amount in euro set out as a Revolving Credit Commitment in the relevant Lender Accession Agreement or assumed by it in accordance with Clause 2.3 (Increase),

in each case to the extent not transferred, cancelled or reduced under or in accordance with this Agreement.

“Revolving Credit Facility”

means the multicurrency revolving credit facility referred to in a Clause 2.1(a) (Facilities).

“Revolving Credit Lender”

means, subject to Clause 27.2 (Transfers by Lenders), a Lender listed in Part 1 of Schedule 1 (Lenders and Commitments) in its capacity as a participant in the Revolving Credit Facility and/or an Additional Lender.

“Rollover Advance”

means any Advance (other than a Swingline Advance) made during the Availability Period which is drawn down to refinance in whole or in part any outstanding Advance (other than a Swingline Advance) where, after making and applying the proceeds of that Advance, the aggregate principal amount outstanding under the Revolving Credit Facility is not greater than the aggregate amount outstanding under that Facility immediately prior to that Advance being made.

“Screen Rate”

means:

(a) in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate); and

(b) in relation to EURIBOR, the euro interbank offered rate administered by the Banking Federation of the European Union (or any other person which takes over the administration of that rate) for the relevant period displayed on page EURIBOR01 of the Reuters screen (or any replacement Reuters page which displays that rate),
or, in each case, on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with Vodafone.
“S&P”
means Standard & Poor’s Rating Services.

“Security Interest”
means any mortgage, charge, assignment by way of security, pledge, lien or other security interest securing any obligation of any person.

“Separate Loan”
has the meaning given to that term in Clause 7.3 (Separate Loans).

“Signing Date”
means the date of this Agreement.

“Single Employer Plan”
means a Plan which is maintained by any U.S. Obligor or any member of the Controlled USA Group for employees of Vodafone or any member of the Controlled USA Group.

“Subsidiary”
means:
(a) a subsidiary within the meaning of section 1159 of the Companies Act 2006; and
(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

“Substitute Security Interest”
has the meaning given to it in the definition of Permitted Security Interest, paragraph (q).

“Swingline Advance”
means an advance made to a Borrower by the Swingline Lenders under the Swingline Facility.

“Swingline Affiliate”
means, in relation to a Lender, any Swingline Lender that is an Affiliate of that Lender and which is notified to the Agent and the Euro Swingline Agent by that Lender in writing to be its Swingline Affiliate.

“Swingline Commitment”
means:
(a) in respect of a Swingline Lender which is an Original Lender, the amount in euro set opposite its name under the heading “Swingline Commitment” in Part 2 of Schedule 1 (Swingline Lenders and Swingline Commitments) or assumed by it in accordance with Clause 2.3 (Increase); and
(b) in respect of a Swingline Lender which is an Additional Lender, the amount in euro set out as a Swingline Commitment in the relevant Lender Accession Agreement or assumed by it in accordance with Clause 2.3 (Increase),
in each case to the extent not transferred, cancelled or reduced under or in accordance with this Agreement.

“Swingline Facility”
means the committed euro swingline facility referred to in Clause 2.1(b) (Facilities).

“Swingline Lender”
means, subject to Clause 27.2 (Transfers by Lenders), an Original Lender listed in Part 2 of Schedule 1 as a swingline lender or an Additional Lender in respect of which a Swingline Commitment is specified in the relevant Lender Accession Agreement.

“Swingline Margin”
means 0.50 per cent. per annum.

“Swingline Rate”
means, in relation to any day, the percentage rate per annum which is the aggregate of:

(a) EONIA for that day; and
(b) the Swingline Margin.

“Swingline Total Commitments”
means the aggregate for the time being of the Swingline Commitments, being €1,800,000,000 at the date of this Agreement or as may be increased pursuant to paragraph (b) of Clause 2.8 (Additional Lenders) up to a maximum of €2,550,000,000.

“TARGET Day”
means a day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) payment system which utilises a single shared platform and which was launched on 19 November 2007 and is open for the settlement of payments in euro.

“Tax Credit”
has the meaning given to it in Clause 11.6 (Refund of Tax Credits).

“Tax on Overall Net Income”
in relation to a Finance Party, means any tax on the overall net income, profits or gains of that Finance Party or any of its Holding Companies (or the overall net income, profits or gains of a division or branch of that Finance Party or any of its Holding Companies).

“Tax Payment”
has the meaning given to it in Clause 11.6 (Refund of Tax Credits).

“Taxes Act”
“Term” means the period selected by a Borrower in a Request for which the relevant Revolving Credit Advance or Swingline Advance is to be outstanding.

“Total Commitments” means the aggregate for the time being of the Revolving Credit Commitments, being, at the date of this Agreement, €3,860,000,000 or as may be increased pursuant to paragraph (b) of Clause 2.8 (Additional Lenders) up to a maximum of €7,500,000,000 (including the Swingline Total Commitments but without double counting).

“Total Gross Borrowings” means at any time, the aggregate outstanding principal amount of Financial Indebtedness of the Consolidated Group (including the marked to market position of out of the money derivative contracts).

“Treaty Lender” means a Lender which is (i) resident (as such term is defined in the appropriate double taxation treaty) in a country with which the United Kingdom has an appropriate double taxation treaty under which residents of that country are entitled to complete exemption from United Kingdom tax on interest and is entitled to apply under the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 to have interest paid to its Facility Office without withholding or deduction for or on account of United Kingdom taxation; and (ii) does not carry on business in the United Kingdom through a permanent establishment with which the investments under this Agreement in respect of which the interest is paid are effectively connected; and for this purpose “double taxation treaty” means any convention or agreement between the government of the United Kingdom and any other government for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains.

“UK” or “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland (but excluding, for the avoidance of doubt, the Channel Islands).

“Undisclosed Administration” means in relation to a Lender the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the laws of the country where such Lender is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed.

“United States” means the United States of America.

“U.S. Obligor” means any Obligor which is incorporated in the United States or any State thereof (including the District of Columbia).

“U.S. Tax Obligor” means:
(a) a Borrower which is resident for tax purposes in the United States of America; or
(b) an Obligor some or all of whose payments under the Finance Documents are from sources within the United States for United States federal income tax purposes.

“2015 Facility” means the €4,000,000,000 multi currency revolving five year facility dated 1 July 2010 with a capacity of €4,000,000,000 as at 1 July 2010 and made between, amongst others, Vodafone Group Plc, the Arrangers and Lenders identified therein and The Royal Bank of Scotland plc as Agent and Euro Swingline Agent and due 1 July 2015.

“2017 Facility” means the U.S.$4,015,000,000 multicurrency revolving five year facility dated 9 March 2011 with a capacity of U.S.$4,015,000,000 as at 9 March 2011 and made between, amongst others, Vodafone Group Plc, the Arrangers and the Lenders identified therein and The Royal Bank of Scotland plc as Agent and U.S. Swingline Agent and due 9 March 2017.

1.2 Construction

(a) In this Agreement, unless the contrary intention appears, a reference to:

“agreed form” means, in relation to any document, such document in a form previously agreed in writing by or on behalf of the Agent and Vodafone;

“assets” of any person includes all or any part of that person’s business, operations, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

an “authorisation” includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration and notarisation;

a “finance lease” has the meaning given to it in IAS 17 as in effect at 1 April 2013;

“indebtedness” is a reference to any obligation for the payment or repayment of money, whether as principal or surety and whether present or future, actual or contingent;

a “month” is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that, if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that month;

a “regulation” includes any regulation, rule, official directive, request or guideline (in each case, whether or not having the force of law, but if not having the force of law, is generally complied with by the persons to whom it is addressed) of any governmental or supranational body, agency, department or regulatory, self-regulatory authority or organisation; and

“U.S.$”, “USD” and “U.S. dollars” denote the lawful currency of the United States of America. “£”, “GBP” and “sterling” denote the lawful currency of the United Kingdom. “€”, “EUR” and “euro” denote the single currency of the Participating Member States;

(i) a provision of a law is a reference to that provision as amended or re-enacted;
(ii) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement;
(iii) a person includes its successors, transferees and assigns;
(iv) words importing the plural shall include the singular and vice versa;
(v) a Finance Document or another document is a reference to that Finance Document or that other document as novated or, with the approval of Vodafone, amended or supplemented;
(vi) the term “Affiliate”, in relation to The Royal Bank of Scotland plc, shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty’s Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty’s Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings; and
(vii) a time of day is a reference to London time.

(b) Unless the contrary intention appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(c) The index to and the headings in this Agreement are for convenience only and are to be ignored in construing this Agreement.

(d) (i) Unless expressly provided to the contrary in a Finance Document, a person who is not a party to a Finance Document may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.
(ii) Notwithstanding any term of any Finance Document, the consent of any third party is not required for any variation (including any release or compromise of any liability under) or termination of that Finance Document.

2. THE FACILITIES

2.1 Facilities

Subject to the terms of this Agreement, the Lenders grant to the Borrowers:

(a) a committed multicurrency revolving five year facility (subject to Clause 6 (Extension Option)), under which the Lenders will, when requested by a Borrower, make cash advances in euro or Optional Currencies to that Borrower on a revolving basis during the Availability Period already defined; and
(b) a committed euro swingline advance facility (which is a sub-division of the Revolving Credit Facility) under which the Swingline Lenders will, when requested by a Borrower, make to that Borrower Swingline Advances during the Availability Period.

2.2 Overall facility limits

(a) The Swingline Facility is not independent of the Revolving Credit Facility. The aggregate Original Euro Amount of all outstanding Advances (including Swingline Advances) under:
(i) the Revolving Credit Facility, shall not at any time exceed the Total Commitments at that time; and
(ii) the Swingline Facility, shall not at any time exceed the Swingline Total Commitments at that time.

(b) The aggregate Original Euro Amount of:

(i) the participations of a Lender in Revolving Credit Advances plus that Lender’s and, if applicable, that Lender’s Swingline Affiliate’s (if any), participations in outstanding Swingline Advances shall not at any time exceed that Lender’s Revolving Credit Commitment at that time; and
(ii) the participations of a Swingline Lender in Swingline Advances shall not at any time exceed that Swingline Lender’s Swingline Commitment at that time.

(c) If, in respect of any Revolving Credit Advance, the operation of Clause 5.4 (Amount of each Lender’s participation in an Advance) would otherwise have caused a Lender (the “Affected Lender”) to breach sub-paragraph (b)(i) above then:

(i) each Affected Lender will participate in the relevant Revolving Credit Advance only to the extent that the Original Euro Amount of its participation in that Revolving Credit Advance (when aggregated with the Original Euro Amount of its and, if applicable, that Lender’s Swingline Affiliate’s (if any), participations in other outstanding Revolving Credit Advances and Swingline Advances) will not exceed its Revolving Credit Commitment; and
(ii) each other non-Affected Lender’s participation in that Revolving Credit Advance will be recalculated in accordance with Clause 5.4 (Amount of each Lender’s participation in an Advance), but, for the purpose of the recalculation, the Affected Lenders’ Revolving Credit Commitments will be deducted from the Total Commitments and the amount of the Affected Lenders’ participations in that Revolving Credit Advance (if any) will be deducted from the requested amount of the Revolving Credit Advance.

2.3 Increase

(a) Vodafone may by giving prior notice to the Agent by no later than the date falling 60 Business Days after the effective date of a cancellation of:

(i) the Available Commitments of a Defaulting Lender in accordance with paragraph (c) of Clause 8.5 (Right of prepayment and cancellation); or
(ii) the Commitments of a Lender in accordance with Clause 14.1 (Illegality), request that the Total Commitments be increased (and the Total Commitments shall be so increased in an aggregate amount of up to the amount of the Available Commitments or Commitments so cancelled as follows:

(iii) the increased Commitments will be assumed by one or more Lenders or other banks or financial institutions (each an “Increase Lender”) selected by Vodafone and which is further acceptable to the Agent (acting reasonably) and each of which confirms its willingness to assume and does assume all the obligations of a Lender corresponding to that part of the increased Commitments which it is to assume, as if it had been an Original Lender;
each of the Obligors and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Obligors and the Increase Lender would have assumed and/or acquired had the Increase Lender been an Original Lender;

(v) each Increase Lender shall become a Party as a “Lender” and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had the Increase Lender been an Original Lender;

(vi) the Commitments of the other Lenders shall continue in full force and effect; and

(vii) any increase in the Total Commitments shall take effect on the date specified by Vodafone in the notice referred to above or any later date on which the conditions set out in paragraph (b) below are satisfied.

(b) An increase in the Total Commitments will only be effective on:

(i) the execution by the Agent of an Increase Confirmation from the relevant Increase Lender;

(ii) in relation to an Increase Lender which is not a Lender immediately prior to the relevant increase the performance by the Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that Increase Lender, the completion of which the Agent shall promptly notify to Vodafone and the Increase Lender.

(c) Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective.

(d) Unless the Agent otherwise agrees or the increased Commitment is assumed by an existing Lender, Vodafone shall, on the date upon which the increase takes effect, pay to the Agent (for its own account) a fee of €2,500 and Vodafone shall promptly on demand pay the Agent the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with any increase in Commitments under this Clause 2.3.

(e) Vodafone may pay to the Increase Lender a fee in the amount and at the times agreed between Vodafone and the Increase Lender in a letter between Vodafone and the Increase Lender setting out that fee. A reference in this Agreement to a Fee Letter shall include any letter referred to in this paragraph (e).

(f) Clause 27.2(f) to (j) inclusive (Transfers by Lenders) shall apply mutatis mutandis in this Clause 2.3 in relation to an Increase Lender as if references in that Clause to:

(i) an “Existing Lender” were references to all the Lenders immediately prior to the relevant increase;

(ii) the “New Lender” were references to that “Increase Lender”; and

(iii) a “retransfer” were references to a “transfer”.

2.4 Number of Requests
Unless the Agent agrees otherwise, no more than one Request (other than Requests for Swingline Advances only) may be delivered on any one day but that Request may specify any number and type of Advances from the Revolving Credit Facility or the Swingline Facility or either of them.

2.5 Nature of rights and obligations
(a) The obligations of a Finance Party and each Obligor under the Finance Documents are several. Failure of a Finance Party or an Obligor to carry out those obligations does not relieve any other Party of its obligations under the Finance Documents. No Finance Party or Obligor is responsible for the obligations of any other Finance Party or Obligor under the Finance Documents save and to the extent that the relevant obligations are guaranteed by another Obligor.
(b) The rights of a Finance Party under the Finance Documents are divided rights. A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce those rights.

2.6 Vodafone as Obligors' agent
Each Obligor:
(a) irrevocably authorises and instructs Vodafone to give and receive as agent on its behalf all notices (including Requests) and sign all documents in connection with the Finance Documents on its behalf (including but not limited to amendments and variations and execution of any new Finance Documents) and take such other action as may be necessary or desirable under or in connection with the Finance Documents; and
(b) confirms that it will be bound by any action taken by Vodafone under or in connection with the Finance Documents.

2.7 Actions of Vodafone as Obligors' agent
The respective liabilities of each of the Obligors under the Finance Documents shall not be in any way affected by:
(a) any irregularity (or purported irregularity) in any act done by or any failure (or purported failure) by Vodafone; or
(b) Vodafone acting (or purporting to act) in any respect outside any authority conferred upon it by any Obligor; or
(c) the failure (or purported failure) by or inability (or purported inability) of Vodafone to inform any Obligor of receipt by it of any notification under this Agreement.

2.8 Additional Lenders
(a) Any financial institution or other entity may, subject to the terms of this Agreement, become an Additional Lender. The relevant financial institution or other entity will become an Additional Lender on the date specified in a Lender Accession Agreement which has been delivered to the Agent duly completed and executed by that financial institution or other entity and countersigned by Vodafone on behalf of itself and each other Obligor.
(b) Upon the relevant financial institution or other entity becoming an Additional Lender, the Total Commitments shall be increased (subject to the Total Commitments being a maximum
of €7,500,000,000 and the Combined Commitments being a maximum of €7,500,000,000 plus US$7,500,000,000 (or its equivalent in euros calculated at the Agent’s Spot Rate of Exchange) by the amount set out in the relevant Lender Accession Agreement as that Additional Lender’s Revolving Credit Commitment. If such Additional Lender so provides in the relevant Lender Accession Agreement, the Swingline Total Commitments shall be increased (subject to the Combined Swingline Commitments being a maximum of €2,550,000,000 plus US$7,500,000,000 (or its equivalent in euros calculated at the Agent’s Spot Rate of Exchange)) by the amount set out in the relevant Lender Accession Agreement as that Additional Lender’s Swingline Commitment.

(c) Each Additional Lender will participate only in Advances with a Drawdown Date following the date on which it became an Additional Lender and only then if:

(i) it has become an Additional Lender in time to receive sufficient notice of the relevant Advance from the Agent pursuant to Clause 5.5 (Notification of the Lenders); and

(ii) immediately before such an Advance is to be made either (A) no Advances are or will be outstanding or (B) all outstanding Advances at that time are or will be immediately repaid or prepaid in full in accordance with the terms of this Agreement.

(d) On and from the Drawdown Date on which the Additional Lender makes an Advance under paragraph (c) above, the Additional Lender shall participate in each new Revolving Credit Advance or, as the case may be, Swingline Advance in accordance with Clause 5.4 (Amount of each Lender’s participation in an Advance).

(e) The execution by Vodafone of a Lender Accession Agreement constitutes confirmation by each Guarantor that its obligations under Clause 15 (Guarantee) shall continue unaffected except that those obligations shall extend to the Total Commitments as increased by the addition of the relevant Additional Lender’s Revolving Credit Commitment (including such Additional Lender’s Swingline Commitment but without double counting) and shall be owed to each Finance Party including the relevant Additional Lender.

3. PURPOSE

3.1 Purpose

Each Revolving Credit Advance will be used for the refinancing of the 2015 Facility, following which each Advance will be applied in or towards providing support for the Consolidated Group’s continuing commercial paper programmes and each Revolving Credit Advance will be applied for general corporate purposes of the Consolidated Group including, but not limited to, Acquisitions (provided that a Swingline Advance may not be applied in or towards refinancing another Swingline Advance).

3.2 No monitoring

Without affecting the obligations of any Borrower in any way, no Finance Party is bound to monitor or verify the application of the proceeds of any Advance.

4. CONDITIONS PRECEDENT

4.1 Initial conditions precedent

The obligations of each Finance Party to any Borrower under this Agreement are subject to the conditions precedent that:
The obligations of each Lender to participate in any Advance are subject to the further conditions precedent that on the date of the Request for the Advance (if applicable) and on the date on which the relevant amount is to be drawn down:

(a) the Agent has notified Vodafone and the Lenders that it has received all of the documents set out in Part 1 of Schedule 2 in the agreed form or such other form and substance satisfactory to the Agent. The Agent will give such notice of receipt within two Business Days after receiving the relevant documents and finding them in form and substance satisfactory to it; and

(b) the Agent confirms on or prior to the Signing Date (i) that the 2015 Facility has been cancelled and (ii) all amounts outstanding under the 2015 Facility have been repaid.

4.2 Conditions to all drawdowns and rollovers

The obligations of each Lender to participate in any Advance are subject to the further conditions precedent that on the date of the Request for the Advance (if applicable) and on the date on which the relevant amount is to be drawn down:

(a) the representations and warranties in Clause 16 (Representations and Warranties) are correct and will be correct immediately after the relevant Advance or amount is drawn down in each case in all material respects; and

(b) in the case of a Rollover Advance, no Event of Default is continuing or would result from the proposed Advance, and in the case of any other drawdown, no Default has occurred and is continuing or would result from drawdown of the relevant Advance or amount.

4.3 Conditions relating to Optional Currencies

(a) A currency will constitute an Optional Currency in relation to an Advance if:

(i) it is readily available in the amount required and freely convertible into the Base Currency in the Relevant Interbank Market on the Rate Fixing Day and the Drawdown Date for that Advance; and

(ii) it is Sterling or U.S. Dollars, or has been approved by the Agent (acting on the instructions of all the Lenders) on or prior to receipt by the Agent of the relevant Request for that Advance.

(b) If by 10:00 a.m. on a Business Day, the Agent has received a written request from Vodafone for a currency to be approved under paragraph (a)(ii) above, the Agent will notify the Lenders of that request by 3:00 p.m. on the same Business Day. Based on any responses received by the Agent by 1:00 p.m. the next Business Day, the Agent will confirm to Vodafone by 5:00 p.m. on that Business Day:

(i) whether or not the Lenders have granted their approval; and

(ii) if approval has been granted, the minimum amount (and, if required, integral multiples) for any subsequent Utilisation in that currency.

4.4 Maximum number of Revolving Credit Advances

A Borrower may not deliver a Request if as a result of the proposed Advance more than 10 Revolving Credit Advances would be outstanding.
5. ADVANCES

5.1 Receipt of Requests

(a) A Borrower may borrow Advances under the Revolving Credit Facility (other than Swingline Advances) if the Agent receives, not later than 5.00 p.m. on the third Business Day before the proposed Drawdown Date, or, in the case of an Advance in Sterling, not later than 5.00 p.m. on the Business Day before the proposed Drawdown Date, a duly completed Request, copied, to the Euro Swingline Agent.

(b) A Borrower may borrow Swingline Advances if the Euro Swingline Agent receives, not later than 9.30 a.m. (Central European time) on the proposed Drawdown Date, a duly completed Request, copied to the Agent.

5.2 Completion of Requests for Revolving Credit Advances

A Request for a Revolving Credit Advance will not be regarded as having been duly completed unless:

(a) the Drawdown Date is a Business Day falling during the Availability Period;

(b) only one currency is specified for each separate Advance and the Requested Amount for each separate Advance is in a minimum amount:

(i) if in euro, of €25,000,000;

(ii) if in Sterling, of £20,000,000;

(iii) if in U.S. Dollars, of U.S.$25,000,000; or

(iv) appropriate equivalent minimum amounts for Optional Currencies other than Sterling or U.S. Dollars, or, in any such case:

(A) if less, is in an amount equal to the unutilised portion of the Total Commitments; or

(B) such other amount as Vodafone and the Agent may agree;

(c) only one Term for each separate Advance is specified which:

(i) does not overrun the Final Maturity Date; and

(ii) is a period of 7 days, one month, two, three (or such comparable period as the Borrower may adopt to reflect international futures exchange settlement dates) or six months (or such other period as may be agreed by Vodafone and (if not more than six months) the Agent or (if more than six months) all of the Lenders); and

(d) the payment instructions comply with Clause 10.1 (Place of payment).

5.3 Completion of Requests for Swingline Advances

A Request for a Swingline Advance will not be regarded as having been duly completed unless:

(a) the Drawdown Date is a Business Day falling during the Availability Period;
(b) it is specified that the Swingline Advance is to be made in euro under the Swingline Facility;
(c) the Requested Amount is a minimum of €15,000,000 or such other amount as the Euro Swingline Agent and Vodafone may agree;
(d) only one Term is specified, which:
   (i) does not overrun the Final Maturity Date; and
   (ii) is a period not exceeding five Business Days; and
(e) the payment instructions comply with Clause 10.1 (Place of payment).

5.4 Amount of each Lender’s participation in an Advance
The amount of a Lender’s participation in an Advance will be the proportion of the Requested Amount which:
   (a) in the case of a Revolving Credit Advance, its Revolving Credit Commitment bears to the Total Commitments; and
   (b) in the case of a Swingline Advance, its Swingline Commitment bears to the Swingline Total Commitments,
in each case on the date of receipt of the relevant Request, adjusted in the case of paragraph (a) (if necessary) to reflect the operation of Clause 2.2(c) (Overall facility limits).

5.5 Notification of the Lenders
The Agent (or, in the case of Swingline Advances, the Euro Swingline Agent) shall promptly notify each Lender (or, as the case may be, Swingline Lender) of the details of the requested Advance and the amount of its participation in such Advance.

5.6 Payment of proceeds
Subject to the terms of this Agreement, each Lender (or, as the case may be, Swingline Lender) shall make its participation in an Advance available to the Agent (or, in the case of a participation in a Swingline Advance, the Euro Swingline Agent) for the Borrower concerned for value on the relevant Drawdown Date.

6. EXTENSION OPTIONS
6.1 First extension option
   (a) Vodafone may by notice to the Agent (the “First Extension Request”) not more than 60 days and not less than 30 days before the first anniversary of the date of this Agreement (the “First Anniversary”), request that the Final Maturity Date be extended to the date which is six years after the date of this Agreement (the “Sixth Anniversary”).
   (b) The Agent must promptly notify the Lenders of the First Extension Request.
   (c) Each Lender may, in its sole discretion, agree to the First Extension Request. Subject to paragraph (g) below, each Lender that agrees to the First Extension Request by the date falling 15 days before the First Anniversary, will, on the First Anniversary, extend its Commitments to the Sixth Anniversary and the Final Maturity Date with respect to the Commitments of that Lender will be extended to that date.
If any Lender fails to reply to the First Extension Request on or before the date falling 15 days before the First Anniversary, it will be deemed to have refused the First Extension Request and its Commitments will not be extended.

Subject to paragraph 6.1 (g) below, the First Extension Request is irrevocable.

If one or more (but not all) of the Lenders agree to the First Extension Request, then by the date falling no later than 10 days before the First Anniversary, the Agent must notify Vodafone and the Lenders which have agreed to the first extension, identifying in that notification which Lenders have not agreed to the First Extension Request.

Vodafone may, on the basis that one or more of the Lenders have not agreed to the First Extension Request and no later than the date falling 5 days before the First Anniversary, withdraw the request by notice to the Agent which will promptly notify the Lenders.

6.2 Second extension option

If the Final Maturity Date has been extended to the Sixth Anniversary pursuant to Clause 6.1 (First extension option), Vodafone may by notice to the Agent (the “Second Extension Request”) not more than 60 days and not less than 30 days before second anniversary of the date of this Agreement (the Second Anniversary), request that the Final Maturity Date be extended to the date which is seven years after the date of this Agreement (“Seventh Anniversary”).

The Agent must promptly notify the Lenders of the Second Extension Request.

Each Lender may, in its sole discretion, agree to the Second Extension Request. Subject to paragraph (g) below, each Lender that agrees to the Second Extension Request by the date falling 15 days before the Second Anniversary, will, on the Second Anniversary, extend its Commitments to the Seventh Anniversary and the Final Maturity Date with respect to the Commitments of that Lender will be extended to that date.

If any Lender fails to reply to the Second Extension Request on or before the date falling 15 days before the Second Anniversary, it will be deemed to have refused the Second Extension Request and its Commitments will not be extended.

Subject to paragraph (g) below, the Second Extension Request is irrevocable.

If one or more (but not all) of the Lenders agree to the Second Extension Request, then by the date falling no later than ten days before the Second Anniversary, the Agent must notify Vodafone and the Lenders which have agreed to the second extension, identifying in that notification which Lenders have not agreed to the Second Extension Request.

Vodafone may, on the basis that one or more of the Lenders have not agreed to the Second Extension Request and no later than the date falling 5 days before the Second Anniversary, withdraw the request by notice to the Agent which will promptly notify the Lenders.

7. REPAYMENT

7.1 Repayment of Revolving Credit Advances

Each Borrower shall repay each Revolving Credit Advance made to it in full on its Maturity Date to the Agent for the Lenders, but since the Revolving Credit Facility is available on a revolving basis during the Availability Period amounts repaid may be reborrowed subject to the terms of this Agreement.
7.2 Repayment of Swingline Advances

(a) Each Borrower shall repay each Swingline Advance made to it in full on its Maturity Date to the Euro Swingline Agent for the Swingline Lenders. No Swingline Advance may be outstanding after the Final Maturity Date.

(b) Each Swingline Advance shall be repaid on its Maturity Date in accordance with paragraph (a) above. In the event and to the extent that a Swingline Advance is not so repaid, each Lender will, within four Business Days of a demand to that effect from the Euro Swingline Agent, pay to the Euro Swingline Agent on behalf of the Swingline Lenders (which shall be deemed to be a drawing of that Lender’s Commitment) an amount equal to its Agreed Percentage (without set-off, counterclaim, withholding or other deduction) of the principal amount outstanding of such Swingline Advance and accrued interest (including default interest) thereon to the date of actual payment by such Lender (provided that no Lender shall be obliged to exceed its Commitment as a result of any such payment). The relevant Borrower shall forthwith reimburse the Lenders (through the Agent) in full for each payment made by the Lenders under this paragraph (b). Each amount the relevant Borrower is required to reimburse to the Lenders under this paragraph (b) shall be deemed to be an Overdue Amount which fell due for payment by the relevant Borrower on the day on which the payment by the Lenders giving rise to the reimbursement obligation was made and shall accrue default interest under Clause 9.3 (Default interest) accordingly. The obligations of each Lender under this paragraph (b) are unconditional and shall not be affected by the occurrence or continuance of a Default.

7.3 Separate Loans

(a) At any time when a Lender becomes a Defaulting Lender, the maturity date of each of the participations of that Lender in the Facilities then outstanding will be automatically extended to the earlier of:

(i) the first Business Day falling 364 days after the date on which the Agent or a Borrower gives notice to the Defaulting Lender and the other Parties that the relevant Lender has become a Defaulting Lender, and will be treated as separate Facilities (the “Separate Loans”) denominated in the currency in which the relevant participations are outstanding; and

(ii) the last day of the Availability Period.

(b) A Borrower to whom a Separate Loan is outstanding may prepay that Separate Loan by giving 10 Business Days’ prior notice to the Agent. The Agent will forward a copy of a prepayment notice received in accordance with this paragraph (b) to the Defaulting Lender concerned as soon as practicable on receipt.

(c) Interest in respect of a Separate Loan will accrue for successive Terms selected by a Borrower by the time and date specified by the Agent acting reasonably and will be payable by that Borrower to the Defaulting Lender on the last day of each Term of that Advance.

(d) The terms of this Agreement relating to the Facilities generally shall continue to apply to Separate Loans other than to the extent inconsistent with paragraphs (a) to (c) above (inclusive) in which case those paragraphs shall prevail in respect of any Separate Loans.

(e) If at any time while a Separate Loan is outstanding the Borrower transfers the relevant Defaulting Lender’s outstanding participations to a Replacement Lender in accordance with Clause 27.5 (Replacement of Lenders), each Separate Loan transferred to the Replacement...
Lender will automatically become, on the last day of the current Term for each such Separate Loan, a Revolving Credit Advance and paragraphs (a) to (c) above (inclusive) shall cease to apply to that Advance while such Replacement Lender is not a Defaulting Lender.

8. PREPAYMENT AND CANCELLATION

8.1 Automatic cancellation of Total Commitments

(a) The Revolving Credit Commitments of each Lender shall be automatically cancelled at the close of business in London on the Final Maturity Date.

(b) The Swingline Commitment of each Swingline Lender shall be automatically cancelled at the close of business in London on the Final Maturity Date.

8.2 Voluntary cancellation

(a) Vodafone may by giving not less than one Business Day’s prior written notice to the Agent, cancel the unutilised portion of the Total Commitments in whole or in part (but, if in part, in an aggregate minimum amount of €75,000,000) in such proportions as Vodafone may designate in the notice of cancellation. Any cancellation in part shall be applied against the Revolving Credit Commitment of each Lender pro rata.

(b) Whenever part of the Total Commitments is cancelled, the Swingline Commitments will not be cancelled unless (i) the amount of the Swingline Total Commitments would exceed the Total Commitments after such cancellation or (ii) the Swingline Commitment of any Swingline Lender would exceed its Commitment after such cancellation. In any such case, the Swingline Total Commitments shall, at the same time as the cancellation of the Total Commitments takes effect, be cancelled by such amount as is necessary to ensure that after the relevant cancellation of the Total Commitments the Swingline Total Commitments do not exceed the Total Commitments and the Swingline Commitment of each Swingline Lender does not exceed its Commitment.

8.3 Voluntary prepayment

(a) Any Borrower may by giving not less than five Business Days’ prior written notice to the Agent, prepay the whole or any part of the Revolving Credit Advances (but, if in part, in an aggregate minimum Original Euro Amount, taking all prepayments made by all the Borrowers on the same day together, of €100,000,000).

(b) Any Borrower may prepay the whole of any Swingline Advance at any time.

(c) Any voluntary prepayment in part made under paragraph (a) above will be applied against all the Revolving Credit Advances pro rata (or against such Revolving Credit Advances as Vodafone (or the relevant Borrower) may designate in the notice of prepayment).

8.4 Change of Control

If control of Vodafone (other than as a result of a Hive Up) or, following a Hive Up, NewTopco, passes to any person acting either individually or in concert (a “Change of Control”):

(a) Vodafone shall, promptly upon becoming aware thereof, notify the Agent who shall inform the Lenders;

(b) any Lender may, if it determines that as a result of the Change of Control:
the level of its exposure to Vodafone, NewTopco and/or the entity which acquires control of Vodafone or NewTopco, as the case may be, is unacceptably high in each case in the sole opinion of the Lender; or

(ii) it no longer wishes (in its sole discretion and acting in good faith) to continue lending to Vodafone or NewTopco, as the case may be (whether for relationship, internal policy or any other reason);

propose to Vodafone (through the Agent) the revised terms (if any) which it requires in order to continue to participate in the Facilities; and

(c) if those revised terms have not been agreed with that Lender (or that Lender is not prepared, for one or more of the reasons set out in paragraph (b)(i) or (ii) above, to continue on any terms) within 30 days of the date of notification in paragraph (a) above (or such longer period as that Lender may agree in writing) then on expiry of 30 days from the date of notification in paragraph (a) above that Lender may by notice to the Agent (which shall promptly inform Vodafone) cancel the whole (but not part only) of such Lender’s Commitments and following service of such notice:

(i) such Lender’s Commitments shall be cancelled on the date of service of the notice or as specified in it; and

(ii) all such Lender’s outstanding Advances shall be repaid or prepaid on the last day of the then current Term applicable thereto, and no amount may be outstanding to such Lender thereafter.

For the purposes of this Clause 8.4, “control” has the meaning given to it in relation to a body corporate by Section 1124 of the Taxes Act.

8.5 Right of prepayment and cancellation

If:

(a) any Borrower is required to pay or is notified by any Lender in writing that it will be required to pay any amount to a Lender under Clause 11 (Taxes) or Clause 13 (Increased Costs); or

(b) if circumstances exist such that a Borrower will be required to pay any amount to a Lender under Clause 11 (Taxes) or Clause 13 (Increased Costs),

Vodafone may serve a notice of prepayment and cancellation on that Lender through the Agent. On the date falling five Business Days after the date of service of the notice:

(i) each Borrower will prepay the participations of that Lender in all outstanding Advances made to that Borrower; and

(ii) the Lender’s Commitments shall be permanently cancelled on the date of service of the notice.

(c) If any Lender becomes a Defaulting Lender, Vodafone may, at any time whilst the Lender continues to be a Defaulting Lender, give the Agent 5 Business Days’ notice of cancellation of each Available Commitment of that Lender.

(d) On the notice referred to in paragraph (d) above becoming effective, each Available Commitment of the Defaulting Lender shall immediately be reduced to zero.
The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (e) above, notify all the Lenders.

8.6 Miscellaneous provisions

(a) Any notice of prepayment and/or cancellation under this Agreement is irrevocable. The Agent shall notify the Lenders promptly of receipt of any such notice.

(b) All prepayments under this Agreement shall be made together with accrued interest on the amount prepaid and any other amounts due under this Agreement in respect of that prepayment (including, but not limited to, any amounts payable under Clause 24.2(c) (Other indemnities) if not made on the Maturity Date of the relevant Revolving Credit Advance or Swingline Advance).

(c) No prepayment or cancellation is permitted except in accordance with the express terms of this Agreement.

(d) Subject to the provisions of this Agreement, any amount prepaid in respect of the Revolving Credit Facility during the Availability Period may be reborrowed.

(e) Subject to Clause 2.3 (Increase), no amount of the Total Commitments, (including the Swingline Total Commitments) cancelled under this Agreement may subsequently be reinstated.

9. INTEREST

9.1 Interest rate for all Advances

(a) The rate of interest on each Advance (other than any Swingline Advance) for its Term, is the rate per annum determined by the Agent to be the aggregate of:

(i) the applicable Margin; and

(ii) EURIBOR or, in the case of an Advance denominated in any Optional Currency, LIBOR.

(b) The rate of interest on each Swingline Advance for each day during its Term is the rate per annum determined by the Euro Swingline Agent to be the Swingline Rate for that day.

(c) Subject to paragraph (d) below, if EONIA is to be determined by reference to the Reference Banks’ rates for a day, and a Reference Bank does not supply a quotation by 18.00 (Brussels time) on that day, EONIA for that day shall be calculated on the basis of the quotations of the remaining Reference Banks.

(d) If, in relation to any TARGET Day:

(i) there is no EONIA Screen Rate, and EONIA is to be determined by reference to the Reference Banks and none or only one of the Reference Banks supplies a rate to the Agent to determine EONIA by 18.00 (Brussels time) on that day; or

(ii) on or before the close of business in London on the TARGET Day, the Agent receives notifications from a Lender or Lenders (whose participations in a Swingline Loan exceed 50 per cent. of that Swingline Loan) that the cost to it of obtaining matching deposits in their Relevant Interbank Market would be in excess of EONIA,
the rate of interest on each Lender’s share of the relevant Swingline Loan for the relevant day shall be the percentage rate per annum which is the sum of:

(iii) the rate notified to the Euro Swingline Agent by that Lender to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Swingline Loan for that day from whatever source it may reasonably select; and

(iv) the Swingline Margin.

9.2 Due dates

Except as otherwise provided in this Agreement, accrued interest on each Advance is payable by the relevant Borrower on its Maturity Date and also, in the case of any Advance with a Term longer than six months, at six monthly intervals after its Drawdown Date for so long as the Term is outstanding.

9.3 Default interest

(a) If a Borrower fails to pay any amount payable by it under this Agreement when due (an “Overdue Amount”), it shall forthwith on demand by the Agent or, as the case may be, the Euro Swingline Agent, pay interest on the Overdue Amount from the due date up to the date of actual payment, both before and after judgment, at a rate (the “Default Rate”) determined by the Agent or, as the case may be, the Euro Swingline Agent to be one per cent. per annum (the “Default Margin”) above the higher of:

(i) the rate on the Overdue Amount under Clause 9.1 (Interest rate for all Advances) immediately before the due date (in the case of principal); and

(ii) the rate which would have been payable under Clause 9.1 (Interest rate for all Advances) if the Overdue Amount had, during the period of non-payment, constituted a Revolving Credit Advance in the currency of the Overdue Amount for such successive Terms of such duration as the Agent may determine (each a “Designated Term”),

except that during any grace period specified in Clause 19.2 (Non-payment) the Default Margin portion of the Default Rate will only apply to overdue payments of principal.

(b) The Default Rate will be determined on each Business Day or the first day of, or two Business Days before the first day of, the relevant Designated Term, as appropriate.

(c) If the Agent or, as the case may be, the Euro Swingline Agent, determines that deposits in the currency of the Overdue Amount are not at the relevant time being made available by the Reference Banks to leading banks in the Relevant Interbank Market, the Default Rate will be determined by reference to the cost of funds to the Agent or, as the case may be, the Euro Swingline Agent, from whatever sources it selects, acting reasonably at all times, after consultation with the Reference Banks.

(d) Default interest will be compounded at the end of each Designated Term.

(e) The Agent shall notify Vodafone of the duration of each Designated Term.

9.4 Notification of rates of interest

The Agent or, as the case may be, the Euro Swingline Agent will promptly notify each relevant Party of the determination of a rate of interest under this Agreement.
9.5 Margin

(a) The Margin applicable to each Advance will be the lowest percentage rate specified in Column 2 below which corresponds to the criteria in relation to the Long Term Credit Rating Assigned to Vodafone in Column 1 below by Moody’s, Fitch and/or S&P (as the case may be) (each a “Credit Rating Agency”) at the relevant time.

<table>
<thead>
<tr>
<th>Column 1 Moody’s/Fitch/S&amp;P ratings</th>
<th>Column 2 Margin (per cent. per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any two are equal to or higher than: Aa3/AA-/AA-</td>
<td>0.175</td>
</tr>
<tr>
<td>Any two are equal to or higher than: A1/A+/A+</td>
<td>0.20</td>
</tr>
<tr>
<td>Any two are equal to or higher than: A2/A/A</td>
<td>0.225</td>
</tr>
<tr>
<td>Otherwise</td>
<td>0.275</td>
</tr>
<tr>
<td>All Quoting Credit Rating Agencies are lower than: A3/A-/A-</td>
<td>0.325</td>
</tr>
</tbody>
</table>

For the purposes of this Clause 9.5(a) “All Quoting Credit Rating Agencies” means at any time each Credit Rating Agency which has a Long Term Credit Rating Assigned to Vodafone at the relevant time.

(b) For the purposes of paragraph (a) above:

(i) the Margin applicable to an Advance throughout the whole of its Term will be determined according to the Long Term Credit Rating Assigned to Vodafone as at the Drawdown Date of the Advance; and

(ii) if on the Drawdown Date of any Advance only one Credit Rating Agency assigns a long term credit rating to Vodafone, the Margin applicable to that Advance will be determined in accordance with paragraph (i) by reference to such Long Term Credit Rating Assigned to Vodafone, or in the event that there is no Long Term Credit Rating Assigned to Vodafone the Margin applicable to that Advance will be 0.325 per cent. per annum.

In the case of Clause 9.5(b)(ii) above, where the ratings category will be determined by one Credit Rating Agency only, the words “Any two are” and “All Quoting Credit Rating Agencies” in Column 1 of the table above shall be construed as a reference to the rating determined pursuant to Clause 9.5(b)(ii) above.

(c) Promptly upon becoming aware of the same, Vodafone shall inform the Agent in writing if any change in the Long Term Credit Rating Assigned to Vodafone occurs or the circumstances contemplated by paragraph 9.5(b)(ii) above arise.

(d) For the purpose of this Clause 9.5 the “Long Term Credit Rating Assigned to Vodafone” means, at any time, the solicited long term credit rating assigned at that time to Vodafone by the relevant Credit Rating Agency (but, for the avoidance of doubt, disregarding any outlook or review action, including placing Vodafone on creditwatch or any similar or analogous step, taken by such Credit Rating Agency) where the rating is based primarily on the unsecured credit risk (not credit enhanced or collateralised) of Vodafone in a manner comparable to the credit structure of Vodafone’s €1,250,000,000 bond issue due January 2022 (the “Reference Bond”), or if the Reference Bond ceases to be outstanding, such other
outstanding series of listed bonds issued or guaranteed by Vodafone with a maturity date following and closest to January 2022. References in this paragraph (d) to Vodafone shall, following the Reorganisation Date, be references to NewTopco, provided that a long term credit rating has been assigned to NewTopco.

9.6 Non-Business Days
If a Term would otherwise end on a day which is not a Business Day, that Term shall instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10. PAYMENTS

10.1 Place of payment
All payments by an Obligor or a Lender under this Agreement shall be made to the Agent or (if the payment relates to the Swingline Facility) the Euro Swingline Agent to its account at such office or bank in the principal financial centre of the country of the relevant currency (or, in the case of euro, in the principal financial centre of a Participating Member State or London) or as it may notify to that Obligor or Lender for this purpose.

10.2 Funds
Payments under this Agreement to the Agent or, as the case may be, the Euro Swingline Agent shall be made for value on the due date at such times and in such funds as the Agent or, as the case may be, the Euro Swingline Agent may specify to the Party concerned as being customary at the time for the settlement of transactions in the relevant currency in the place for payment.

10.3 Distribution
(a) Each payment received by the Agent or, as the case may be, the Euro Swingline Agent under this Agreement for another Party shall, subject to paragraphs (b) and (c) below, be made available by the Agent or, as the case may be, the Euro Swingline Agent to that Party by payment (on the date of value of receipt and in the currency and funds of receipt) to its account with such bank in the principal financial centre of the country of the relevant currency (or, in the case of euro, in the principal financial centre of a Participating Member State or London) as it may notify to the Agent or, as the case may be, the Euro Swingline Agent for this purpose by not less than five Business Days’ notice.

(b) The Agent or, as the case may be, the Euro Swingline Agent may apply any amount received by it for an Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from an Obligor under this Agreement in the same currency on such date or in or towards the purchase of any amount of any currency to be so applied.

(c) Where a sum is to be paid under this Agreement to the Agent or, as the case may be, the Euro Swingline Agent for the account of another Party, the Agent or, as the case may be, the Euro Swingline Agent is not obliged to pay that sum to that Party until it has established that it has actually received that sum. The Agent or, as the case may be, the Euro Swingline Agent may, however, assume that the sum has been paid to it in accordance with this Agreement and, in reliance on that assumption, make available to that Party a corresponding amount. If the sum has not been made available but the Agent or, as the case may be, the Euro Swingline Agent has paid a corresponding amount to another Party, that Party shall forthwith on demand refund the corresponding amount to the Agent or, as the case may be, the Euro Swingline Agent together with interest on that amount from the date of payment to the date of receipt, calculated at a rate reasonably determined by the Agent or, as the case may be, the Euro Swingline Agent to reflect its cost of funds.
10.4 Currency

(a) (i) A repayment or prepayment of an Advance is payable in the currency in which the Advance is denominated.

(ii) Interest is payable in the currency in which the relevant amount in respect of which it is payable is

denominated.

(iii) Amounts payable in respect of costs, expenses, taxes and the like are payable in the currency in which they

are incurred.

(iv) Any other amount payable under this Agreement is, except as otherwise provided in this Agreement,

payable in euro.

(b) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by

the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the

currency of that country shall be translated into, or paid in, the currency or currency unit of that country

designated by the Agent (acting reasonably and after consultation with Vodafone); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange

recognised by the central bank for the conversion of the currency unit into the other, rounded up or down by

the Agent (acting reasonably); and

(iii) if a change in any currency of a country occurs this Agreement will be amended to the extent the Agent and

Vodafone agree (such agreement not to be unreasonably withheld) to be necessary to reflect the change in

currency and to put the Lenders and the Obligors in the same position, as far as possible, that they would

have been in if no change in currency had occurred.

10.5 Set-off and counterclaim

Subject to Clause 29.4 (Set-off by Obligors), all payments made by an Obligor under this Agreement shall be made without

set-off or counterclaim.

10.6 Non-Business Days

(a) If a payment under this Agreement is due on a day which is not a Business Day, the due date for that payment shall

instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there

is not).

(b) During any extension of the due date for payment of any principal under this Agreement interest is payable on the

principal at the rate payable on the original due date.

10.7 Impaired Agent or Euro Swingline Agent

(a) If, at any time, the Agent or, as the case may be, the Euro Swingline Agent becomes an Impaired Agent, an Obligor

or a Lender which is required to make a payment under the Finance Documents to the Agent or Euro Swingline

Agent in accordance with Clause 10 (Payments) may instead either pay that amount direct to the required recipient

or pay that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no

Insolvency Event has occurred and is continuing, in the name of the Obligor or the Lender making the payment and

designated as a trust account for the benefit of the Party or
Parties beneficially entitled to that payment under the Finance Documents. In each case such payment must be made on the due date for payment under the Finance Documents.

(b) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the beneficiaries of that trust account pro rata to their respective entitlements.

(c) A party who has made a payment in accordance with this Clause 10.7 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.

(d) Promptly upon the appointment of a successor Agent or, as the case may be, successor Euro Swingline Agent, in accordance with Clause 20.15 (Resignation of the Agent or the Euro Swingline Agent), each Party which has made a payment to a trust account in accordance with this Clause 10.7 shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount) together with any accrued interest to the successor Agent or, as the case may be, the successor Euro Swingline Agent for distribution in accordance with Clause 10.3 (Distribution).

10.8 Partial payments

(a) If the Agent or, as the case may be, the Euro Swingline Agent receives a payment insufficient to discharge all the amounts then due and payable by an Obligor under this Agreement, the Agent or, as the case may be, the Euro Swingline Agent shall apply that payment towards the obligations of the Obligors under this Agreement in the following order:

(i) first, in or towards payment pro rata of any unpaid costs, fees and expenses of the Agent and the Euro Swingline Agent under this Agreement;

(ii) secondly, in or towards payment pro rata of any accrued fees due but unpaid under Clause 21 (Fees);

(iii) thirdly, in or towards payment pro rata of any interest due but unpaid under this Agreement;

(iv) fourthly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and

(v) fifthly, in or towards payment pro rata of any other sum due but unpaid under this Agreement.

(b) The Agent or, as the case may be, the Euro Swingline Agent, shall, if so directed by all the Lenders, vary the order set out in sub-paragraphs (a)(ii) to (v) above. The Agent or, as the case may be, the Euro Swingline Agent, shall notify Vodafone of any such variation.

(c) Paragraphs (a) and (b) above shall override any appropriation made by any Obligor.

11. TAXES

11.1 Gross-up

All payments by an Obligor to a Finance Party under the Finance Documents shall be made free and clear of and without deduction for or on account of any Relevant Taxes, except to the extent that the Obligor is required by law to make payment subject to any such taxes. Subject to Clause 11.4 (Qualifying Lenders) and Clause 11.5 (U.S. Taxes), if any Relevant Tax or amounts in respect of Relevant Tax are deducted or withheld from any amounts payable or paid by an Obligor, to a
Finance Party under the Finance Documents (in each case, other than a FATCA Deduction), the Obligor shall pay such additional amounts as may be necessary to ensure that the relevant Finance Party receives a net amount equal to the full amount which it would have received had that Relevant Tax or those amounts in respect of Relevant Tax not been so deducted or withheld.

11.2 Indemnity

Save to the extent that the relevant Finance Party is compensated by an increased payment under Clause 11.1 (Gross-up), but otherwise without prejudice to the provisions of Clause 11.1 (Gross-up), but subject to Clause 11.4 (Qualifying Lenders) and Clause 11.5 (U.S. Taxes), if a Finance Party or the Agent (or, as the case may be, the Euro Swingline Agent) on behalf of that Finance Party is required to make any payment on account of any Relevant Tax on or in relation to any sum received or receivable hereunder by such Finance Party or the Agent (or, as the case may be, the Euro Swingline Agent) on behalf of that Finance Party (including a sum received or receivable under this Clause 11) or any liability in respect of any such payment on account of any Relevant Tax is incurred by such Finance Party or the Agent (or, as the case may be, the Euro Swingline Agent) on behalf of that Finance Party (in all cases other than any Tax on Overall Net Income or any FATCA Deduction), the relevant Obligor shall, within five Business Days of demand by the Agent (or, as the case may be, the Euro Swingline Agent) indemnify such Finance Party against such payment or liability in respect of such payment, together with any interest, penalties, reasonable costs and reasonable expenses payable or incurred in connection therewith other than any such interest, penalties, costs or expenses arising as a result of a failure by a Finance Party to make payment of such tax when due.

11.3 Tax receipts

All taxes required by law to be deducted or withheld by an Obligor from any amounts paid or payable under the Finance Documents shall be paid by the relevant Obligor when due and the Obligor shall, within 15 days of the payment being made, deliver to the Agent for the relevant Lender evidence satisfactory to that Lender acting reasonably (including any relevant tax receipts which have been received) that the payment has been duly remitted to the appropriate authority.

11.4 Qualifying Lenders

(a) An Obligor is not required to pay to a Lender any amounts under Clause 11.1 (Gross-up) or Clause 11.2 (Indemnity) in respect of Relevant Tax imposed by the United Kingdom if, on the date on which the payment falls due, the relevant Lender is a Party but is not a Qualifying Lender (other than as a result of the introduction, suspension, withdrawal or cancellation of, or change in, or change in the official interpretation, administration or official application of, any law, regulation having the force of law, tax treaty or any published practice or published concession of any relevant taxing authority in any jurisdiction with which the relevant Lender has a connection, occurring after the Signing Date or, if later, the date on which that Lender becomes a Party).

(b) A Treaty Lender shall:

(i) promptly and, in any event, within seven Business Days after it becomes a Lender, deliver to its local revenue authority for certification such UK HMRC forms ("Claim Forms") as may be required for any Obligor making a payment to such Treaty Lender to obtain authorisation from the UK HMRC to make such payment without deduction for or on account of any taxes;

(ii) in circumstances where the procedure for Treaty relief contemplated in paragraph (i) above requires a local revenue authority to return a certified Claim Form to the Treaty Lender for submission by that Treaty Lender to the UK HMRC, (a) take all
reasonable follow up action available to the Treaty Lender to facilitate the return in a timely manner to the Treaty Lender of such Claim Form, duly stamped or certified by the relevant revenue authority and (b) submit such Claim Form to the UK HMRC as soon as reasonably practicable (and in any event within seven Business Days) after receipt of that Claim Form from the local revenue authority; and

(iii) in all other circumstances relating to the Treaty relief procedure contemplated in (i) above, following the submission of Claim Forms by the Treaty Lender to the relevant local revenue authority, respond promptly to any further requests any Treaty Lender receives from the relevant local revenue authority and, on receipt of written request from Vodafone to do so, take all reasonable follow up action to facilitate the submission by the relevant local revenue authority of duly stamped or certified Claim Forms to the UK HMRC in a timely manner.

If there is any change in the procedure by which certification is to be made or to be notified to the UK HMRC, the Treaty Lender’s obligations shall be modified in such manner as the Treaty Lender may reasonably determine so that such amended obligations shall, as far as possible, have the same or equivalent effect as the original obligations. No Obligor resident in the UK shall be liable to pay any sums to any Treaty Lender under Clause 11.1 (Gross-up) or Clause 11.2 (Indemnity) unless the Treaty Lender has complied with its obligations under this Clause 11.4(b).

(c) Subject to paragraph (d) below, each Lender warrants to Vodafone, on each date upon which it makes an Advance and on the due date for each payment of interest to the Lender:

(i) that it is a Qualifying Lender; and

(ii) if it is a Treaty Lender, it has delivered (or will deliver within the time limits specified herein) the forms described in paragraph (b) above.

(d) If a Lender or, as the case may be, the Facility Office of a Lender is aware that it is or will become unable to make the warranty set out in paragraph (c) above of this Clause 11.4 it will promptly notify the Agent and Vodafone. Notwithstanding such notification to Vodafone, the Agent will promptly notify Vodafone and from the date of the first such notification received by Vodafone the warranty in paragraph (c) above will no longer be made by that Lender.

11.5 U.S. Taxes

(a) A U.S. Tax Obligor shall not be required to pay any amount pursuant to Clause 11.1 (Gross-up) or any amount pursuant to Clause 11.2 (Indemnity) in respect of Relevant Tax imposed by the United States (including, without limitation, federal, state, local or other income taxes, branch profits or franchise taxes “U.S. Taxes”) with respect to a sum payable by it pursuant to this Agreement to a Lender if on the date a payment of interest falls due under this Agreement either:

(i) in the case of a Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code), such Lender is not entitled to receive interest payable under this Agreement free and clear of any U.S. Taxes imposed by way of deduction or withholding at the source under applicable law as in effect on the date such Lender becomes a party to this Agreement or, if such Lender has designated a new Facility Office, the date of such designation; or

(ii) such Lender has failed to provide the relevant U.S. Tax Obligor with the appropriate form, certificate or other information with respect to such sum payable that it was required to provide pursuant to paragraphs (b) and (c) below; or
(iii) such Lender is subject to such tax by reason of any connection between the Lender or its Facility Office and the jurisdiction imposing such tax on the Lender or its Facility Office other than a connection arising solely from this Agreement or any transaction contemplated hereby.

(b) At any time after a U.S. Tax Obligor becomes (and while there continues to be a U.S. Tax Obligor) a Party to this Agreement, if a Lender is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) it shall submit, as soon as reasonably practicable after:

(i) the date on which the U.S. Tax Obligor becomes a Party to this Agreement (if requested by the relevant U.S. Tax Obligor);

(ii) the date on which the relevant Lender becomes a Party to this Agreement; or

(iii) the date on which the relevant Lender designates a new Facility Office,

(but, in each case, no later than the due date for the next interest payment), in duplicate to each U.S. Tax Obligor duly completed and signed originals of either United States Internal Revenue Service Form W-8BEN or Form W-8ECI or applicable successor form relating to such Lender and evidencing such Lender’s complete exemption from withholding on all amounts (to which such withholding would otherwise apply) to be received by such Lender, including fees, pursuant to this Agreement in connection with any borrowing by a U.S. Tax Obligor. Thereafter such Lender shall submit to each U.S. Tax Obligor such additional duly completed and signed originals of one or the other such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxation authorities) or any additional information, in each case as may be required under then current United States law or regulations to claim the inapplicability of or exemption from United States withholding taxes on payments in respect of all amounts (to which such withholding would otherwise apply) to be received by such Lender, including fees, pursuant to this Agreement in connection with any borrowing by a U.S. Tax Obligor. Thereafter such Lender shall submit to each U.S. Tax Obligor such additional duly completed and signed originals of one or the other such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxation authorities) or any additional information, in each case as may be required under then current United States law or regulations to claim the inapplicability of or exemption from United States withholding taxes on payments in respect of all amounts (to which such withholding would otherwise apply) to be received by such Lender, including fees, pursuant to this Agreement in connection with any borrowing by a U.S. Tax Obligor.

(c) At any time after a U.S. Tax Obligor becomes (and while there continues to be a U.S. Tax Obligor) a Party to this Agreement, if a Lender is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) it shall, as soon as practicable after:

(i) the date on which the U.S. Tax Obligor becomes a Party to this Agreement (if requested by the relevant U.S. Tax Obligor);

(ii) the date on which the relevant Lender becomes a Party to this Agreement; or

(iii) the date on which the relevant Lender designates a new Facility Office,

(but, in each case, no later than the due date for the next interest payment), and thereafter, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form or forms to be delivered, submit in duplicate to each U.S. Tax Obligor a duly completed and signed United States Internal Revenue form W-9 evidencing that such Lender is such a United States person and shall submit any additional information that may be necessary to avoid United States withholding taxes on all payments, including fees, (to which such
withholding would otherwise apply) to be received pursuant to this Agreement in connection with any borrowing by a U.S. Tax Obligor.

11.6 Refund of Tax Credits

If any Obligor pays any amount to a Finance Party under this Clause 11 (a “Tax Payment”) and that Finance Party obtains a refund of a tax, or a credit against tax by reason of either the circumstances giving rise to the Obligor’s obligation to make the Tax Payment or that Tax Payment (a “Tax Credit”) then that Finance Party shall reimburse that Obligor such amount, which that Finance Party determines in good faith, as can be determined to be the proportion of the Tax Credit as will leave that Finance Party (after that reimbursement) in no better or worse position than it would have been in if the Tax Payment had not been paid. Nothing in this Clause 11 shall interfere with the right of each Finance Party to arrange its affairs in whatever manner it thinks fit and no Finance Party is obliged to disclose any information regarding its tax affairs or computations to an Obligor which it reasonably considers confidential.

11.7 FATCA Information

(a) Subject to paragraph (c) below, each Party must, within ten Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party; and

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA (including its applicable “passthru payment percentage” or other information required under relevant US Treasury regulations or other official guidance including intergovernmental agreements) as that other Party reasonably requests for the purposes of that other Party’s compliance with FATCA.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party must notify that other Party reasonably promptly.

(c) A Finance Party is not obliged to do anything under paragraph (a) above which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.

(d) If a Party fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then:

(i) if that Party failed to confirm whether it is (or remains) a FATCA Exempt Party then such Party is to be treated for the purposes of the Finance Documents (and payments made under them) as if it is not a FATCA Exempt Party; and

(ii) if that Party failed to confirm its applicable “passthru payment percentage” then such Party is to be treated for the purposes of the Finance Documents (and payments
made under them) as if its applicable passthru percentage is 100% (or such other percentage prescribed under FATCA from time to time),

until (in each case) such time as the Party in question provides the requested confirmation, forms, documentation or other information.

(e) If a Borrower is a U.S. Tax Obligor, or where the Agent or, as the case may be, the Euro Swingline Agent, reasonably believes that its obligations under FATCA require it, each Lender shall, within ten Business Days of:

(i) where a Borrower is a U.S. Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;

(ii) where a Borrower is a U.S. Tax Obligor and the relevant Lender is a New Lender, the relevant Transfer Date;

(iii) the date a new U.S. Tax Obligor accedes as a Borrower; or

(iv) where the Borrower is not a U.S. Tax Obligor, the date of a request from the Agent or, as the case may be, the Euro Swingline Agent,

supply to the Agent or, as the case may be, the Euro Swingline Agent:

(v) a withholding certificate on Form W-8 or Form W-9 (or any successor form) (as applicable); or

(vi) any withholding statement and other documentation, authorisations and waivers as the Agent or, as the case may be, the Euro Swingline Agent, may require to certify or establish the status of such Lender under FATCA.

The Agent shall provide any withholding certificate, withholding statement, documentation, authorisations and waivers it receives from a Lender pursuant to this paragraph (e) to the Borrower and shall be entitled to rely on any such withholding certificate, withholding statement, documentation, authorisations and waivers provided without further verification. The Agent or, as the case may be, the Euro Swingline Agent, shall not be liable for any action taken by it under or in connection with this paragraph (e).

(f) Each Lender agrees that if any withholding certificate, withholding statement, documentation, authorisations and waivers provided to the Agent, or, as the case may be, the Euro Swingline Agent, pursuant to paragraph (e) above is or becomes materially inaccurate or incomplete, it shall promptly update such withholding certificate, withholding statement, documentation, authorisations and waivers or promptly notify the Agent, or, as the case may be, the Euro Swingline Agent, in writing of its legal inability to do so. The Agent, or, as the case may be, the Euro Swingline Agent, shall provide any such updated withholding certificate, withholding statement, documentation, authorisations and waivers or a copy of any such notification to the Borrower. The Agent or, as the case may be, the Euro Swingline Agent, shall not be liable for any action taken by it under or in connection with this paragraph (f).

11.8 FATCA Deduction

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party is required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
(b) Each Party must, promptly upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, must notify Vodafone, the Agent or, as the case may be, the Euro Swingline Agent, and the other Finance Parties.

12. MARKET DISRUPTION

12.1 Market disturbance

Notwithstanding anything to the contrary herein contained, if and each time that prior to or on a Drawdown Date relative to an Advance (other than, in the case of paragraphs (a), (b)(ii) or (c) below, a Swingline Advance) to be made:

(a) only one or no Reference Bank supplies a rate for the purposes of determining EURIBOR or LIBOR (as the case may be) in accordance with paragraph (c) of the relevant definition; or

(b) the Agent is notified by Lenders whose participations in that Advance would represent 50 per cent. or more of that Advance that (i) deposits in the currency of that Advance may not in the ordinary course of business be available to them in the Relevant Interbank Market for a period equal to the Term concerned in amounts sufficient to fund their participations in that Advance or (ii) the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of EURIBOR or LIBOR; or

(c) the Agent (after consultation with the Reference Banks) shall have determined (which determination shall be conclusive and binding upon all Parties) that by reason of circumstances affecting the Relevant Interbank Market generally, adequate and fair means do not exist for ascertaining the EURIBOR or LIBOR (as the case may be) applicable to such Advance during its Term,

the Agent shall promptly give written notice of such determination or notification to Vodafone and to each of the Lenders.

12.2 Alternative rates

If the Agent gives a notice under Clause 12.1 (Market disturbance):

(a) Vodafone and the Lenders whose participations in the relevant Advance would represent 50 per cent. or more of that Advance may (through the Agent) agree that (except in the case of a Rollover Advance) that Advance shall not be borrowed; or

(b) in the absence of such agreement by the Drawdown Date specified in the relevant Request (and in any event in the case of a Rollover Advance):

(i) the Term of the relevant Advance shall be one month;

(ii) the Advance shall be made in the currency requested or, in the case of Clause 12.1(b)(i) (Market disturbance), in euro (or, if the currency requested for the relevant Advance is euro, U.S. Dollars); and

(iii) during the Term of the relevant Advance the rate of interest applicable to such Advance shall be the Margin plus the rate per annum notified by each Lender concerned to the Agent before the last day of such Term to be that which expresses as a percentage rate per annum the cost to such Lender of funding its participation in such Advance from whatever sources it may reasonably select.
13. INCREASED COSTS

13.1 Increased costs

(a) Except as provided below in this Clause 13, Vodafone will forthwith on demand by a Finance Party pay that Finance Party the amount of any increased cost incurred by it or any of its Affiliates as a result of:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation (including any relating to reserve asset, special deposit, cash ratio, liquidity or capital adequacy requirements or any other form of banking or monetary control);

(ii) the compliance with any law or regulation made after the date of this Agreement; or

(iii) without prejudice to the generality of the foregoing, the implementation or application of or compliance with Basel III or CRD IV or any other law or regulation which implements Basel III or CRD IV (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).

(b) Subject to Clause 13.3 (Basel III cost claims), promptly following the service of any demand, Vodafone will pay to that Finance Party such amount as that Finance Party certifies in the demand (with sufficient details for the calculations to be verified) will in its reasonable opinion compensate it for the applicable increased cost and in relation to the period expressed to be covered by such demand.

(c) When calculating an increased cost, a Finance Party will only apply the costs incurred in relation to the Facilities. Nothing contained in this Clause 13.1 shall oblige the Finance Party to disclose any information (other than information which is readily available in the public domain or which is not in the reasonable opinion of the Finance Party confidential) relating to the way in which it employs its capital or arranges its internal financial affairs.

(d) In this Agreement “increased cost” means:

(i) an additional cost incurred by a Finance Party or any of its Holding Companies as a result of it performing, maintaining or funding its obligations under, this Agreement; or

(ii) that portion of an additional cost incurred by a Finance Party or any of its Holding Companies in making, funding or maintaining all or any advances comprised in a class of advances formed by or including its participations in the Advances made or to be made under this Agreement as is attributable to it making, funding or maintaining its participations; or

(iii) a reduction in any amount payable to a Finance Party or the effective return to a Finance Party under this Agreement or on its capital (or the capital of any of its Holding Companies); or

(iv) the amount of any payment made by a Finance Party, or the amount of interest or other return foregone by a Finance Party, calculated by reference to any amount received or receivable by a Finance Party from any other Party under this Agreement.
13.2 Exceptions
Clause 13.1 (Increased costs) does not apply to any increased cost:

(a) attributable to any tax or amounts in respect of tax; or

(b) occurring as a result of any negligence or default by a Lender or its Holding Company relating to a breach of any law or regulation including but not limited to a breach by that Lender or Holding Company of any fiscal, monetary or capital adequacy limit imposed on it by any law or regulation; or

(c) to the extent that the increased cost was incurred in respect of any day more than six months before the first date on which it was reasonably practicable to notify Vodafone thereof (except in the case of any retrospective change); or

(d) attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (“Basel II”) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates). For the avoidance of doubt, the foregoing shall not include any amendments, supplements, restatements or changes to Basel II to implement Basel III; or

(e) attributable to a FATCA Deduction required to be made by a Party.

13.3 Basel III Cost claims

(a) Vodafone need not make any payment for a Basel III Cost, except to the extent that the Basel III Cost is attributable to an amount of an Advance(s) which has been drawn at any time by an Obligor under this Agreement.

(b) Without limiting Clause 13.2 (Exceptions) Vodafone need not make any payment for a Basel III Cost unless the claiming Finance Party:

(i) provides reasonable detail of the basis of calculation of such Basel III Costs provided that this obligation to provide reasonable detail does not extend to information and detail that a Finance Party considers it is not legally allowed to disclose, is confidential to third parties, is confidential for internal reasons or is price-sensitive in relation to listed shares or other instruments issued by that Finance Party or any of its Affiliates;

(ii) confirms to Vodafone that it is the Finance Party’s policy to claim Basel III Costs to a similar extent from similar borrowers in relation to similar facilities; and

(iii) confirms to Vodafone that it is making a claim for those Basel III Costs within three months of incurring them.

(c) If any claim by any Finance Party is made under this Clause 13 (Increased Costs) in respect of Basel III Costs, that Finance Party and Vodafone shall enter into discussions (for a period not exceeding 15 Business Days) as to the basis for such claim and whether it is reasonable for Vodafone to pay such claim in the circumstances.

(d) If no agreement is reached in respect of the payment of such claim within 15 Business Days of the claim being made, the relevant Finance Party may, within 15 Business Days after the end of such period and by ten Business Days’ prior notice to Vodafone:
If it becomes unlawful in any jurisdiction for a Lender to give effect to any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Advance, then the Lender may notify Vodafone through the Agent accordingly and thereupon, but only to the extent necessary to remove the illegality:

Notwithstanding the provisions of Clauses 9.1 (Interest rate for all Advances), 11 (Taxes), 13 (Increased Costs) and 14.1 (Illegality), if in relation to a Finance Party circumstances arise which would result in:

then without in any way limiting, reducing or otherwise qualifying the rights of such Finance Party or the Agent, such Finance Party shall promptly upon becoming aware of the same notify the Agent thereof (whereupon the Agent shall promptly notify Vodafone) and such Finance Party shall use reasonable endeavours to transfer its participation in the Facility and its rights hereunder and under the Finance Documents to another financial institution or Facility Office not affected by circumstances having the results set out in paragraphs (a), (b) or (c) above and shall otherwise take such reasonable steps as may be open to it to mitigate the effects of such circumstances provided that such Finance Party shall not be under any obligation to take any such action if, in its opinion, to do

14. ILLEGALITY AND MITIGATION

14.1 Illegality

If it becomes unlawful in any jurisdiction for a Lender to give effect to any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Advance, then the Lender may notify Vodafone through the Agent accordingly and thereupon, but only to the extent necessary to remove the illegality:

(a) each Borrower shall, upon request from that Lender within the period allowed or if no period is allowed, forthwith, repay any participation of that Lender in the Advances made to it together with all other amounts payable by it to that Lender under this Agreement; and

(b) the Lender’s Commitments shall be cancelled immediately.

14.2 Mitigation

Notwithstanding the provisions of Clauses 9.1 (Interest rate for all Advances), 11 (Taxes), 13 (Increased Costs) and 14.1 (Illegality), if in relation to a Finance Party circumstances arise which would result in:

(a) any deduction, withholding or payment of the nature referred to in Clause 11 (Taxes); or

(b) any increased cost of the nature referred to in Clause 13 (Increased Costs); or

(c) a notification pursuant to Clause 14.1 (Illegality),

then without in any way limiting, reducing or otherwise qualifying the rights of such Finance Party or the Agent, such Finance Party shall promptly upon becoming aware of the same notify the Agent thereof (whereupon the Agent shall promptly notify Vodafone) and such Finance Party shall use reasonable endeavours to transfer its participation in the Facility and its rights hereunder and under the Finance Documents to another financial institution or Facility Office not affected by circumstances having the results set out in paragraphs (a), (b) or (c) above and shall otherwise take such reasonable steps as may be open to it to mitigate the effects of such circumstances provided that such Finance Party shall not be under any obligation to take any such action if, in its opinion, to do
so would or would be likely to have a material adverse effect upon its business, operations or financial condition or would involve it in any unlawful activity or any activity that is contrary to its policies or any request, guidance or directive of any competent authority (whether or not having the force of law) or (unless indemnified to its satisfaction) would involve it in any significant expense or tax disadvantage.

15. GUARANTEE

15.1 Guarantee

Each Guarantor jointly and severally, irrevocably and unconditionally:

(a) as principal obligor, guarantees to each Finance Party that if and whenever:
   (i) an amount is due and payable by a Borrower under or in connection with any Finance Document; and
   (ii) demand for payment of that amount has been made by the Agent on that Borrower,

   that Guarantor will forthwith on demand by the Agent pay that amount as if that Guarantor instead of that Borrower were expressed to be the principal obligor; and

(b) indemnifies each Finance Party on demand against any loss or liability suffered by it if any obligation guaranteed by any Guarantor is or becomes unenforceable, invalid or illegal (the amount of that loss being the amount expressed to be payable by the relevant Borrower in respect of the relevant sum).

15.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of all sums payable by the Borrowers under the Finance Documents, regardless of any intermediate payment or discharge in part.

15.3 Reinstatement

(a) Where any discharge (whether in respect of the obligations of any Borrower or any security for those obligations or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation or otherwise without limitation, the liability of the Guarantors under this Clause 15 shall continue as if the discharge or arrangement had not occurred (but only to the extent that such payment, security or other disposition is avoided or restored).

(b) Each Finance Party may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

15.4 Waiver of defences

The obligations of each Guarantor under this Clause 15 will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release or prejudice any of its obligations under this Clause 15 or prejudice or diminish those obligations in whole or in part, including (whether or not known to it or any Finance Party):

(a) any time or waiver granted to, or composition with, any Borrower or other person;
(b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Consolidated Group;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of powers, authority or legal personality of or dissolution or change in the members or status of a Borrower or any other person;

(e) any variation (however fundamental) or replacement of a Finance Document so that references to that Finance Document in this Clause 15 shall include each variation or replacement;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document, to the intent that the Guarantors’ obligations under this Clause 15 shall remain in full force and its guarantee be construed accordingly, as if there were no unenforceability, illegality or invalidity; and

(g) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any Borrower under a Finance Document resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order so that each such obligation shall, for the purposes of the Guarantors’ obligations under this Clause 15, be construed as if there were no such circumstance.

15.5 Immediate recourse

Except as provided in Clause 15.1(a)(ii) (Guarantee), each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 15.

15.6 Appropriations

Until all amounts which may be or become payable by the Borrowers under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

(b) hold in a suspense account (bearing interest at a commercial rate) any moneys received from any Guarantor or on account of that Guarantor’s liability under this Clause 15, with any interest earned being credited to that account.

15.7 Non-competition

Until all amounts which may be or become payable by the Borrowers under or in connection with the Finance Documents have been paid in full, no Guarantor shall, after a claim has been made or by virtue of any payment or performance by it under this Clause 15:

(a) be subrogated to any rights, security or moneys held, received or receivable by any Finance Party (or any trustee or agent on its behalf) or be entitled to any right of contribution or
Each Guarantor shall hold in trust for and forthwith pay or transfer to the Agent for the Finance Parties any payment or distribution or benefit of security received by it contrary to this Clause 15.7.

This guarantee is in addition to and is not in any way prejudiced by any other security now or hereafter held by any Finance Party.

15.8 Additional security
This guarantee is in addition to and is not in any way prejudiced by any other security now or hereafter held by any Finance Party.

15.9 Removal of Guarantors
(a) Any Guarantor (other than, Vodafone (subject to paragraph (b) below) and, following the Reorganisation Date, NewTopco and any Intermediate Holding Company (subject to paragraph (c) below) of Vodafone) which is not a Borrower, may, at the request of Vodafone and if no Default is continuing, cease to be a Guarantor by entering into a supplemental agreement to this Agreement at the cost of Vodafone in such form as the Agent may reasonably require which shall discharge that Guarantor’s obligations as a Guarantor under this Agreement.

(b) If on the Reorganisation Date, NewTopco or any Intermediate Holding Company have acceded as Guarantors in accordance with Clause 27.7 (Additional Guarantors) and no Default is continuing or would result from Vodafone’s resignation as a Guarantor, Vodafone may cease to be a Guarantor with effect from the Reorganisation Date by entering into a supplemental agreement to this Agreement at the cost of Vodafone or NewTopco in such form as the Agent may reasonably require which shall discharge Vodafone’s obligations as a Guarantor under this Agreement.

(c) If NewTopco has acceded as a Guarantor in accordance with Clause 27.7 (Additional Guarantors) and no Default is continuing or would result from Intermediate Holding Company’s resignation as a Guarantor, Intermediate Holding Company may cease to be a Guarantor by entering into a supplemental agreement to this Agreement at the cost of Vodafone or NewTopco in such form as the Agent may reasonably require which shall discharge Intermediate Holding Company’s obligation as a Guarantor under this Agreement.

(d) Any Party retiring as a Guarantor in accordance with paragraphs (a), (b) or (c) above (a “Retiring Guarantor”) for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

(i) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and

(ii) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in
connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

15.10 Limitation on guarantee of U.S. Guarantors

Notwithstanding any other provision of this Clause 15, the obligations of each Guarantor incorporated in the United States (other than NewTopco and any Intermediate Holding Company, to the extent incorporated in the United States) (a "U.S. Guarantor") under this Clause 15 shall be limited to a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Bankruptcy Code or any applicable provisions of comparable state law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of such U.S. Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such U.S. Guarantor in respect of intercompany indebtedness to the Borrowers or Affiliates of the Borrowers to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such U.S. Guarantor hereunder) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such U.S. Guarantor pursuant to (a) applicable law or (b) any agreement providing for an equitable allocation among such U.S. Guarantor and other Affiliates of the Borrowers of obligations arising under guarantees by such parties.

16. REPRESENTATIONS AND WARRANTIES

16.1 Representations and warranties

Each Obligor makes the representations and warranties set out in this Clause 16 to each Finance Party (in respect of itself and where relevant its Controlled Subsidiaries only).

16.2 Status

(a) It is a duly incorporated and validly existing corporation under the laws of the jurisdiction of its incorporation.
(b) Except to the extent specified in the applicable Borrower Accession Agreement or Guarantor Accession Agreement, each Obligor is classified as a corporation for U.S. federal income tax purposes.

16.3 Powers and authority

It has the power to:

(a) enter into and comply with, all obligations expressed on its part under the Finance Documents;
(b) (in the case of a Borrower) to borrow under this Agreement; and
(c) (in the case of a Guarantor) to give the guarantee in Clause 15 (Guarantee), and has taken all necessary actions to authorise the execution, delivery and performance of the Finance Documents.

16.4 Non-violation

The execution, delivery and performance of the Finance Documents will not violate:
Borrowings under this Agreement up to and including the maximum amount available under this Agreement, together with borrowings under the 2017 Facility up to and including the maximum amount available under the 2017 Facility, will not cause any limit (except to the extent the limit has been waived) on borrowings or, as the case may be, on the giving of guarantees (whether imposed in its Articles of Association or otherwise), or on the powers of its board of directors, applicable to it to be exceeded.

All necessary consents or authorisations of any governmental authority or agency required by it in connection with the execution, validity, performance or enforceability of the Finance Documents have been obtained and are validly existing.

Neither it nor any of its Controlled Subsidiaries which is a member of the Restricted Group is in default under any law or agreement by which it is bound the consequences of which would have a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents.

The audited consolidated financial statements of Vodafone (or, following a Hive Up, NewTopco) most recently delivered to the Agent (which, at the date of this Agreement are the audited consolidated accounts of Vodafone for the year ended 31 March 2013):

(a) give a true and fair view of the consolidated financial position of Vodafone (or, following a Hive Up, NewTopco) as at the date to which they were drawn up; and

(b) have been prepared in accordance with generally accepted accounting principles applied by Vodafone (or, following a Hive Up, NewTopco) at such time, consistently applied except for changes disclosed in such financial statements which are necessary to reflect a change in generally accepted accounting principles or the adoption of international finance reporting standards.

No Event of Default has occurred and is continuing in respect of it or any of its Subsidiaries which is a member of the Restricted Group.

Each Borrower which is a U.S. Obligor either (i) is not an investment company as defined under United States Investment Company Act of 1940, as amended, or (ii) is exempt from the registration provisions of the Act pursuant to an exemption under that Act.
16.11 ERISA

(a) Each member of the Controlled USA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan maintained by such member or any member of the Controlled USA Group where non-fulfilment of such obligations would have a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents.

(b) Each Obligor is in compliance with the applicable provisions of ERISA, the Code and any other applicable United States Federal or State law with respect to each Plan maintained by such Obligor where non-fulfilment of or non-compliance with such provisions would have a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents.

(c) No Reportable Event has occurred with respect to any Plan maintained by an Obligor or any member of the Controlled USA Group and no steps have been taken to reorganise or terminate any Single Employer Plan or by that Obligor to effect a complete or partial withdrawal from any Multi-employer Plan where non-compliance or such Reportable Event, reorganisation, termination or withdrawal would have a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents.

(d) No member of the Controlled USA Group has:
   (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan; or
   (ii) failed to make any contribution or payment to any Single Employer Plan or Multi-employer Plan, or made any amendment to any Plan, and no other event, transaction or condition has occurred which has resulted or would result in the imposition of a lien or the posting of a bond or other security under ERISA or the Code; or
   (iii) incurred any material, actual liability under Title I or Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA,

if such seeking, failure or incurrence would have a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents.

16.12 Anti-Terrorism Laws

(a) In this Clause, Anti-Terrorism Law means each of:

   (i) Executive Order No. 13224 on Terrorist Financing: Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism issued September 23, 2001, as amended by Order 13268 (as so amended, the Executive Order);

   (ii) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (commonly known as the USA Patriot Act) (the USA Patriot Act);

   (iii) the Money Laundering Control Act of 1986, 18 U.S.C. sect. 1956; and
Restricted Party means any person listed:

(i) in the Annex to the Executive Order;
(ii) on the “Specially Designated Nationals and Blocked Persons” list maintained by the Office of Foreign Assets Control of the United States Department of the Treasury; or
(iii) in any successor list to either of the foregoing.

(b) No U.S. Obligor or any of its Subsidiaries:

(i) is, or is controlled by, a Restricted Party;
(ii) to the best of its knowledge, has received funds or other property from a Restricted Party; or
(iii) to the best of its knowledge, is in breach of or is the subject of any action or investigation under any Anti-Terrorism Law.

(c) Each U.S. Obligor and each of its Subsidiaries have taken reasonable measures to ensure compliance with the Anti-Terrorism Laws.

16.13 Sanctions
To the best of its and its Subsidiaries’ knowledge, neither it nor any of its Subsidiaries, nor, to the best of its knowledge, any director, officer, agent, employee or affiliate of it or any of its Subsidiaries are currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury (OFAC) or any equivalent sanctions administered or enforced by the United Nations Security Council, the European Union, Her Majesty’s Treasury, the State Secretariat for Economic Affairs or other relevant sanctions authority.

16.14 Times for making representations and warranties

(a) The representations and warranties set out in this Clause 16 (excluding Clause 16.10 (Investment Company) to Clause 16.12 (Anti-Terrorism Laws) (inclusive)):

(i) are made by Vodafone on the Signing Date and, in the case of an Obligor which becomes a Party after the Signing Date, will be deemed to be made by that Obligor on the date it executes a Borrower Accession Agreement or Guarantor Accession Agreement; and
(ii) are deemed to be made again by each Obligor on the date of each Request and on each Drawdown Date with reference to the facts and circumstances then existing.

(b) The representation and warranties set out in Clauses 16.10 (Investment Company), 16.11 (ERISA) and 16.12 (Anti-Terrorism Laws):

(i) are made by Vodafone on the date on which the first U.S. Obligor executes a Borrower Accession Agreement or a Guarantor Accession Agreement as the case may be;
The undertakings in this Clause 17 will remain in force from the Signing Date for so long as any amount is or may be outstanding under this Agreement or any Commitment is in force.

17. **UNDERTAKINGS**

17.1 **Duration**

The undertakings in this Clause 17 will remain in force from the Signing Date for so long as any amount is or may be outstanding under this Agreement or any Commitment is in force.

17.2 **Financial information**

(a) Vodafone shall supply to the Agent:

(i) as soon as the same are publicly available (and in any event within 180 days of the end of each of its financial years):

   (A) the audited consolidated financial statements of the Consolidated Group for that financial year; and

   (B) (if published) each other Obligor’s audited statutory accounts for that financial year, consolidated if that Obligor has Subsidiaries and consolidated accounts are prepared and published;

(ii) as soon as the same are publicly available (and in any event within 90 days of the end of the first half-year of each of its financial years) the interim unaudited financial statements of the Consolidated Group for that half-year;

(iii) within 20 days of the day on which the accounts referred to in paragraph (i) (A) or (ii) above are posted on Vodafone’s website in accordance with paragraph (b) below (provided that it shall not be a Default under this Clause 17.2 unless Vodafone fails to so supply within 10 days of written request by the Agent (on its own accord or at the request of a Lender) made at any time following the date of such posting) a certificate signed by a Vodafone authorised officer (or following a Hive Up, a NewTopco authorised officer), or in their absence any director of Vodafone or NewTopco, as the case may be, establishing (in reasonable detail) compliance with Clauses 17.8 (Priority borrowing) and 18 (Financial Covenant) as at the date to which those accounts were drawn up and identifying the Principal Subsidiaries and the operating Subsidiaries which are Controlled Subsidiaries; and

(iv) if, after the date of the most recent certificate delivered pursuant to paragraph (iii) above and prior to the date that the next certificate is required to be delivered, a Principal Subsidiary ceases to be Principal Subsidiary as a result of (A) a sale or transfer to or a merger into or with an entity which is not a member of the Restricted Group or (B) the acquisition of a new Principal Subsidiary, a certificate signed by a Vodafone authorised officer (or following a Hive Up, a NewTopco authorised officer), or in their absence any director of Vodafone or NewTopco, as the case may be, which identifies the Principal Subsidiary which has ceased to be a Principal Subsidiary and the new Principal Subsidiary.
Vodafone shall supply to the Agent:

17.3 Information—miscellaneous

Vodafone shall supply to the Agent:

(a) all documents despatched by the ultimate Holding Company of the Controlled Group to its shareholders (or any class of them) or by Vodafone or such ultimate Holding Company to the creditors of the Controlled Group generally (or any class of them) at the same time as they are despatched; and

(b) as soon as reasonably practicable, such further publicly available information (including that required to comply with “know your customer” or similar identification procedures) in the possession or control of any member of the Controlled Group regarding the business, financial or corporate affairs of the Controlled Group, as the Agent may reasonably request.

17.4 Notification of Default

Vodafone shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of it.

17.5 Authorisations

Each Obligor shall promptly:

(a) obtain, maintain and comply in all material respects with the terms of; and

(b) if requested, supply certified copies to the Agent of,

any authorisation required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, any Finance Document.

17.6 Pari passu ranking

Each Obligor will procure that its obligations under the Finance Documents do and will rank at least pari passu with all its other present and future unsecured and unsubordinated obligations (save for those obligations mandatorily preferred by applicable law).

17.7 Negative pledge

No Obligor will, and each Obligor will procure that none of its Subsidiaries which is a member of the Restricted Group will, create or permit to subsist any Security Interest on or over any of its assets except for any Permitted Security Interest.

17.8 Priority borrowing

Each Obligor will procure that none of its Subsidiaries (which is a member of the Restricted Group and which is not a Guarantor) will create, assume, incur, guarantee, permit to subsist or otherwise be
liable in respect of any Financial Indebtedness owed to persons outside the Restricted Group except for:

(a) Financial Indebtedness of any Subsidiary which became a member of the Restricted Group after 1 February 2014 (unless it became a member of the Restricted Group due to the expansion of the definition of Core Jurisdiction to include members of the European Union after 1 February 2014) provided that:

(i) any such Financial Indebtedness is either (A) outstanding before that Subsidiary becomes a member of the Restricted Group and was not created in contemplation of that Subsidiary becoming a member of the Restricted Group and/or (B) drawn at any time under commitments in existence before that Subsidiary becomes a member of the Restricted Group (“Existing Commitment”) and that commitment was not created in contemplation of that Subsidiary becoming a member of the Restricted Group and/or (C) drawn at any time under commitments (“New Commitments”) which have refinanced Existing Commitments in whole or in part, to the extent that any such New Commitments do not exceed the Existing Commitments, and provided that to the extent that any New Commitment is to be guaranteed by an Obligor, the obligors under the New Commitments will have validly and legally acceded as Additional Guarantors in accordance with Clauses 27.7(a)(i) and 27.7(b) (Additional Guarantors) prior to any Obligor providing a guarantee of the New Commitments; and

(ii) to the extent that the aggregate principal amount of such Financial Indebtedness exceeds the amounts calculated under paragraph 17.8(a)(i) above upon that Subsidiary becoming a member of the Restricted Group (measured in the same currency), the excess amount of such Financial Indebtedness shall not fall within this paragraph (a); or

(b) Financial Indebtedness under finance or structured tax lease arrangements (including, but not limited to qualifying technological equipment leases) to the extent matched as part of those arrangements by deposits of cash or cash equivalent investments (including, but not limited to securities issued by G7 governments) or other securities rated at least A by S&P or A2 by Moody’s or A by Fitch which are treated by the creditor concerned as available to reduce its net exposure; or

(c) Financial Indebtedness which is created with the prior written consent of the Majority Lenders; or

(d) Financial Indebtedness to the extent matched by cash balances or cash equivalent investments (including, but not limited to securities issued by G7 governments) or other securities rated at least A by S&P or A2 by Moody’s or A by Fitch, held by members of the Restricted Group which are treated as available for netting by the creditors to whom that Financial Indebtedness is owed under cash management or netting arrangements in the ordinary course of business; or

(e) Financial Indebtedness under any finance lease or structured tax lease arrangements (including, but not limited to qualifying technological equipment leases) entered into in respect of assets which were or are acquired or become part of the Restricted Group after 1 March 2014; or

(f) Financial Indebtedness under or in connection with any other finance lease entered into in respect of existing assets or future assets (to the extent they are subject to Security Interests contemplated under paragraph (j) of the definition of Permitted Security Interests); or
(g) Financial Indebtedness under Back to Back Loans; or

(h) Financial Indebtedness of any member of the Controlled Group which operates as a finance company to the extent that any such Financial Indebtedness is on-lent to an Obligor or to a member of the Controlled Group outside the Restricted Group; or

(i) Financial Indebtedness that has been defeased to the extent that it is subject to Security Interests contemplated under paragraph (u) of the definition of Permitted Security Interests; or

(j) Financial Indebtedness incurred solely in contemplation of an initial public offering or other disposal of the companies or partnerships incurring such Financial Indebtedness, to the extent that: (i) the aggregate principal amount of such Financial Indebtedness does not exceed U.S.$5,000,000,000 (or its equivalent in other currencies) whilst such Financial Indebtedness is owed by a member of the Restricted Group; and (ii) the creditors in respect of such Financial Indebtedness have recourse for no more than ninety days to any member of the Controlled Group which is or whose assets are not intended to be subject to the initial public offering or disposal; or

(k) Project Finance Indebtedness; or

(l) Financial Indebtedness owed to persons outside the Restricted Group under guarantees or other legally binding assurances against financial loss granted by Vodafone Deutschland GmbH or any of its Subsidiaries in respect of any asset, undertaking or business not forming part of the mobile or wireless telecommunications business of the Restricted Group; or

(m) Financial Indebtedness under this Agreement; or

(n) other Financial Indebtedness to the extent that the sum of:

(i) the aggregate unpaid principal amount of the Financial Indebtedness of all the members of the Restricted Group which are not Guarantors and owed to persons outside the Restricted Group (other than Financial Indebtedness under paragraphs (a) to (m) above inclusive); plus

(ii) the aggregate unpaid principal amount of Financial Indebtedness secured by Security Interests referred to in paragraph (w) of the definition of Permitted Security Interest (to the extent not falling within paragraph (i) above),

does not exceed €3,500,000,000 or its equivalent in other currencies.

Compliance with this Clause 17.8 will be tested on the last day of each financial half year. For the purposes of paragraph (n) above, Financial Indebtedness of the Restricted Group not denominated in (or which has not been swapped into) Sterling shall be notionally converted (from the currency in which it is denominated or, as the case may be, into which it has been swapped) to Sterling at the rate of exchange used in the management accounts of the relevant Obligor for that relevant financial quarter.

17.9 Disposals

No Obligor will, and each Obligor will procure that none of its Subsidiaries which is a member of the Restricted Group will, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, make any Asset Disposals other than:

(a) Asset Disposals:
Vodafone will not, and will procure that no member of the Controlled Group will, make any Acquisition unless the major part of the Controlled Group’s business remains telecommunications, data communications and associated businesses.

17.10 Restriction on Acquisitions
Vodafone will not, and will procure that no member of the Controlled Group will, make any Acquisition unless the major part of the Controlled Group’s business remains telecommunications, data communications and associated businesses.

17.11 Margin Stock
(a) In this Clause,
Margin Regulations means Regulations T, U and X issued by the Board of Governors of the United States Federal Reserve System.
Margin Stock means “margin stock” or “margin securities” as defined in the Margin Regulations.
(b) No Obligor may:
(i) extend credit for the purpose, directly or indirectly, of buying or carrying Margin Stock; or
(ii) use any Advance, directly or indirectly, to buy or carry Margin Stock or for any other purpose in violation of the Margin Regulations.

17.12 Sanctions
Each Obligor shall ensure, to the best of its ability, that the proceeds of Advances will not, directly or indirectly, be lent to any person or entity (whether or not related to Vodafone) for the purpose of financing the activities of any person or for the benefit of any country currently subject to any U.S. sanctions administered by OFAC or any equivalent sanctions administered or enforced by the United Nations Security Council, the European Union, Her Majesty’s Treasury, the State Secretariat for Economic Affairs or other relevant sanctions authority.

18. FINANCIAL COVENANT
18.1 Financial ratio
Vodafone will procure that for each Ratio Period the ratio of Net Debt of the Consolidated Group to two times Adjusted Group Operating Cash Flow for such Ratio Period will not exceed 3.75:1.

18.2 Calculation times and periods
(a) The first test date for the financial ratio specified in Clause 18.1 (Financial ratio) will occur on 31 March 2014.
(b) Each subsequent test date will be on the last day of each financial half year and year of Vodafone or, following a Hive Up, NewTopco. The financial ratio will be calculated using data for the period (each a “Ratio Period”) ending on each test date and beginning 6 months before the relevant test date.

18.3 Information sources

(a) Subject to adjustments that may be required by the operation of definitions in Clause 18.1 (Financial ratio) all information for calculation of the financial ratios set out in Clause 18.1 (Financial ratio) and Clause 19.5 (Cross default) will be extracted from figures denominated in the base currency (as defined in paragraph (c) below) used in the preparation of and extracted from:

(i) the unaudited consolidated interim financial statements of Vodafone, or following a Hive Up, NewTopco;
(ii) the consolidated annual financial statements of Vodafone, or following a Hive Up, NewTopco; or
(iii) Vodafone’s, or following a Hive Up, NewTopco’s consolidated management accounts,

as the case may be, which in respect of paragraphs (i) and (ii) above were delivered to the Agent under paragraphs 17.2(a)(i) (A) and (ii) of Clause 17.2 (Financial information).

(b) Information from Vodafone’s, or following a Hive Up, NewTopco’s consolidated management accounts will be disclosed only when the relevant interim or annual financial statements and compliance certificates are delivered to the Agent or as required in connection with Clause 19.5(a)(ii) (Cross default).

(c) Any amount outstanding in a currency other than the currency used in the latest consolidated published financial statements (the “base currency”) is to be taken into account at the base currency equivalent of that amount calculated at the rate used in the latest consolidated financial statements delivered to the Agent under Clause 17.2 (Financial information) or the latest consolidated management accounts, as appropriate.

18.4 Know Your Customer

Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19. DEFAULT

19.1 Events of Default

Each of the events set out in Clauses 19.2 (Non-payment) to 19.15 (United States Bankruptcy Laws) (inclusive) is an Event of Default (whether or not caused by any reason whatsoever outside the control of any Obligor or any other person).
19.2 Non-payment
An Obligor does not pay within four Business Days (the “Initial Grace Period”) of the due date any amount payable by it under the Finance Documents at the place at, and in the currency in, which it is expressed to be payable unless its failure to pay is caused by:

(a) administrative or technical error and payment is made within a further two Business Days after the expiry of the Initial Grace Period; or

(b) a Disruption Event and payment is made within a further four Business Days after the expiry of the Initial Grace Period.

19.3 Breach of other obligations
(a) Vodafone does not comply with Clause 18 (Financial Covenant).

(b) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in paragraph (a) above or in Clause 19.2 (Non-payment)) and such failure (if capable of remedy before the expiry of such period) continues unremedied for a period of 21 days from the earlier of the date on which (i) such Obligor has become aware of the failure to comply or (ii) the Agent gives notice to Vodafone requiring the same to be remedied.

19.4 Misrepresentation
A representation or warranty made or repeated by any Obligor in any Finance Document is found to be untrue in any respect material in the context of performance of the Finance Documents when made or deemed to have been made.

19.5 Cross default
(a) (i) Any Financial Indebtedness of any Obligor is:

   (A) not paid when due or within any originally applicable grace period; or

   (B) declared due, or is capable of being declared due, prior to its specified maturity as a result of an event of default (howsoever described) except this paragraph (B) does not apply to:

   (1) Financial Indebtedness quoted or listed on a stock exchange; or

   (2) Financial Indebtedness of an Obligor arising solely under paragraph (f) of the definition of “Financial Indebtedness” in Clause 1.1 (Definitions); or

(ii) any Financial Indebtedness of any Principal Subsidiary is:

   (A) not paid when due or within any originally applicable grace period; or

   (B) declared due prior to its specified maturity as a result of an event of default (howsoever described) and is not paid within three Business Days of being declared due, except this paragraph (ii) only applies if the ratio calculated in accordance with Clause 18.1 (Financial ratio) for the most recent Ratio Period is greater than 3.25:1; or

(iii) an Event of Default has occurred under the 2017 Facility and is continuing.
(b) Paragraph (a) above does not apply:
   (i) to Project Finance Indebtedness; or
   (ii) to Financial Indebtedness which in aggregate is less than £100,000,000 (or equivalent currency); or
   (iii) where the payment or occurrence of the event concerned is being contested in good faith; or
   (iv) where the default is under a bond and is capable of waiver without bondholder consent; or
   (v) to Financial Indebtedness owed to a member of the Restricted Group.

19.6 Winding up
An order is made or an effective resolution is passed for winding up any Obligor or any Principal Subsidiary (except for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Majority Lenders) or a petition is presented (which is not set aside or withdrawn within the earlier of 30 days of its presentation or by not later than the date for the hearing of such petition) for an administration order or for the winding up of any Obligor or any Principal Subsidiary except where demonstrated to the reasonable satisfaction of the Majority Lenders that any such petition is being contested in good faith.

19.7 Insolvency process
(a) A liquidator, administrator, receiver, trustee, sequestrator or similar officer is appointed in respect of all or any part of the assets of any Obligor or any Principal Subsidiary which generates a material part of the revenues of that Obligor or that Principal Subsidiary; or
(b) any Obligor or any Principal Subsidiary, by reason of financial difficulties, enters into a composition, assignment or a moratorium in respect of any indebtedness or arrangement with any class of its creditors.

19.8 Enforcement proceedings
A distress, execution, attachment or other legal process is levied, enforced or sued out upon or against all or any part of the assets of any Obligor or any Principal Subsidiary which generates a material part of the revenues of that Obligor or that Principal Subsidiary except where the same is being contested in good faith or is removed, discharged or paid within 30 days.

19.9 Insolvency
Any Obligor or any Principal Subsidiary is deemed under Section 123(1)(e) or 123(2) of the Insolvency Act 1986 to be unable to pay its debts.

19.10 Similar proceedings
Anything having a substantially similar effect to any of the events specified in Clauses 19.6 (Winding up) to 19.9 (Insolvency) inclusive shall occur under the laws of any applicable jurisdiction in relation to any Obligor or any Principal Subsidiary.
19.11 Unlawfulness

It is or becomes unlawful for any Obligor to perform any of its payment or other material obligations under the Finance Documents.

19.12 Guarantee

The guarantee of any Guarantor under Clause 15 (Guarantee) is not effective or is alleged by an Obligor to be ineffective for any reason (other than by reason of written release or waiver by the Finance Parties or in accordance with Clause 15.9 (Removal of Guarantors)).

19.13 Cessation of business

Any Obligor or any Principal Subsidiary ceases to carry on all or substantially all of its business otherwise than:

(a) as a result of a transfer of all or any part of its business to a member of the Restricted Group; or

(b) as a result of a disposal permitted under Clause 17.9 (Disposals); or

(c) with the prior written consent of the Majority Lenders.

19.14 Litigation

Any litigation proceedings are current which are reasonably likely to be adversely determined and which would have a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents.

19.15 United States Bankruptcy Laws

(a) In this Clause 19.15 and Clause 19.16 (Acceleration):

U.S. Bankruptcy Law means the United States Bankruptcy Code or any other United States Federal or State bankruptcy, insolvency or similar law.

U.S. Debtor means an Obligor that is incorporated or organized under the laws of the United States of America or any State of the United States of America (including the District of Columbia) or that has a place of business or property in the United States of America.

(b) Any of the following occurs in respect of a U.S. Debtor:

(i) it makes a general assignment for the benefit of creditors;

(ii) it commences a voluntary case or proceeding under any U.S. Bankruptcy Law; or

(iii) an involuntary case under any U.S. Bankruptcy Law is commenced against it and is not controverted within 20 days or is not dismissed or stayed within 60 days after commencement of the case; or

(iv) an order for relief or other order approving any case or proceeding is entered under any U.S. Bankruptcy Law.
19.16 Acceleration

(a) On and at any time after the occurrence of an Event of Default while such event is continuing the Agent may, and if so directed by the Majority Lenders, will by notice to Vodafone, declare that an Event of Default has occurred and:

(i) if not already cancelled under paragraph (b) below, cancel the Total Commitments; and/or

(ii) demand that all the Advances, together with accrued interest, and all other amounts accrued under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(iii) demand that all the Advances be payable on demand, whereupon they shall immediately become payable on demand.

(b) If an Event of Default described in Clause 19.15 (United States Bankruptcy Laws) occurs, the Commitments which are available to any U.S. Debtor will, if not already cancelled under this Agreement, be immediately and automatically cancelled and all amounts owed by any U.S. Debtor outstanding under the Finance Documents will be immediately and automatically due and payable, without the requirement of notice or any other formality.

20. THE AGENTS AND THE ARRANGERS

20.1 Appointment and duties of the Agents

Each Finance Party (other than the Agent) irrevocably appoints the Agent to act as its agent under and in connection with the Finance Documents and each Swingline Lender appoints the Euro Swingline Agent to act as its agent in relation to the Swingline Facility, and each Finance Party irrevocably authorises the Agent or, as the case may be, the Euro Swingline Agent on its behalf to perform the duties and to exercise the rights, powers and discretions that are specifically delegated to it under or in connection with the Finance Documents, together with any other incidental rights, powers and discretions. The Agent or, as the case may be, the Euro Swingline Agent shall have only those duties which are expressly specified in this Agreement. Those duties are solely of a mechanical and administrative nature.

20.2 Role of the Arrangers

Except as otherwise provided in this Agreement, no Arranger has any obligations of any kind to any other Party under or in connection with any Finance Document.

20.3 Relationship

The relationship between the Agent or, as the case may be, the Euro Swingline Agent and the other Finance Parties is that of agent and principal only. Nothing in this Agreement constitutes the Agent or, as the case may be, the Euro Swingline Agent as trustee or fiduciary for any other Party or any other person and the Agent or, as the case may be, the Euro Swingline Agent need not hold in trust any moneys paid to it for a Party or be liable to account for interest on those moneys.

20.4 Majority Lenders’ directions

(a) The Agent or, as the case may be, the Euro Swingline Agent will be fully protected if it acts in accordance with the instructions of the Majority Lenders in connection with the exercise of any right, power or discretion or any matter not expressly provided for in the Finance Documents. Any such instructions given by the Majority Lenders will be binding on all the
The Agent or, as the case may be, the Euro Swingline Agent may act under the Finance Documents through its personnel and agents.

Neither the Agent, the Euro Swingline Agent nor any Arranger is responsible to any other Party for:

(b) Neither the Agent nor the Euro Swingline Agent is authorised to act on behalf of a Lender (without first obtaining that Lender’s consent) in any legal or arbitration proceedings relating to any Finance Document.

20.5 Delegation

The Agent or, as the case may be, the Euro Swingline Agent may act under the Finance Documents through its personnel and agents.

20.6 Responsibility for documentation

Neither the Agent, the Euro Swingline Agent nor any Arranger is responsible to any other Party for:

(a) the execution, genuineness, validity, enforceability or sufficiency of any Finance Document or any other document by any other Party; or

(b) the collectability of amounts payable under any Finance Document; or

(c) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document by any other Party.

20.7 Default

(a) The Agent or, as the case may be, the Euro Swingline Agent is not obliged to monitor or enquire as to whether or not a Default has occurred. Neither the Agent nor the Euro Swingline Agent will be deemed to have knowledge of the occurrence of a Default. However, if the Agent or, as the case may be, the Euro Swingline Agent receives notice from a Party referring to this Agreement, describing the Default and stating that the event is a Default, it shall promptly notify the Lenders of such notice.

(b) The Agent or, as the case may be, the Euro Swingline Agent may require the receipt of security satisfactory to it whether by way of payment in advance or otherwise, against any liability or loss which it will or may incur in taking any proceedings or action arising out of or in connection with any Finance Document before it commences these proceedings or takes that action.

20.8 Exoneration

(a) Without limiting paragraph (b) below, the Agent or, as the case may be, the Euro Swingline Agent will not be liable to any other Party for any action taken or not taken by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct or breach of any of its obligations under or in connection with the Finance Documents.

(b) No Party may take any proceedings against any officer, employee or agent being an individual of the Agent or, as the case may be, the Euro Swingline Agent in respect of any claim it might have against the Agent or, as the case may be, the Euro Swingline Agent or in respect of any act or omission of any kind (including negligence or wilful misconduct) by that officer, employee or agent in relation to any Finance Document.

(c) Any officer, employee or agent being an individual of the Agent, or as the case may be, the Euro Swingline Agent may rely on paragraph (b) above and enforce its terms under the Contract (Rights of Third Parties) Act 1999.
(d) Nothing in this Agreement shall oblige the Agent or an Arranger to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and an Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or an Arranger.

20.9 Reliance
The Agent or, as the case may be, the Euro Swingline Agent may:
(a) rely on any notice or document reasonably believed by it to be genuine and correct and to have been signed by, or with the authority of, the proper person;
(b) rely on any statement made by a director or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify; and
(c) engage, pay for and rely on legal or other professional advisers selected by it (including those in the Agent’s or, as the case may be, the Euro Swingline Agent’s employment and those representing a Party other than the Agent or, as the case may be, the Euro Swingline Agent).

20.10 Credit approval and appraisal
Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms that it:
(a) has made its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Agent, the Euro Swingline Agent or the Arrangers in connection with any Finance Document; and
(b) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

20.11 Information
(a) The Agent or, as the case may be, the Euro Swingline Agent shall promptly forward to the person concerned the original or a copy of any document which is delivered to the Agent or, as the case may be, the Euro Swingline Agent by a Party for that person.
(b) The Agent shall promptly supply a Lender with a copy of each document received by the Agent under Clauses 4 (Conditions Precedent), 27.7 (Additional Guarantors) or 27.8 (Additional Borrowers) upon the request and at the expense of that Lender.
(c) Except where this Agreement specifically provides otherwise, the Agent or, as the case may be, the Euro Swingline Agent is not obliged to review or check the accuracy or completeness of any document it forwards to another Party.
(d) The Agent shall provide to Vodafone within 5 Business Days of a request by Vodafone (but no more than once per calendar month), a list (which may be in electronic form) setting out the names of the Lenders as at the date of that request, their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made or document to be delivered under or in connection with the Finance Documents), the electronic mail address and/or any other information required to
enable the sending and receipt of information by electronic mail or other electronic means to and by each Lender to
whom any communication under or in connection with the Finance Documents may be made by that means and the
account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance
Documents.

(e) Except as provided above, the Agent or, as the case may be, the Euro Swingline Agent has no duty:

(i) either initially or on a continuing basis to provide any Lender with any credit or other information
    concerning the financial condition or affairs of any Obligor or any related entity of any Obligor whether
    coming into its possession or that of any of its related entities before, on or after the Signing Date; or

(ii) unless specifically requested to do so by a Lender in accordance with this Agreement, to request any
certificates or other documents from any Obligor.

20.12 The Agent, the Euro Swingline Agent and the Arrangers individually

(a) If it is also a Lender, each of the Agent, the Euro Swingline Agent and the Arrangers has the same rights and powers
under this Agreement as any other Lender and may exercise those rights and powers as though it were not the Agent,
the Euro Swingline Agent or an Arranger.

(b) Each of the Agent, the Euro Swingline Agent and the Arrangers may:

(i) carry on any business with an Obligor or its related entities;

(ii) act as agent or trustee for, or in relation to any financing involving, an Obligor or its related entities; and

(iii) retain any profits or remuneration in connection with its activities under the Finance Documents, or in
relation to any of the foregoing.

20.13 Indemnities

(a) Without limiting the liability of any Obligor under the Finance Documents, each Lender shall forthwith on demand
indemnify the Agent or, as the case may be, the Euro Swingline Agent for its proportion of any liability or loss
incurred by the Agent or, as the case may be, the Euro Swingline Agent in any way relating to or arising out of its
acting as the Agent or, as the case may be, the Euro Swingline Agent, except to the extent that the liability or loss
arises directly from the Agent’s or, as the case may be, the Euro Swingline Agent’s negligence or wilful misconduct.

(b) A Lender’s proportion of the liability or loss set out in paragraph (a) above is the proportion which its Commitment
bears to the Total Commitments at the date of demand or, if the Total Commitments have been cancelled, bore to the
Total Commitments immediately before being cancelled.

20.14 Compliance

(a) The Agent or, as the case may be, the Euro Swingline Agent, may refrain from doing anything which might, in its
reasonable opinion, constitute a breach of any law or regulation or be otherwise actionable at the suit of any person,
and may do anything which, in its reasonable opinion, is necessary or desirable to comply with any law or regulation
of any jurisdiction.
(b) Without limiting paragraph (a) above, the Agent or, as the case may be, the Euro Swingline Agent, need not disclose any information relating to any Obligor or any of its related entities if the disclosure might, in the opinion of the Agent or, as the case may be, the Euro Swingline Agent, constitute a breach of any law or regulation or any duty of secrecy or confidentiality or be otherwise actionable at the suit of any person.

20.15 Resignation of the Agent or the Euro Swingline Agent

(a) Notwithstanding its irrevocable appointment, the Agent or, as the case may be, the Euro Swingline Agent, may resign by giving notice to the Lenders and Vodafone, in which case the Agent or, as the case may be, the Euro Swingline Agent, may forthwith appoint one of its Affiliates as successor Agent or, failing that, the Majority Lenders may after consultation with Vodafone appoint a reputable and experienced bank as successor Agent or, as the case may be, successor Euro Swingline Agent.

(b) If the appointment of a successor Agent or, as the case may be, successor Euro Swingline Agent is to be made by the Majority Lenders but they have not, within 30 days after notice of resignation, appointed a successor Agent or, as the case may be, successor Euro Swingline Agent which accepts the appointment, the retiring Agent or, as the case may be, the retiring Euro Swingline Agent may, following consultation with Vodafone, appoint a successor Agent or, as the case may be, successor Euro Swingline Agent.

(c) The resignation of the retiring Agent or, as the case may be, retiring Euro Swingline Agent and the appointment of any successor Agent or, as the case may be, successor Swingline Agent will both become effective only upon the successor Agent or, as the case may be, successor Euro Swingline Agent notifying all the Parties that it accepts the appointment. On giving the notification and receiving such approval, the successor Agent or, as the case may be, successor Euro Swingline Agent will succeed to the position of the retiring Agent or, as the case may be, retiring Euro Swingline Agent and the term “Agent” or, as the case may be, “Euro Swingline Agent” will mean the successor Agent or, as the case may be, successor Euro Swingline Agent.

(d) The retiring Agent or, as the case may be, retiring Euro Swingline Agent shall, at its own cost, make available to the successor Agent or, as the case may be, successor Euro Swingline Agent such documents and records and provide such assistance as the successor Agent or, as the case may be, successor Euro Swingline Agent may reasonably request for the purposes of performing its functions as the Agent or, as the case may be, the Euro Swingline Agent under this Agreement.

(e) Upon its resignation becoming effective, this Clause 20 shall continue to benefit the retiring Agent or, as the case may be, retiring Euro Swingline Agent in respect of any action taken or not taken by it under or in connection with the Finance Documents while it was the Agent or, as the case may be, the Euro Swingline Agent, and, subject to paragraph (d) above, it shall have no further obligation under any Finance Document.

(f) The Majority Lenders may by notice to the Agent or, as the case may be, the Euro Swingline Agent, require it to resign in accordance with paragraph (a) above. In this event, the Agent or, as the case may be, the Euro Swingline Agent shall resign in accordance with paragraph (a) above but it shall not be entitled to appoint one of its Affiliates as successor Agent or successor Euro Swingline Agent.

(g) Any successor Agent or, as the case may be, successor Euro Swingline Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original party to this Agreement.
(h) The Agent or, as the case may be, the Euro Swingline Agent shall resign in accordance with paragraph (a) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent or, as the case may be, the Euro Swingline Agent, pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent or, as the case may be, the Euro Swingline Agent, under the Finance Documents, either:

(i) the Agent or, as the case may be, the Euro Swingline Agent, fails to respond to a request under Clause 11.7 (FATCA Information) and Vodafone or a Lender reasonably believes that the Agent or, as the case may be, the Euro Swingline Agent, will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(ii) the information supplied by the Agent or, as the case may be, the Euro Swingline Agent, pursuant to Clause 11.7 (FATCA Information) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(iii) the Agent or, as the case may be, the Euro Swingline Agent, notifies Vodafone and the Lenders that the Agent or, as the case may be, the Euro Swingline Agent, will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) Vodafone or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and Vodafone or that Lender, by notice to the Agent, or, as the case may be, the Euro Swingline Agent, requires it to resign.

20.16 Lenders

The Agent or, as the case may be, the Euro Swingline Agent may treat each Lender as a Lender, entitled to payments under this Agreement and as acting through its Facility Office(s) until it has received notice from the Lender to the contrary by not less than five Business Days prior to the relevant payment.

20.17 Chinese wall

In acting as Agent, Euro Swingline Agent or Arranger, the agency and syndications division of each of the Agent, the Euro Swingline Agent and each Arranger shall be treated as a separate entity from its other divisions and departments. Any information acquired at any time by the Agent, the Euro Swingline Agent or any Arranger otherwise than in the capacity of Agent, Euro Swingline Agent or Arranger through its agency and syndications division (whether as financial advisor to any member of the Consolidated Group or otherwise) may be treated as confidential by the Agent, Euro Swingline Agent or Arranger and shall not be deemed to be information possessed by the Agent, Euro Swingline Agent or Arranger in their capacity as such. Each Finance Party acknowledges that the Agent, the Euro Swingline Agent and the Arrangers may, now or in the future, be in possession of, or provided with, information relating to the Obligors which has not or will not be provided to the other Finance Parties. Each Finance Party agrees that, except as expressly provided in this Agreement, none of the Agent, Euro Swingline Agent or any Arranger will be under any obligation to provide, or under any liability for failure to provide, any such information to the other Finance Parties.
21. FEES

21.1 Commitment fee

(a) Vodafone shall pay to the Agent for distribution to each Lender pro rata to the proportion its Revolving Credit Commitment bears to the Total Commitments from time to time a commitment fee at the rate of 35 per cent. of the applicable Margin on any undrawn, uncancelled amount of the Total Commitments on each day.

(b) Commitment fee is calculated and accrues on a daily basis on and from the Signing Date and is payable quarterly in arrear. Accrued and unpaid commitment fee is also payable to the Agent for the relevant Lender(s) on any amount of its Revolving Credit Commitment, which is cancelled voluntarily by the Borrower at the time the cancellation takes effect (but only in respect of the period up to the date of cancellation).

(c) No commitment fee is payable to the Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

21.2 Utilisation Fee

(a) Vodafone shall pay to the Agent for distribution to each Lender pro rata to the proportion its Revolving Credit Commitment bears to the Total Commitments from time to time a utilisation fee in accordance with paragraphs (b) and (c) below and at the rate per annum specified in paragraph (b) below on any outstanding drawn amount of any Advance on each day.

(b) The utilisation fee will be paid on the aggregate outstanding amount of all Advances for each day upon which the outstanding Advances exceed one half of the Total Commitments, at the rate of 0.275 per cent. per annum.

(c) The utilisation fee is calculated and accrues on a daily basis and is payable at the end of each Term.

21.3 Agent’s fee

Vodafone shall pay to the Agent for its own account an agency fee in the amounts and on the dates agreed in the relevant Fee Letter.

21.4 Front-end fees

(a) Vodafone shall pay to the Agent for the Original Lenders as at the Signing Date a front-end fee and MLA fee in the amount and on the date specified in the relevant Fee Letter.

(b) If so agreed between Vodafone and an Additional Lender, Vodafone shall pay to such Additional Lender a front-end fee in the amounts and on the dates specified in the relevant Fee Letter.

21.5 VAT

Any fee referred to in this Clause 21 is exclusive of any United Kingdom value added tax. If any value added tax is so chargeable, it shall be paid by Vodafone at the same time as it pays the relevant fee.
22. EXPENSES

22.1 Initial and special costs
Vodafone shall forthwith on demand pay the Agent, the Euro Swingline Agent and the Arrangers the amount of all out-of-pocket costs and expenses (including but not limited to legal fees up to an amount agreed, in the case of (a)(i) below, with the Arrangers) reasonably incurred by any of them in connection with:

(a) the negotiation, preparation, printing and execution of:
   (i) this Agreement and any other documents referred to in this Agreement; and
   (ii) any other Finance Document (other than a Novation Certificate) executed after the Signing Date;
(b) any amendment, waiver, consent or suspension of rights (or any proposal for any of the foregoing) requested by or on behalf of an Obligor and relating to a Finance Document or a document referred to in any Finance Document or any amendment to this Agreement to reflect a change in currency of a country pursuant to Clause 10.4(b)(iii) (Currency); and
(c) any other agency matter not of an ordinary administrative nature, arising out of or in connection with a Finance Document in the amount agreed between the Agent and Vodafone at the relevant time.

22.2 Enforcement costs
Vodafone shall within five Business Days of receiving written demand pay to each Finance Party the amount of all costs and expenses (including but not limited to legal fees) incurred (or in the case of (b) below reasonably incurred) by it:

(a) in connection with the enforcement of any Finance Document; or
(b) in connection with the preservation of any rights under any Finance Document.

23. STAMP DUTIES
Vodafone shall pay and within five Business Days of receiving written demand indemnify each Finance Party against any liability it incurs in respect of any stamp, registration or similar tax which is or becomes payable in any jurisdiction in or through which any payment under the Finance Documents is made or any Obligor is incorporated or has any assets in connection with the entry into, performance or enforcement of any Finance Document.

24. INDEMNITIES

24.1 Currency indemnity
(a) If a Finance Party receives an amount in respect of an Obligor’s liability under the Finance Documents or if that liability is converted into a claim, proof, judgment or order in a currency other than the currency (the “Contractual Currency”) in which the amount is expressed to be payable under the relevant Finance Document:
   (i) that Obligor shall indemnify that Finance Party as an independent obligation against any loss or liability arising out of or as a result of the conversion;
Vodafone shall forthwith on demand indemnify each Finance Party against any loss or liability which that Finance Party incurs as a consequence of:

- Vodafone’s liability in each case includes any loss or expense, (excluding loss of Margin) in respect or on account of funds borrowed, contracted for or utilised to fund any amount payable under any Finance Document, any amount repaid or prepaid or any Advance.

- If a Finance Party receives or recovers any payment of principal of an Advance or of an Overdue Amount other than on its Maturity Date or, as the case may be, the last day of the Designated Term for the purposes of calculation of the amount payable by Vodafone under sub-clause (c) of Clause 24.2 (Other indemnities) in respect of the amount so received or recovered, that Finance Party shall calculate:
  (ii) if the amount received by that Finance Party, when converted into the Contractual Currency at a market rate in the usual course of its business, is less than the amount owed in the Contractual Currency, the Obligor concerned shall forthwith on demand pay to that Finance Party an amount in the Contractual Currency equal to the deficit (provided that if the amount received by the Finance Party following such conversion is greater than the amount owed, the Finance Party shall pay to such Obligor an amount equal to the excess); and
  (iii) the Obligor shall pay to the Finance Party concerned on demand any exchange costs and taxes payable in connection with any such conversion.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

24.2 Other indemnities

Vodafone shall forthwith on demand indemnify each Finance Party against any loss or liability which that Finance Party incurs as a consequence of:

- (a) the occurrence of any Default; or
- (b) the operation of Clause 19.16 (Acceleration); or
- (c) any payment of principal or an Overdue Amount being received from any source otherwise than in the case of Revolving Credit Advances or Swingline Advances on its Maturity Date (and, for the purposes of this paragraph (c), the Maturity Date of an Overdue Amount is the last day of each Designated Term); or
- (d) a Default or an action or omission by an Obligor resulting in an Advance not being disbursed after a Borrower has delivered a Request for that Advance.

Vodafone’s liability in each case includes any loss or expense, (excluding loss of Margin) in respect or on account of funds borrowed, contracted for or utilised to fund any amount payable under any Finance Document, any amount repaid or prepaid or any Advance.

24.3 Breakage costs

If a Finance Party receives or recovers any payment of principal of an Advance or of an Overdue Amount other than on its Maturity Date or, as the case may be, the last day of the Designated Term for the purposes of calculation of the amount payable by Vodafone under sub-clause (c) of Clause 24.2 (Other indemnities) in respect of the amount so received or recovered, that Finance Party shall calculate:

- (a) the additional interest (excluding the Margin) which would have been payable on the principal so received or recovered had it been received or recovered on the relevant Maturity Date or, as the case may be, the last day of the Designated Term; and
- (b) the amount of interest which would have been payable to that Finance Party on the relevant Maturity Date or, as the case may be, the last day of the Designated Term concerned in respect of a deposit by that Finance Party in the currency of the amount received or recovered placed with a prime bank in London earning interest from (and including) the earliest Business Day for placing deposits in such currency following receipt of that amount up to (but excluding) the relevant Maturity Date or, as the case may be, the last day of the applicable Designated Term,
and if the amount payable under paragraph (a) above is greater than the amount payable under paragraph (b), Vodafone will, forthwith on receipt of a demand from the relevant Finance Party pursuant to sub-clause (c) of Clause 24.2 (Other indemnities), pay to that Finance Party an amount equal to the difference between the amount payable under paragraphs (a) and (b) above.

25. EVIDENCE AND CALCULATIONS

25.1 Accounts
Accounts maintained by a Finance Party in connection with this Agreement are prima facie evidence of the matters to which they relate (except in a case of manifest error).

25.2 Certificates and determinations
Any certification or determination by a Finance Party of a rate or amount under this Agreement is, in the absence of manifest error, prima facie evidence of the matters to which it relates.

25.3 Calculations
Interest and the fees payable under Clause 21.1 (Commitment fee) accrue from day to day and are calculated on the basis of the actual number of days elapsed and a year of 360 days, or, in the case of interest at the Swingline Rate or any interest payable in an amount denominated in Sterling, 365 days.

26. AMENDMENTS AND WAIVERS

26.1 Procedure
(a) Subject to Clause 26.2 (Exceptions) and Clause 26.3 (NewTopco), any term of the Finance Documents may be amended or waived with the agreement of Vodafone and the Majority Lenders. The Agent may effect, on behalf of the Lenders, an amendment to which the Majority Lenders have agreed.
(b) The Agent shall promptly notify the other Parties of any amendment or waiver effected under paragraph (a) above, and any such amendment or waiver shall be binding on all the Parties.

26.2 Exceptions
An amendment or waiver which relates to:
(a) the definition of “Majority Lenders” in Clause 1.1 (Definitions); or
(b) an extension of the date for, or a decrease in an amount or a change in the currency of, any payment under the Finance Documents; or
(c) an increase in or extension of a Lender’s Commitment or a change to the Margin; or
(d) a change in the guarantee under Clause 15 (Guarantee) otherwise than in accordance with Clause 27.7 (Additional Guarantors) or Clause 15.9 (Removal of Guarantors); or
(e) a term of a Finance Document which expressly requires the consent of each Lender; or
(f) Clause 27.5 (Replacement of Lenders); or
(g) Clause 30 (Pro Rata Sharing) or this Clause 26; or
(h) any Term exceeding six months,

may not be effected without the consent of each Lender. Any amendment or waiver which changes, or relates to the rights and/or obligations of the Agent or Euro Swingline Agent shall also require the Agent’s or the Euro Swingline Agent’s (as applicable) agreement.

26.3 NewTopco

Any amendment substituting a reference to Vodafone with a reference to NewTopco:

(a) to any procedural or administrative provision of this Agreement; or

(b) which puts the Parties in substantially the same position as applied prior to the Hive Up,

may be effected by agreement between NewTopco and the Agent.

26.4 Waivers and remedies cumulative

The rights of each Party under the Finance Documents:

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under the general law; and

(c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any such right is not a waiver of that right.

26.5 Disenfranchisement of Defaulting Lenders

(a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining the Majority Lenders or whether any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents, that Defaulting Lender’s commitments will be reduced by the amount of its Available Commitments.

(b) For the purposes of this Clause 26.5, the Agent may assume that the following Lenders are Defaulting Lenders:

(i) any Lender which has notified the Agent that it has become a Defaulting Lender;

(ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a) or (b) of the definition of “Defaulting Lender” has occurred, and in the case of the events or circumstances referred to in paragraph (a) of the definition of “Defaulting Lender”, none of the exceptions to that paragraph apply.

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

26.6 Replacement of a Defaulting Lender

(a) Vodafone may, at any time a Lender has become and continues to be a Defaulting Lender, by giving five Business Days’ prior written notice to the Agent and such Lender:
(i) replace such Lender by requiring such Lender to (and such Lender shall) transfer pursuant to Clause 27 (Changes to the Parties) all (and not part only) of its rights and obligations under this Agreement; or

(ii) require such Lender to (and such Lender shall) transfer pursuant to Clause 27 (Changes to the Parties) all (and not part only) of the undrawn Commitments of the Lender,

to a Lender or other bank or financial institution, (a “Replacement Lender”) selected by Vodafone, and which is acceptable to the Agent (acting reasonably) and which confirms its willingness to assume and does assume all the obligations or all the relevant obligations of the transferring Lender (including the assumption of the transferring Lender’s participations or unfunded participations (as the case may be) on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender’s participation in the outstanding Advances and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.

(b) Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause shall be subject to the following conditions:

(i) Vodafone shall have no right to replace the Agent;

(ii) neither the Agent nor the Defaulting Lender shall have any obligation to Vodafone to find a Replacement Lender;

(iii) the transfer must take place no later than 45 Business Days after the notice referred to in paragraph (a) above; and

(iv) in no event shall a Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents.

(c) An amendment or waiver which relates to this Clause 26 may not be effected without the consent of each Lender.

27. CHANGES TO THE PARTIES

27.1 Transfers by Obligors

(a) No Obligor may assign, transfer, novate or dispose of any of, or any interest in, its rights and/or obligations under this Agreement provided that without any further consent from the Lenders or the Agent it may, subject to paragraph (b) below and provided that no Default is continuing or would result from any such transfer, transfer its rights and obligations under this Agreement to NewTopco or any Intermediate Holding Company and NewTopco or the Intermediate Holding Company will execute a document, or documents, in favour of the Lenders in form and substance the same as this Agreement, with references to such Obligor in this Agreement amended to mean NewTopco or such Intermediate Holding Company (as applicable), provided that if such transfer is to an Intermediate Holding Company, the Agent may, within 30 days of receipt of notification of such transfer, require NewTopco to accede as a Guarantor. The Agent shall (and is hereby authorised to) execute on behalf of the Finance Parties any such document or documents executed by NewTopco or the Intermediate Holding Company provided that the conditions set out in this Clause 27.1 are satisfied.

(b) The transfer of rights and obligations under this Agreement to NewTopco or any Intermediate Holding Company shall not require the consent of the Lenders or the Agent.
provided that NewTopco or the Intermediate Holding Company, as applicable, is incorporated and tax resident in the United Kingdom or in the United States and prior to such transfer Vodafone provides satisfactory evidence to the Agent that it is tax resident in one of those jurisdictions. Subject to paragraph (c) below, the prior written consent of the Majority Lenders shall be required in relation to the transfer of rights and obligations to a NewTopco or an Intermediate Holding Company incorporated elsewhere.

(c) All Lender consent will be required for any transfer of rights under this Agreement to a NewTopco or an Intermediate Holding Company to the extent the transferee is incorporated or established or carrying on its principal business in a country which is subject to OFAC sanctions, United Nations sanctions under Article 41 of the UN Charter, or any equivalent sanctions administered or enforced by the European Union, Her Majesty’s Treasury, the State Secretariat for Economic Affairs, or other relevant sanctions authority.

27.2 Transfers by Lenders

(a) A Lender (the “Existing Lender”) may at any time assign, transfer or novate any of its rights and/or obligations under this Agreement to another bank, financial institution, central bank or federal reserve (the “New Lender”) provided that:

(i) subject to paragraph (b) below Vodafone (or following a Hive Up, NewTopco) has, except while an Event of Default is continuing or in the case of an assignment, transfer or novation to an Affiliate or another Lender, given its prior written consent (in the case of a transfer to a financial institution, such consent to be in its absolute discretion and, in the case of a transfer to a bank, central bank or federal reserve such consent not to be unreasonably withheld or delayed);

(ii) in the case of a partial assignment, transfer or novation of rights and/or obligations, a minimum amount of €8,000,000 in aggregate and in multiples of €1,000,000 (unless to an Affiliate or to a Lender or the Agent agrees otherwise) must be assigned, transferred or novated; and

(iii) in the case of an assignment, transfer or novation by a Swingline Lender (or an Affiliate of a Swingline Lender), a portion of that Swingline Lender’s Swingline Commitment must also be assigned, transferred or novated to the extent necessary (if at all) to ensure that the Swingline Lender’s Swingline Commitment does not exceed its Commitment after the assignment, transfer or novation.

(b) Vodafone must respond to a request for its consent to a transfer made under paragraph (a)(i) above as soon as is reasonably practicable and, in any event, no later than 15 Business Days after the day on which it received the request, or Vodafone will be deemed to have given its consent to the transfer.

(c) A transfer of obligations will be effective only if either:

(i) the obligations are novated in accordance with Clause 27.4 (Procedure for novations); or

(ii) the New Lender gives prior written notice to Vodafone and, except while an Event of Default is continuing or in the case of an assignment, transfer or novation to an Affiliate or another Lender, obtains the consent of Vodafone in accordance with paragraph (a)(i) above and confirms to the Agent and Vodafone that it undertakes to be bound by the terms of this Agreement as a Lender in form and substance satisfactory to the Agent. On the transfer becoming effective in this manner the Existing Lender shall be relieved of its obligations under this Agreement to the extent that they are transferred to the New Lender; and
in additional amounts becoming due under Clause 11 (Taxes) or amounts becoming due under Clause 13 (Increased Costs),
the New Lender shall be entitled to receive such additional amounts

(d) Nothing in this Agreement restricts the ability of a Lender to sub-contract an obligation if that Lender remains liable under this Agreement for that obligation.

(e) On each occasion an Existing Lender assigns, transfers or novates any of its rights and/or obligations under this Agreement (other than to an Affiliate), the New Lender shall, on the date the assignment, transfer and/or novation takes effect, pay to the Agent for its own account a fee of €2,500.

(f) An Existing Lender is not responsible to a New Lender for:
   (i) the execution, genuineness, validity, enforceability or sufficiency of any Finance Document or any other document; or
   (ii) the collectability of amounts payable under any Finance Document; or
   (iii) the accuracy of any statements (whether written or oral) made in connection with any Finance Document.

(g) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
   (i) has made its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
   (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under this Agreement or any Commitment is in force.

(h) Nothing in any Finance Document obliges an Existing Lender to:
   (i) accept a re-transfer from a New Lender of any of the rights and/or obligations assigned, transferred or novated under this Clause 27; or
   (ii) support any losses incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under this Agreement or otherwise.

(i) Any reference in this Agreement to a Lender includes a New Lender but excludes a Lender if no amount is or may be owed to or by it under this Agreement and its Commitment has been cancelled or reduced to nil.

(j) If any assignment, transfer or novation results either:
   (i) at the time of the assignment, transfer or novation; or
   (ii) at any future time where the additional amount was caused as a result of laws and/or regulations in force at the date of the assignment, transfer or novation,
in additional amounts becoming due under Clause 11 (Taxes) or amounts becoming due under Clause 13 (Increased Costs), the New Lender shall be entitled to receive such additional amounts
only to the extent that the Existing Lender would have been so entitled had there been no such assignment, transfer or
novation.

27.3 Affiliates of Lenders

(a) Each Lender may fulfil its obligations in respect of any Advance through an Affiliate if:

(i) the relevant Affiliate is specified in this Agreement as a Lender or becomes a Lender by means of a
Novation Certificate in accordance with this Agreement and subject to any consent required under Clause
27.2 (Transfers by Lenders); and

(ii) the Advances in which that Affiliate will participate are specified in this Agreement or in a notice given by
that Lender to the Agent.

In this event, the Lender and the Affiliate will participate in Advances in the manner provided for in sub-paragraph (ii) above.

(b) If paragraph (a) above applies, the Lender and its Affiliate will be treated as having a single Commitment and a
single vote, but, for all other purposes, will be treated as separate Lenders.

27.4 Procedure for novations

(a) A novation is effected if:

(i) the Existing Lender and the New Lender deliver to the Agent a duly completed certificate (a “Novation
Certificate”), substantially in the form of Part 1 of Schedule 4, with such amendments as the Agent
approves to achieve a substantially similar effect (which may be delivered by fax and confirmed by delivery
of a hard copy original but the fax will be effective irrespective of whether confirmation is received); and

(ii) the Agent executes it (as soon as practicable for it to do so).

(b) Each Party (other than the Existing Lender and the New Lender) irrevocably authorises the Agent to execute any
duly completed Novation Certificate on its behalf.

(c) To the extent that they are expressed to be the subject of the novation in the Novation Certificate:

(i) the Existing Lender and the other Parties (the “Existing Parties”) will be released from their obligations to
each other (the “Discharged Obligations”);

(ii) the New Lender and the Existing Parties will assume obligations towards each other which differ from the
Discharged Obligations only insofar as they are owed to or assumed by the New Lender instead of the
Existing Lender;

(iii) the rights of the Existing Lender against the Existing Parties and vice versa (the “Discharged Rights”) will
be cancelled; and

(iv) the New Lender and the Existing Parties will acquire rights against each other which differ from the
Discharged Rights only insofar as they are exercisable by or against the New Lender instead of the Existing
Lender,

all on the date of execution of the Novation Certificate by the Agent or, if later, the date specified in the Novation Certificate.
(d) If the effective date of a novation is after the date a Request is received by the Agent but before the date the requested Advance is disbursed to the relevant Borrower, the Existing Lender shall be obliged to participate in that Advance in respect of its Discharged Obligations notwithstanding that novation, and the New Lender shall reimburse the Existing Lender for its participation in that Advance and all interest and fees thereon up to the date of reimbursement (in each case to the extent attributable to the Discharged Obligations) within three Business Days of the Drawdown Date of that Advance.

(e) The Agent shall only be obliged to execute a Novation Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

27.5 Replacement of Lenders

(a) In this Clause:

Non-consenting Lender means a Lender which does not agree to a consent or amendment to, or a waiver of, a provision of a Finance Document requested by Vodafone where:

(i) the consent, waiver or amendment requires the consent of all the Lenders;

(ii) a period of not less than 15 Business Days (or such other longer period as agreed from time to time between the Agent and Vodafone) has elapsed from the date the consent, waiver or amendment was requested; and

(iii) 80% of the Lenders have agreed to the consent, waiver or amendment.

Prepayment Lender means, at any time, a Lender in respect of which a Borrower is at that time entitled to serve a notice under Clause 8.5 (a) to (c) (Right of prepayment and cancellation) (inclusive), but has not done so.

Relevant Lender means:

(i) a Prepayment Lender; or

(ii) a Non-Consenting Lender.

Replacement Lender means a Lender or any other bank or financial institution selected by Vodafone which:

(i) in the case of a person which is not an existing Lender is acceptable to the Agent (acting reasonably); and

(ii) is willing to assume all of the obligations of the Relevant Lender.

(b) Subject to paragraph (e) below, Vodafone may, on giving 10 Business Days’ prior notice to the Agent and a Relevant Lender, require that Relevant Lender to transfer all of its rights and obligations under this Agreement to a Replacement Lender.

(c) On receipt of a notice under paragraph (b) above the Relevant Lender must transfer all of its rights and obligations under this Agreement:

(i) in accordance with Clause 27.2 (Transfers by Lenders);

(ii) on the date specified in the notice;
(iii) to the Replacement Lender specified in the notice; and

(iv) for a purchase price equal to the aggregate of:

(A) the Relevant Lender’s share in the outstanding Facilities;

(B) any Break Costs incurred by the Relevant Lender as a result of the transfer; and

(C) all accrued interest, fees and other amounts payable to the Relevant Lender under this Agreement as at the transfer date.

(d) No member of the Consolidated Group may make any payment or assume any obligation to or on behalf of the Replacement Lender as an inducement for a Replacement Lender to become a Lender, other than as provided in paragraph (c) above.

(e) Notwithstanding the above, Vodafone’s right to replace:

(i) a Non-Consenting Lender may only be exercised within 45 Business Days after the date the consent, waiver or amendment was requested by Vodafone;

(ii) a Prepayment Lender may only be exercised whilst it is entitled to serve a notice under Clause 8.5 (Right of prepayment and cancellation); and

(iii) a Non-Consenting Lender or Prepayment Lender under this Clause 27.5 shall in no way be obliged to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents.

27.6 Pro rata interest settlement

If the Agent has notified the Lenders that it is able to distribute interest payments on a “pro rata basis” to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 27.2 (Transfers by Lenders) or any novation pursuant to Clause 27.4 (Procedure for novations) the transfer date of which, in each case, is after the date of such notification and is not on the last day of a Term):

(a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the transfer date (“Accrued Amounts”) and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Term (or, if the Term is longer than six Months, on the next of the dates which falls at six monthly intervals after the first day of that Term); and

(b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts so that, for the avoidance of doubt:

(i) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and

(ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 27.6, have been payable to it on that date, but after deduction of the Accrued Amounts.

27.7 Additional Guarantors

(a)
(i) Vodafone will procure that NewTopco and any Intermediate Holding Company of Vodafone will become an Additional Guarantor on or before the Reorganisation Date by executing and delivering the documents set out in paragraph (iii) below on or before the Reorganisation Date.

(ii) Subject to Vodafone’s prior written consent, any other member of the Consolidated Group may become an Additional Guarantor.

(iii) The relevant company will become an Additional Guarantor upon:

(A) the delivery to the Agent of a Guarantor Accession Agreement duly executed by that company; and

(B) delivery to the Agent of all those other documents listed in Part 2 of Schedule 2, in each case in the agreed form or in such other form and substance satisfactory to the Agent.

(b) The execution of a Guarantor Accession Agreement constitutes confirmation by the Additional Guarantor concerned that the representations and warranties set out in Clauses 16.1 (Representations and Warranties) to 16.6 (Authorisations) to be made by it on the date of the Guarantor Accession Agreement are correct, as if made with reference to the facts and circumstances then existing.

27.8 Additional Borrowers

(a) (i) Any member of the Restricted Group, or following a Hive Up (and subject to the proviso below), NewTopco or any Intermediate Holding Company incorporated and tax resident in the United Kingdom or in the United States or, subject to the prior written consent of the Majority Lenders (or, if sub-paragraph (iii) below applies, all the Lenders), elsewhere which Vodafone nominates may become an Additional Borrower, provided that on or prior to the date on which NewTopco or any Intermediate Holding Company accedes as an Additional Borrower it also accedes as an Additional Guarantor.

(ii) The relevant member of the Restricted Group (or NewTopco or any Intermediate Holding Company, as applicable) will become an Additional Borrower upon:

(A) the delivery to the Agent of a Borrower Accession Agreement duly executed by that member of the Restricted Group (or NewTopco or any Intermediate Holding Company, as applicable); and

(B) delivery to the Agent of all those other documents listed in Part 3 of Schedule 2, in each case in the agreed form or in such other form and substance satisfactory to the Agent.

(iii) All Lender consent will be required for any Additional Borrower to the extent the Additional Borrower is incorporated or established or carrying on its principal business in a country which is subject to OFAC sanctions or United Nations sanctions under Article 41 of the UN Charter or any equivalent sanctions administered or enforced by the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

(b) The execution of a Borrower Accession Agreement constitutes confirmation by the Additional Borrower concerned that the representations and warranties set out in Clauses 16.1 (Representations and Warranties) to 16.6 (Authorisations) to be made by it on the date of the Borrower Accession Agreement are correct, as if made with reference to the facts and circumstances then existing.
27.9 Removal of Borrowers
(a) Any Borrower (other than Vodafone (subject to paragraph (b) below) or, if applicable, NewTopco) which has no liabilities to the Finance Parties in respect of outstanding Advances or any other liabilities to the Finance Parties under the Finance Documents (other than as a Guarantor) may, at the request of Vodafone and if no Default is outstanding or will result from such action, cease to be a Borrower by entering into a supplemental agreement to this Agreement at the cost of Vodafone in such form as the Agent may reasonably require which shall discharge that Borrowers’ obligations as a Borrower under this Agreement.
(b) If on the Reorganisation Date:
- NewTopco and any Intermediate Holding Company has acceded as a Guarantor in accordance with Clause 27.7 (Additional Guarantors);
- Vodafone has no liabilities to the Finance Parties in respect of outstanding Advances or any other liabilities to the Finance Parties under the Finance Documents (other than as a Guarantor); and
- no Default is continuing.

Vodafone may cease to be a Borrower with effect from the Reorganisation Date by entering into a supplemental agreement to this Agreement at the cost of Vodafone or NewTopco in such form as the Agent may reasonably require which shall discharge Vodafone’s obligations as a Borrower under this Agreement.

27.10 Reference Banks
If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with Vodafone) appoint another Lender or an Affiliate of a Lender which is not a Reference Bank to replace that Reference Bank.

27.11 Register
The Agent, acting solely for this purpose as agent of the Borrowers, shall keep a register of all the Parties including in the case of Lenders, their respective commitments, the obligations owing to each, and the details of their Facility Office notified to the Agent from time to time, and shall supply any other Party (at that Party’s expense) with a copy of the register on request.

The Agent shall record in the register any transfer by an Obligor or by a Lender described in Clause 27.1(a) or (b) (Transfers by Obligors) or 27.2 (Transfers by Lenders), respectively, and any other modification to the Borrowers, Lenders, Guarantors, or outstanding obligations. The Agent shall record the names and addresses of each Lender and the respective Commitments of and obligations owing to each Lender. The entries in the register shall, in the absence of manifest error, be conclusive and each Obligor, the Agent, and each Lender shall treat each person whose name is recorded in the register as a Lender notwithstanding any notice to the contrary. The register shall be available for inspection by each Obligor at any reasonable time and from time to time upon reasonable prior notice.

27.12 Security over Lenders’ rights
In addition to the other rights provided to Lenders under this Clause 27, each Lender may at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:
except that no such charge, assignment or Security shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other Security for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by an Obligor or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

28. DISCLOSURE OF INFORMATION

28.1 Disclosure

(a) A Lender may disclose to any of its Affiliates, directors, employees, officers, professional advisers or auditors; any person to whom or for whose benefit a Lender charges, assigns or otherwise creates security (or may do so) pursuant to Clause 27.12 (Security over Lenders’ rights); or any person with whom it is proposing to enter, or has entered into, any kind of transfer, participation or other agreement in relation to this Agreement:

(i) a copy of any Finance Document; and

(ii) any information which that Lender has acquired under or in connection with any Finance Document, provided that a Lender shall not disclose any such information:

(A) to any of its Affiliates, directors, employees, officers, professional advisers or auditors or a federal reserve or central bank, unless the recipient is informed that such information is confidential; or

(B) to any other person, unless that person has provided to that Lender a confidentiality undertaking addressed to that Lender and Vodafone substantially in the form of Schedule 5 or such other form as Vodafone may approve.

(b) Paragraphs 1(a), 1(c), 2(b), 3, 6, 8, 9 and 12 of Schedule 5 (Form of Confidentiality Undertaking from New Lender) shall be deemed to be incorporated herein as if set out in full (mutatis mutandis), but as if references therein to “we”, “us” or “our” were to each Finance Party and references to “you” were to Vodafone and as if the Confidential Information included any Funding Rate or Reference Bank Quotation.

28.2 Disclosure to numbering service providers

(a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facilities and/or one or more Obligors the following information:
(i) names of Obligors;
(ii) country of domicile of Obligors;
(iii) place of incorporation of Obligors;
(iv) date of this Agreement;
(v) the name of the Agent and the Arranger;
(vi) date of each amendment and restatement of this Agreement;
(vii) amount of Total Commitments;
(viii) currencies of the Facilities;
(ix) type of Facilities;
(x) ranking of Facilities;
(xi) Maturity Date for the Facilities;
(xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above (inclusive);
(xiii) such other information agreed between such Finance Party and Vodafone,

and

(b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facilities and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

(c) If requested, the Agent shall notify Vodafone and the other Finance Parties of:
(i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Facilities and/or one or more Obligors; and
(ii) the number or, as the case may be, numbers assigned to this Agreement, the Facilities and/or one or more Obligors by such numbering service provider.

28.3 Confidentiality of Funding Rates and Reference Bank Quotations

(a) Confidentiality and Disclosure

(i) The Agent and each Obligor agree to keep each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (ii), (iii) and (iv) below.

(ii) The Agent may disclose:

(A) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to Vodafone pursuant to Clause 9.4 (Notification of rates of interest); and
any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Agent and the relevant Lender or Reference Bank, as the case may be.

The Agent may disclose any Funding Rate or any Reference Bank Quotation, and each Obligor may disclose any Funding Rate, to:

(A) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and representatives if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this paragraph (A) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;

(B) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances;

(C) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances; and

(D) any person with the consent of the relevant Lender or Reference Bank, as the case may be.

The Agent’s obligations in this Clause 28.3 relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under Clause 9.4 (Notification of rates of interest) provided that (other than pursuant to paragraph (ii)(A) above) the Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

The Agent and each Obligor acknowledge that each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) is or may be price-sensitive.
Whilst an Event of Default subsists each Obligor authorises each Finance Party to apply any credit balance to which that Obligor is entitled on any account of that Obligor with that Finance Party or any other sum due and payable by that Lender to that Obligor in satisfaction of any sum due and payable from that Obligor to that Finance Party under the Finance Documents but unpaid. For this purpose, each Finance Party is authorised to purchase with the moneys standing to the credit of any such account such other currencies as may be necessary to effect such application.

No Finance Party shall be obliged to exercise any right given to it by Clause 29.1 (Contractual set-off).

Any Finance Party exercising its rights under Clause 29.1 (Contractual set-off) shall notify Vodafone promptly after set-off is applied.

Any Obligor may at any time on or after a Lender becomes a Defaulting Lender set off amounts owed by that Obligor to that Lender under the Finance Documents against any credit balance on any account of that Obligor with that Lender or any other sum due and payable by that Obligor to that Lender (regardless of the place of payment, booking branch or currency of either obligation). If the obligations are in different currencies, that Obligor may convert either obligation at the Agent’s Spot Rate of Exchange (or, if there is no such rate, at a market rate of exchange reasonably selected by Vodafone) for the purpose of the set-off. If an Obligor exercises such rights of set-off: (i) it shall notify the Lender promptly thereafter; and (ii) the Lender shall treat any such obligation owed by the Lender to that Obligor as if it was a payment received by the Lender from that Obligor in accordance with the provisions of this Agreement.
30. PRO RATA SHARING

30.1 Redistribution

If any amount owing by an Obligor under any Finance Document to a Finance Party (the “Recovering Finance Party”) is discharged by payment, set-off or any other manner other than through the Agent in accordance with Clause 10 (Payments) (a “Recovery”), then:

(a) the Recovering Finance Party shall, within three Business Days, notify details of the Recovery to the Agent;

(b) the Agent shall determine whether the Recovery is in excess of the amount which the Recovering Finance Party would have received had the Recovery been received by the Agent and distributed in accordance with Clause 10 (Payments);

(c) subject to Clause 30.3 (Exceptions), the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “Redistribution”) equal to the excess;

(d) the Agent shall treat the Redistribution as if it were a payment by the Obligor concerned under Clause 10 (Payments) and shall pay the Redistribution to the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 10.8 (Partial payments); and

(e) after payment of the full Redistribution, the Recovering Finance Party will be subrogated to the portion of the claims paid under paragraph (d) above, and that Obligor will owe the Recovering Finance Party a debt which is equal to the Redistribution, immediately payable and of the type originally discharged.

30.2 Reversal of redistribution

If under Clause 30.1 (Redistribution):

(a) a Recovering Finance Party must subsequently return a Recovery, or an amount measured by reference to a Recovery, to an Obligor; and

(b) the Recovering Finance Party has paid a Redistribution in relation to that Recovery, each Finance Party shall, within three Business Days of demand by the Recovering Finance Party through the Agent, reimburse the Recovering Finance Party all or the appropriate portion of the Redistribution paid to that Finance Party. Thereupon the subrogation in Clause 30.1(e) (Redistribution) will operate in reverse to the extent of the reimbursement.

30.3 Exceptions

(a) A Recovering Finance Party need not pay a Redistribution to the extent that it would not, after the payment, have a valid claim against the Obligor concerned in the amount of the Redistribution pursuant to Clause 30.1(e) (Redistribution).

(b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal proceedings, if the other Finance Party had an opportunity to participate in those legal proceedings but did not do so and did not take separate legal proceedings.
31. SEVERABILITY
If a provision of any Finance Document is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:
(a) the legality, validity or enforceability in that jurisdiction of any other provision of the Finance Documents; or
(b) the legality, validity or enforceability in other jurisdictions of that or any other provision of the Finance Documents.

32. COUNTERPARTS
This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

33. NOTICES
33.1 Giving of notices
(a) All notices or other communications under or in connection with this Agreement shall be given in writing or by facsimile. Any such notice will be deemed to be given as follows:
   (i) if in writing, when delivered; and
   (ii) if by facsimile, when received.
However, a notice given in accordance with the above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.
(b) Any Party may agree with any other Party to give and receive notices by telex in which case the notice will be deemed given when the correct answerback is received.

33.2 Addresses for notices
(a) The address and facsimile number of each Party (other than the Agent, the Euro Swingline Agent and Vodafone) for all notices under or in connection with this Agreement are:
   (i) that notified by that Party for this purpose to the Agent on or before it becomes a Party; or
   (ii) any other notified by that Party for this purpose to the Agent by not less than five Business Days’ notice.
(b) The address and facsimile numbers of the Agent are:
For Operational Matters (such as Drawdowns, Interest Rate Fixing, Interest / fee calculations and payments)
The Royal Bank of Scotland plc
1 Hardman Boulevard
Manchester
Greater Manchester
M3 3AQ
For Non Operational Matters (such as documentation; covenant compliance; amendments & waivers)

The Royal Bank of Scotland plc
Level 3
Premier Place
2 1⁄2 Devonshire Square
London
EC2M 4BA

or such other as the Agent may notify to the other Parties by not less than five Business Days’ notice.

(c) The address and facsimile numbers of the Euro Swingline Agent are:

The Royal Bank of Scotland plc
2nd Floor, 1 Hardman Boulevard
Manchester
Greater Manchester
M3 3AQ

or such other as the Euro Swingline Agent may notify to the other Parties by not less than five Business Days’ notice.

(d) The address, facsimile number and website of Vodafone are:

Vodafone Group Plc
One Kingdom Street
Paddington Central
London W2 6BY

Website: http://www.vodafone.com/start/investor_relations/financial_reports.html

or such other as Vodafone may notify to the other Parties by not less than five Business Days’ notice.

(e) The Agent shall, promptly upon request from any Party, give to that Party the address or facsimile number of any other Party applicable at the time for the purposes of this Clause 33.
33.3 Communication when Agent or Euro Swingline Agent is Impaired Agent

If the Agent or, as the case may be, the Euro Swingline Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent or, as the case may be, the Euro Swingline Agent, communicate with each other directly and (while the Agent or the Euro Swingline Agent is an impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a successor Agent or, as the case may be, successor Euro Swingline Agent has been appointed.

34. LANGUAGE

(a) Any notice given under or in connection with any Finance Document shall be in English.

(b) All other documents provided under or in connection with any Finance Document shall be:
   (i) in English; or
   (ii) if not in English, accompanied by a certified English translation and, in this case, the English translation shall prevail unless the document is a statutory or other official document.

35. JURISDICTION

35.1 Submission

(a) For the benefit of each Finance Party, each Obligor agrees that the courts of England have jurisdiction to settle any disputes in connection with any Finance Document or any non-contractual obligation arising out of or in connection with any Finance Document and accordingly submits to the jurisdiction of the English courts.

(b) Notwithstanding paragraph (a) above, any New York State court or U.S. Federal court sitting in the City and County of New York also has jurisdiction to settle any dispute in connection with any Finance Document, and, for the benefit of the Finance Parties, each Obligor submits to the jurisdiction of those courts.

(c) The English and New York courts are the most appropriate and convenient courts to settle any such dispute and each Obligor waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with any Finance Document.

35.2 Service of process

(a) Without prejudice to any other mode of service, each Obligor (other than an Obligor incorporated in England and Wales):
   (i) irrevocably appoints Vodafone as its agent for service of process relating to any proceedings before the English courts in connection with any Finance Document (and Vodafone accepts this appointment);
   (ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned;
Each Obligor:

(iii) consents to the service of process relating to any such proceedings by prepaid posting of a copy of the process to its address for the time being applying under Clause 33.2 (Addresses for notices); and

(iv) agrees that if the appointment of any person mentioned in paragraph (i) or (ii) above ceases to be effective, the relevant Obligor shall immediately appoint a further person in England to accept service of process on its behalf in England and, failing such appointment within 15 days, the Agent is entitled to appoint such a person by notice to Vodafone.

(b) Prior to the accession of a US Obligor who is not incorporated or having a place of business in New York State such US Obligor must appoint an agent for service of process in any proceedings before any court located in the State of New York on terms reasonably satisfactory to the Agent.

35.3 Forum convenience and enforcement abroad
Each Obligor:
(a) waives objection to the English courts on grounds of inconvenient forum or otherwise as regards proceedings in connection with a Finance Document; and
(b) agrees that a judgment or order of an English court in connection with a Finance Document is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

35.4 Non-exclusivity
Nothing in this Clause 35 limits the right of a Finance Party to bring proceedings against an Obligor in connection with any Finance Document:
(a) in any other court of competent jurisdiction; or
(b) concurrently in more than one jurisdiction.

36. GOVERNING LAW
This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

37. USA PATRIOT ACT
Each Finance Party that is subject to the requirements of the USA Patriot Act hereby notifies each Obligor that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Obligors, which information includes the name and address of the Obligors and other information that will allow such Finance Party to identify the Obligors in accordance with the USA Patriot Act. Each Obligor agrees that it will provide each Finance Party with such information as it may request in order for such Finance Party to satisfy the requirements of the USA Patriot Act.

38. WAIVER OF TRIAL BY JURY
EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH ANY FINANCE DOCUMENT OR ANY TRANSACTION CONTEMPLATED BY ANY FINANCE DOCUMENT. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO TRIAL BY THE COURT.
THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.
### SCHEDULE 1

#### LENDERS AND COMMITMENTS

##### PART 1

#### LENDERS AND COMMITMENTS

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<th>Commitment (€)</th>
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<td>ABBEY NATIONAL TREASURY SERVICES PLC (TRADING AS SANTANDER GLOBAL BANKING AND</td>
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<td>THE BANK OF NEW YORK MELLON</td>
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<tr>
<td>BARCLAYS BANK PLC</td>
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<tr>
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<td>Original Lender</td>
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### SWINGLINE LENDERS AND SWINGLINE COMMITMENTS

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<td>HSBC BANK PLC</td>
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<td>UBS AG LONDON BRANCH</td>
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PART 3

MANDATED LEAD ARRANGERS

ABBEY NATIONAL TREASURY SERVICES PLC (TRADING AS SANTANDER GLOBAL BANKING AND MARKETS)
BANCO BILBAO VIZCAYA ARGENTARIA S.A.
BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED
BANK OF CHINA LIMITED, LONDON BRANCH
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
BARCLAYS BANK PLC
BNP PARIBAS
CITIGROUP GLOBAL MARKETS LIMITED
COMMERZBANK AKTIENGESELLSCHAFT
DEUTSCHE BANK AG, LONDON BRANCH
GOLDMAN SACHS BANK USA
HSBC BANK PLC
ING BANK N.V., LONDON BRANCH
INTESA SANPAOLO S.P.A.
J.P. MORGAN LIMITED
LLOYDS BANK PLC
MIZUHO BANK, LTD
MORGAN STANLEY BANK INTERNATIONAL LIMITED
SUMITOMO MITSUI BANKING CORPORATION
THE ROYAL BANK OF SCOTLAND PLC
UBS LIMITED
UNICREDIT BANK AG
CO-ARRANGERS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
BANCO DE SABADELL S.A., LONDON BRANCH
THE BANK OF NEW YORK MELLON
NATIONAL AUSTRALIA BANK LIMITED
SOCIETE GENERALE, LONDON BRANCH
STANDARD CHARTERED BANK
THE TORONTO-DOMINION BANK
SCHEDULE 2
CONDITIONS PRECEDENT DOCUMENTS

PART 1

TO BE DELIVERED BEFORE THE FIRST ADVANCE

1. Constitutional documents
   A copy of the memorandum and articles of association and certificate of incorporation of Vodafone.

2. Authorisations
   (a) A copy of a resolution of the board of directors of Vodafone or, if applicable, of a committee of the board of directors (together with a copy of the resolution of the board of directors constituting that committee):
      (i) approving the terms of, and the transactions contemplated by, this Agreement and the Fee Letters and resolving that it execute and, where applicable, deliver this Agreement and the Fee Letters;
      (ii) authorising a specified person or persons to execute and, where applicable, deliver this Agreement and the Fee Letters on its behalf; and
      (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including Requests) to be signed and/or despatched by it under or in connection with the Finance Documents;
   (b) a specimen of the signature of each person authorised by the resolution referred to in paragraph (a) above;
   (c) a certificate of an authorised signatory of Vodafone confirming that as at the first Drawdown Date the borrowing of the Total Commitments in full and the borrowing of the Total Commitments under (and as defined in) the 2017 Facility in full would not together cause any borrowing limit or limit on the giving of guarantees binding on it to be exceeded (whether as a result of such limit having been waived or otherwise);
   (d) a certificate of an authorised signatory of Vodafone certifying that each copy document specified in this Part 1 of Schedule 2 and supplied by Vodafone is correct, complete and in full force and effect as at a date no earlier than the Signing Date.

3. Legal opinions
   A legal opinion of Allen & Overy LLP, English law counsel to the Agent, in relation to English law.

4. Fee Letter
   Duly executed Fee Letters referred to in paragraphs (a) and (b) of the definition of Fee Letters.
PART 2

TO BE DELIVERED BY AN ADDITIONAL GUARANTOR

1. A Guarantor Accession Agreement duly executed (if appropriate, under seal) by the Additional Guarantor.
2. A copy of the memorandum (if applicable) and articles of association and certificate of incorporation (or other equivalent constitutional documents) of the Additional Guarantor.
3. A copy of a resolution of the board of directors of the Additional Guarantor:
   (a) approving the terms of, and the transactions contemplated by, the Guarantor Accession Agreement and resolving that it execute the Guarantor Accession Agreement as a deed;
   (b) authorising a specified person or persons to execute the Guarantor Accession Agreement as a deed; and
   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents to be signed and/or despatched by it under or in connection with this Agreement.
4. If the Additional Guarantor is not NewTopco and the lawyers referred to in paragraph 10 below advise it to be necessary or desirable, a copy of a resolution, signed by all the holders of the issued or allotted shares in the Additional Guarantor, approving the terms of, and the transactions contemplated by, the Guarantor Accession Agreement.
5. If the Additional Guarantor is not NewTopco, a copy of a resolution of the board of directors of each corporate shareholder in the Additional Guarantor:
   (a) approving the terms of the resolution referred to in paragraph 4 above; and
   (b) authorising a specified person or persons to sign the resolution on its behalf.
6. A certificate of a director of the Additional Guarantor certifying that the borrowing of the Total Commitments in full and the borrowing of the Total Commitments under (and as defined in) the 2017 Facility in full would not together cause any borrowing limit or limit on the giving of guarantees binding on it to be exceeded (whether as a result of such limit being waived or otherwise).
7. A copy of any other authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, the Guarantor Accession Agreement or for the validity and enforceability of any Finance Document.
8. A specimen of the signature of each person authorised by the resolutions referred to in paragraphs 3 and, if applicable, 5 above.
9. A copy of the latest annual statutory audited accounts of the Additional Guarantor.
10. A legal opinion of Allen & Overy, legal advisers to the Agent, and, if applicable, other lawyers approved by the Agent in the place of incorporation of the Additional Guarantor addressed to the Finance Parties.
11. A certificate of an authorised signatory of the Additional Guarantor certifying that each copy document specified in this Part 2 of Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of the Guarantor Accession Agreement.
PART 3

TO BE DELIVERED BY AN ADDITIONAL BORROWER

1. A Borrower Accession Agreement duly executed (if appropriate, under seal) by the Additional Borrower.

2. A copy of the memorandum and articles of association and certificate of incorporation (or other equivalent constitutional documents) of the Additional Borrower.

3. A copy of a resolution of the board of directors of the Additional Borrower:
   (a) approving the terms of, and the transactions contemplated by, the Borrower Accession Agreement and resolving that it execute the Borrower Accession Agreement;
   (b) authorising a specified person or persons to execute the Borrower Accession Agreement; and
   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents to be signed and/or despatched by it under or in connection with this Agreement.

4. A certificate of a director of the Additional Borrower certifying that the borrowing of the Total Commitments in full and the borrowing of the Total Commitments under (and as defined in) the 2017 Facility in full would not together cause any borrowing limit or limit on the giving of guarantees binding on it to be exceeded (whether as a result of such limit being waived or otherwise).

5. A copy of any other authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, the Borrower Accession Agreement or for the validity and enforceability of any Finance Document.

6. A specimen of the signature of each person authorised by the resolutions referred to in paragraph 3 above.

7. A copy of the latest annual statutory audited accounts of the Additional Borrower (if any).

8. A legal opinion of Allen & Overy, legal advisers to the Agent, and, if applicable, other lawyers approved by the Agent in the place of incorporation of the Additional Borrower addressed to the Finance Parties.

9. A certificate of an authorised signatory of the Additional Borrower certifying that each copy document specified in this Part 3 of Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of the Borrower Accession Agreement.
SCHEDULE 3

FORM OF REQUEST

To: THE ROYAL BANK OF SCOTLAND PLC as [Agent/Euro Swingline Agent]

From: [BORROWER]

Date: [ ]

Vodafone Group Plc –€ [ ]
Revolving Credit Agreement dated [*] 2014

1. We wish to utilise the Revolving Credit Facility* and/or the Swingline Facility* by way of Advances*/Swingline Advances* as follows:

   (a) Drawdown Date:

            Revolving Credit Facility: [ ]*
            Swingline Facility: [ ]*

   (b) Requested Amount (including currency):

            Revolving Credit Facility: [ ]*
            Swingline Facility: [ ]*

   (c) Term:

            Revolving Credit Facility: [ ]*
            Swingline Facility: [ ]*

   (d) Payment Instructions:

            Revolving Credit Facility: [ ]*
            Swingline Facility: [ ]*

2. We confirm that each condition specified in [Clause 4.2 (Conditions to all drawdowns and rollovers)]** is satisfied on the date of this Request and this Advance would not cause any borrowing limit binding on us to be exceeded.

[By:]
[BORROWER]
Authorised Signatory

** Delete as applicable depending on whether the Advance is a Rollover Advance.
SCHEDULE 4
FORMS OF ACCESSION DOCUMENTS

PART 1

NOVATION CERTIFICATE

To: THE ROYAL BANK OF SCOTLAND PLC as Agent

From: [THE EXISTING LENDER] and [THE NEW LENDER] Date: [ ]

Vodafone Group Plc –€ [ ] Revolving Credit Agreement dated [ ] 2014

We refer to Clause 27.4 (Procedure for novations).

1. We [ ] (the “Existing Lender”) and [ ] (the “New Lender”) agree to the Existing Lender and the New Lender novating all the Existing Lender’s rights and obligations referred to in the Schedule in accordance with Clause 27.4 (Procedure for novations).

2. The specified date for the purposes of [Clause 27.4(c) (Procedure for novations)] is [date of novation].

3. The Facility Office and address for notices of the New Lender for the purposes of Clause 33.2 (Addresses for notices) are set out in the Schedule.

4. The New Lender confirms that it has given notice to Vodafone of the entry into of this Novation Certificate [and has obtained Vodafone’s consent]* in accordance with Clause 27.2(c)(ii) (Transfers by Lenders).

5. This Novation Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.

* Delete as applicable depending on whether Vodafone’s consent is required.
THE SCHEDULE

Rights and obligations to be novated

[Details of the rights and obligations of the Existing Lender to be novated.]

[New Lender]

<table>
<thead>
<tr>
<th>Facility Office</th>
<th>Address for notices</th>
</tr>
</thead>
</table>

[Existing Lender] [New Lender] THE ROYAL BANK OF SCOTLAND PLC

By: By: By:

Date: Date: Date:
PART 2

GUARANTOR ACCESSION AGREEMENT

To: THE ROYAL BANK OF SCOTLAND PLC as Agent

From: [PROPOSED GUARANTOR]

Date: [ ]

Vodafone Group Plc – [ ] Revolving Credit Agreement
dated [•] 2014 (the “Credit Agreement”)

Terms used in this Deed which are defined in the Credit Agreement shall have the same meaning in this Deed as in the Credit Agreement.

We refer to Clause 27.7 (Additional Guarantors).

We, [name of company] of [Registered Office] (Registered no. [ ]) agree to become an Additional Guarantor and to be bound by the terms of the Credit Agreement as an Additional Guarantor in accordance with Clause 27.7 (Additional Guarantors). [In addition, we also agree to become bound by all the terms of the Credit Agreement expressed to apply to or be binding on NewTopco]*

Our address for notices for the purposes of Clause 33.2 (Addresses for notices) is:

[ ]

[If not classified as a corporation: [Name of company] is [classified as a partnership/OR/disregarded as an entity separate from its owner] and is owned by [NAME OF OWNER(S)] for U.S. federal income tax purposes.]

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

Executed as a deed by ) Director
[PROPOSED GUARANTOR] ) Director/Secretary
acting by )
And )

* Only in the case of accession by NewTopCo.
Vodafone Group Plc - € [         ] Revolving Credit Agreement dated *[•] 2014 (the “Credit Agreement”)  

Terms used herein which are defined in the Credit Agreement shall have the same meaning herein as in the Credit Agreement.  

We refer to Clause 27.8 (Additional Borrowers).  

We, [Name of company] of [Registered Office] (Registered no. [         ]) agree to become party to and to be bound by the terms of the Credit Agreement as an Additional Borrower in accordance with Clause 27.8 (Additional Borrowers).  

The address for notices of the Additional Borrower for the purposes of Clause 33.2 (Addresses for notices) is:  

[         ]  

[If not classified as a corporation:] [Name of company] is [classified as a partnership /OR/ disregarded as an entity separate from its owner] and is owned by [NAME OF OWNER(S)] for U.S. federal income tax purposes.  

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.  

[ADDITIONAL BORROWER]  

By:  

THE ROYAL BANK OF SCOTLAND PLC  

By:
To: THE ROYAL BANK OF SCOTLAND PLC as Agent
From: [PROPOSED ADDITIONAL LENDER]

[Date]

Vodafone Group Plc - € [ ] Revolving Credit Agreement
dated [●] 2014 (the “Credit Agreement”)

Terms used herein which are defined in the Credit Agreement shall have the same meaning herein as in the Credit Agreement.

We refer to Clause 2.8 (Additional Lenders).

We, [Name of Additional Lender] agree to become party to and to be bound by the terms of the Credit Agreement as an Additional Lender in accordance with Clause 2.8 (Additional Lenders) with effect on and from [insert date].

Our Revolving Credit Commitment is € [ ]. [Our Swingline Commitment is €[ ]].1

We confirm to each Finance Party that we:

(a) have made our own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in the Credit Agreement and have not relied exclusively on any information provided to us by a Finance Party in connection with any Finance Document; and

(b) will continue to make our own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under the Credit Agreement or any Commitment is in force.

The Facility Office and address for notices of the Additional Lender for the purposes of Clause 33.2 (Addresses for notices) is:

[ ]

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

[ADDITIONAL LENDER]

By:

THE ROYAL BANK OF SCOTLAND PLC

By:

VODAFONE GROUP PLC

By:

1 Delete if not applicable
Dear Sirs,

We refer to the € [ ] Revolving Credit Agreement dated [•] 2014 (the “Credit Agreement”) between, among others, Vodafone Group Plc and The Royal Bank of Scotland plc (as Agent).

This is a confidentiality undertaking referred to in Clause 28 (Disclosure of Information) of the Credit Agreement. A term defined in the Credit Agreement has the same meaning in this undertaking.

We are considering entering into contractual relations with [insert name of Lender] (the “Existing Lender”) and understand that it is a condition of our receiving information about Vodafone Group Plc and its related companies and any Finance Document and/or any information under or in connection with any Finance Document that we execute this undertaking.

We undertake (a) to keep the Confidential Information confidential and not to disclose it to anyone except as provided for by paragraph 2 below and to ensure that the Confidential Information is protected with security measures and a degree of care that would apply to our own confidential information, (b) to use the Confidential Information only for the Permitted Purpose, (c) to use all reasonable endeavours to ensure that any person to whom we pass any Confidential Information (unless disclosed under paragraph 2(b) below) acknowledges and complies with the provisions of this letter as if that person were also a party to it and (d) not to make enquiries of any member of the Consolidated Group or any of their officers, directors, employees or professional advisers relating directly or indirectly to the Facilities, other than directly to the Group Treasurer of Vodafone.

You agree that we may disclose Confidential Information:

1. Confidentiality Undertaking
   We undertake (a) to keep the Confidential Information confidential and not to disclose it to anyone except as provided for by paragraph 2 below and to ensure that the Confidential Information is protected with security measures and a degree of care that would apply to our own confidential information, (b) to use the Confidential Information only for the Permitted Purpose, (c) to use all reasonable endeavours to ensure that any person to whom we pass any Confidential Information (unless disclosed under paragraph 2(b) below) acknowledges and complies with the provisions of this letter as if that person were also a party to it and (d) not to make enquiries of any member of the Consolidated Group or any of their officers, directors, employees or professional advisers relating directly or indirectly to the Facilities, other than directly to the Group Treasurer of Vodafone.

2. Permitted Disclosure
   You agree that we may disclose Confidential Information:
   (a) to members of the Purchaser Group and their officers, directors, employees and professional advisers to the extent necessary for the Permitted Purpose and to any auditors of members of the Purchaser Group;
   (b) where requested or required by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body, (ii) where required by the rules of any stock exchange on which the shares or other securities of any member of the Purchaser Group are listed or (iii) where required by the laws or regulations of any country with jurisdiction over the affairs of any member of the Purchaser Group.

3. Notification of Required or Unauthorised Disclosure
   We agree (to the extent permitted by law) to inform you of the full circumstances of any disclosure under paragraph 2(b) above or upon becoming aware that Confidential Information has been disclosed in breach of this letter.
4. Return of Copies
If you so request in writing, we shall return all Confidential Information supplied by you to us and destroy or permanently erase all copies of Confidential Information made by us and use all reasonable endeavours to ensure that anyone to whom we have supplied any Confidential Information destroys or permanently erases such Confidential Information and any copies made by them, in each case save to the extent that we or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body or in accordance with internal policy, or where the Confidential Information has been disclosed under paragraph 2(b) above.

5. Continuing Obligations
The obligations in this letter are continuing and, in particular, shall survive the termination of any discussions or negotiations between you and us. Notwithstanding the previous sentence, the obligations in this letter shall cease (a) if we become a party to the Facilities or (b) twelve months after we have returned all Confidential Information supplied to us by you and destroyed or permanently erased all copies of Confidential Information made by us (other than any such Confidential Information or copies which have been disclosed under paragraph 2 above (other than sub-paragraph 2(a)) or which, pursuant to paragraph 4 above, are not required to be returned or destroyed provided that any such Confidential Information retained in accordance with paragraph 4 shall remain confidential, subject to paragraph 2, for the period during which it is retained).

6. Consequences of Breach, etc.
We acknowledge and agree that you or members of the Consolidated Group (each a “Relevant Person”) may be irreparably harmed by the breach of the terms hereof and damages may not be an adequate remedy; each Relevant Person may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by any member of the Purchaser Group.

7. No Waiver; Amendments, etc.
This letter sets out the full extent of our obligations of confidentiality owed to you in relation to the information the subject of this letter. No failure or delay in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privileges hereunder. The terms of this letter and our obligations hereunder may only be amended or modified by written agreement between us.

8. Inside Information
We acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation relating to insider dealing and we undertake not to use any Confidential Information for any unlawful purpose.

9. Nature of Undertakings
The undertakings given by us under this letter are given to you and (without implying any fiduciary obligations on your part) are also given for the benefit of each other member of the Consolidated Group.
10. **Governing Law and Jurisdiction**

This letter and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of England and the parties submit to the non-exclusive jurisdiction of the English courts.

11. **Third Party Rights**

(a) Subject to paragraph 6 and to paragraph 9 the terms of this letter may be enforced and relied upon only by you and us and the operation of the Contracts (Rights of Third Parties) Act 1999 is excluded.

(b) Notwithstanding any provisions of this letter, the parties of this letter do not require the consent of any Relevant Person to rescind or vary this letter at any time.

12. **Definitions**

In this letter:

- **Confidential Information** means any information relating to Vodafone, the Consolidated Group and/or the Facilities provided to us by you or any of your Affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that (a) is or becomes public knowledge other than as a direct or indirect result of any breach of this letter or (b) is known by us before the date the information is disclosed to us by you or any of your affiliates or advisers or is lawfully obtained by us thereafter, other than from a source which is connected with the Consolidated Group and which, in either case, as far as we are aware, has not been obtained in violation of, and is not otherwise subject to, any obligation of confidentiality;

- **Permitted Purpose** means considering and evaluating whether to enter into the Facilities; and

- **Purchaser Group** means us, each of our holding companies and subsidiaries and each subsidiary of each of our holding companies (as each such term is defined in the Companies Act 1985).

Yours faithfully

For and on behalf of

[New Lender]
FOR THE ATTENTION OF [Director of Treasury]

Dear Sirs,

Fee Letter

You have asked us to participate in an € [ ] credit facility (the “Facility”) to provide support for the Consolidated Group’s continuing commercial paper programmes and for general corporate purposes of the Consolidated Group including, but not limited to, acquisitions.

Terms defined in the credit agreement dated [●] 2014 between (inter alia) Vodafone and the financial institutions listed therein (the “Credit Agreement”) have the same meaning in this letter unless otherwise defined in this letter or the context otherwise requires.

This letter sets out the terms upon which you have agreed to pay a fee in relation to our participation in the Facility.

1. Fee
   You will pay to us for our account a non-refundable up-front fee equal to [ ] per cent. flat calculated on our Revolving Credit Commitment as at the date on which we become an Additional Lender pursuant to Clause 2.8 (Additional Lenders) of the Credit Agreement and payable 5 Business Days after that date;

2. Finance Document
   This Fee Letter is a Finance Document.

3. No Set-off
   All payments to be made under this Fee Letter will be calculated and made without (and free and clear of any deduction for) set-off or counterclaim.

4. Governing Law
   This letter and any non-contractual obligations arising out of or in connection with it are governed by and construed in accordance with English law.

If you agree to the above please sign and return the enclosed copy of this letter.

This letter may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this letter.
Yours faithfully,
[
]

For and on behalf of
[ADDITIONAL LENDER]

We agree to the terms set out above.
[
]

For and on behalf of
Vodafone Group Plc

[DATE]
SCHEDULE 7

FORM OF INCREASE CONFIRMATION

To: THE ROYAL BANK OF SCOTLAND PLC as Agent and Vodafone, for and on behalf of each Obligor
From: [the Increase Lender] (the “Increase Lender”) [DATE]

Vodafone Group Plc - [ ] Revolving Credit Agreement
dated [•] 2014 (the “Credit Agreement”)

1. We refer to the Credit Agreement. This agreement (the “Agreement”) shall take effect as an Increase Confirmation for the purpose of the Credit Agreement. Terms defined in the Credit Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 2.3 (Increase) of the Credit Agreement.

3. The Increase Lender agrees to assume and will assume all of the obligations corresponding to the Commitment specified in the Schedule (the “Relevant Commitment”) as if it was an Original Lender under the Credit Agreement.

4. The proposed date on which the increase in relation to the Increase Lender and the Relevant Commitment is to take effect (the “Increase Date”) is [ ].

5. On the Increase Date, the Increase Lender becomes party to the relevant Finance Documents as a Lender.

6. The Facility Office and address, fax number and attention details for notices to the Increase Lender for the purposes of Clause 33.2 (Addresses for notices) are set out in the Schedule.

7. The Increase Lender expressly acknowledges the limitations on the Lenders’ obligations referred to in paragraph (f) of Clause 2.3 (Increase).

8. The Increase Lender confirms, for the benefit of the Agent and without liability to any Obligor, that it is:
   (a) [a Qualifying Lender (other than a Treaty Lender);]
   (b) [a Treaty Lender;]
   (c) [not a Qualifying Lender].

[9] This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

[9/10] This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English Law.

[10/11] This Agreement has been entered into on the date stated at the beginning of this Agreement.

2 Delete as applicable - each Increase Lender is required to confirm which of these three categories it falls within.
THE SCHEDULE

Relevant Commitment/rights and obligations to be assumed by the Increase Lender

[insert relevant details]

[Facility office address, fax number and attention details for notices and account details for payments]

[Increase Lender]

By:

This Agreement is accepted as an Increase Confirmation for the purpose of the Credit Agreement by the Agent and the Increase Date is confirmed as [    ].

Agent

By:
SIGNATORIES

Borrower and Guarantor

VODAFONE GROUP PLC

By:

NEIL GARROD

ANDY HALFORD
Mandated Lead Arrangers

ABBEY NATIONAL TREASURY SERVICES PLC (TRADING AS SANTANDER GLOBAL BANKING AND MARKETS)

By:

NEVILLE CROWE
DAVID NAVALON
BANCO BILBAO VIZCAYA ARGENTARIA S.A.

By:

KIM W MCNAMARA

NICHOLAS CONWAY
BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED

By:

RICHARD KING
BANK OF CHINA LIMITED, LONDON BRANCH

By:

STEVE HARDMAN

HUABIN WANG
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By:

ANDREW TRENOUTH
BARCLAYS BANK PLC

By:

KEITH HATTON
CITIGROUP GLOBAL MARKETS LIMITED

By:

MICHAEL LLEWELYN-JONES
DEUTSCHE BANK AG, LONDON BRANCH

By:

A THOMASIU

T. ENGELBRECHT
HSBC BANK PLC

By:

J MORTIMER
INTESA SANPAOLO S.P.A.

By:

GUY PASHLEY

ALESSANDRA CAPOZZI
J.P. MORGAN LIMITED

By:

OWEN MENDLER
LLOYDS BANK PLC

By:

GORDON MILNES
MORGAN STANLEY BANK INTERNATIONAL LIMITED

By:

NAUMAN ANSARI
SUMITOMO MITSUI BANKING CORPORATION

By:

THIERRY MUSCHS

FRANCOISE BOUCHAT
THE ROYAL BANK OF SCOTLAND PLC

By:

RORY O'CONNOR
UBS LIMITED

By:

JUDITH CAMPBELL

ALAN GREENHOW
UNICREDIT BANK AG

By:

CHRISTIAN FISCHER

MIRYAM LUDTKE
Co-Arrangers

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

By:

NICHOLAS HILL
BANCO DE SABADELL S.A., LONDON BRANCH

By:

CARLOS FRANQUES VISCARRO  PETER C HOUGHTON
THE BANK OF NEW YORK MELLON

By:

WILLIAM M. FEATHERS
NATIONAL AUSTRALIA BANK LIMITED

By:

LYONS O'KEEFFE
SOCIETE GENERALE, LONDON BRANCH

By:

JON ELTRINGHAM
THE TORONTO-Dominion Bank

By:

Philip Bates

Ryan Clancy
Lenders

ABBEY NATIONAL TREASURY SERVICES PLC (TRADING AS SANTANDER GLOBAL BANKING AND MARKETS)

By:

NEVILLE CROWE

DAVID NAVALON
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

By:

NICHOLAS HILL
BANCO DE SABADELL S.A., LONDON BRANCH

By:

CARLOS FRANQUES VISCARRO         PETER C HOUGHTON
BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED

By:

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BANK OF CHINA LIMITED, LONDON BRANCH

By:

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HUABIN WANG
THE BANK OF NEW YORK MELLON

By:

WILLIAM M. FEATHERS
THE BANK OF TOKYO-MITSUBISHI UFJ LTD.

By:

ANDREW TRENOUTH
BARCLAYS BANK PLC

By:

KEITH HATTON
BBVA IRELAND P.L.C.

By:

PABLO VALLEJO
BNP PARIBAS, LONDON BRANCH

By:

M. E. MOLLOY

STEVEN WEST
CITIBANK N.A., LONDON

By:

MICHAEL LLEWELYN-JONES
HSBC BANK PLC

By:

J MORTIMER
ING BANK N.V., LONDON BRANCH

By:

STEVE FITCH
IAN TAYLOR
INTESA SANPAOLO S.P.A.

By:

GUY PASHLEY

ALESSANDRA CAPOZZI
MIZUHO BANK, LTD

By:

ROBERT PETTITT
MORGAN STANLEY BANK, N.A.

By:

MELISSA JAMES
NATIONAL AUSTRALIA BANK LIMITED ABN 12 004 044 937

By:

LYONS O'KEEFFE
STANDARD CHARTERED BANK

By:

PRABHAKAR SUNDARESAN
SUMITOMO MITSUI BANKING CORPORATION

By:

THIERRY MUSCHS
FRANCOISE BOUCHAT
THE ROYAL BANK OF SCOTLAND PLC

By:

RORY O'CONNOR
THE TORONTO-DOMINION BANK

By:

PHILIP BATES

RYAN CLANCY
UNICREDIT LUXEMBOURG S.A.

By:

ROBERT RELDENBACH

ANNA BONERT
Swingline Lenders

ABBEY NATIONAL TREASURY SERVICES PLC (TRADING AS SANTANDER GLOBAL BANKING AND MARKETS)

By:

NEVILLE CROWE

DAVID NAVALON
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By:

ANDREW TRENOUTH
BARCLAYS BANK PLC

By:

KEITH HATTON
BBVA IRELAND P.L.C.

By:

PABLO VALLEJO
ING BANK N.V., LONDON BRANCH

By:

STEVE FITCH
IAN TAYLOR
JPMORGAN CHASE BANK, N.A., LONDON BRANCH

By:

OWEN MEDLER
UBS AG LONDON BRANCH

By:

JUDITH CAMPBELL

ALAN GREENHOW
Agent
THE ROYAL BANK OF SCOTLAND PLC
By:
RORY O'CONNOR

Euro Swingline Agent
THE ROYAL BANK OF SCOTLAND PLC
By:
RORY O'CONNOR
Gerard Kleisterlee  
Chairman  
25 November 2013

STRICTLY PRIVATE & CONFIDENTIAL

Ms Val Gooding

Dear Val

NON-EXECUTIVE DIRECTORSHIP OF VODAFONE GROUP PUBLIC LIMITED COMPANY

Further to our discussions, this letter is to confirm the terms of your appointment as a non-executive director of Vodafone Group Public Limited Company (the “Company”), without prejudice to your obligations to the Company under English Law.

1 Role

Your obligations and responsibilities as a non-executive director are to the Company and, like all directors, you should act at all times in the best interests of the Company, exercising your independent judgment on all matters. Non-executive directors have the same general legal responsibilities to the Company as any other director. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. Your appointment as a non-executive director of the Company is subject to the Company’s Articles of Association (the “Articles”) and the latter will prevail in the event of any conflict between them and the terms of this letter. A copy of the current version of the Articles is available on the Company’s website at www.vodafone.com.

In my view, the role of the non-executive director has a number of key elements and I look forward to your contribution in these areas:

• Strategy: you should constructively challenge and contribute to the development of strategy;
• Performance: you should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
• Risk: you should satisfy yourself that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
• People: non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, senior management and in succession planning.

2 Appointment and Term

Subject to the terms of this letter, your appointment will commence on 1 February 2014 (“the Effective Date”). The Articles require that directors submit themselves for re-election by shareholders periodically and as a Board we have resolved that all the Directors will submit themselves for re-election every year.

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England  
T +44 (0)1635 673915  
F +44 (0)1635 580761  
www.vodafone.com


Vodafone Group Plc  
Our ref: 053k-SM
The Nominations and Governance Committee each year reviews and considers the submission of the directors for re-election. In the event that when you submit yourself for re-election you are not elected, your appointment as director will automatically terminate. You will not be entitled to receive any compensation from the Company in respect of the termination of your directorship. In accordance with the recommendations of the UK Corporate Governance Code, after nine years’ service on the Board, a director may not be considered independent.

Overall, we anticipate a time commitment from you involving attendance at all Board meetings (the Company currently has eight each year), the Annual General Meeting (usually held in July each year) and at least one Company/site visit per year. You will be expected to devote appropriate preparation time ahead of each meeting. In addition, each of the principal Board Committees meets about four or five times a year (and in some cases more frequently) and you should anticipate being a member of at least one of these Committees beginning no later than the first anniversary of your appointment to the Board.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. If you are unable to attend a Board meeting in person, I hope, nevertheless, that you will be able to join those meetings either by videoconference or teleconference facilities. I would be grateful if, before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company, you would seek my agreement.

3 Fees
As you will be a non-executive director of the Company, the Board as a whole will determine your remuneration in accordance with the requirements of good corporate governance, and the Financial Conduct Authority’s Listing Rules. The fee for your services is £115,000.00 per annum and it is paid in equal instalments monthly in arrears. You may elect to be paid either in cash or in the Company’s shares. Please let me know if you may prefer to receive shares. You will also be entitled to be repaid all travelling and other expenses properly incurred in performing your duties in accordance with the Articles. If you are invited to serve on one or more of the Committees of the Board (in which case this will be covered in a separate communication setting out the Committee’s terms of reference and any specific responsibilities that may be involved) no additional fee will be payable, unless you are invited to Chair a Committee, in which case an additional fee will be payable in equal instalments monthly in arrears for so long as you hold that position. We currently pay each of the Chairs of our Audit & Risk Committee and Remuneration Committee an additional £25,000 per annum. Payment of all fees will cease immediately after your appointment as a non-executive director of the Company terminates for any reason.

4 Dealing in the Company’s shares
You shall (and you shall procure that your “connected persons”, including your spouse and any dependent children shall) comply with the provisions of the Criminal Justice Act 1993, the Financial Services and Markets Act 2000, the Financial Conduct Authority’s Model Code as set out in the Listing Rules and rules and regulations laid down by the Company from time to time in relation to dealing in the Company’s shares. Further guidance is provided in your director information pack.

5 Competitive Businesses
In view of the sensitive and confidential nature of the Company’s business you agree that for so long as you are a non-executive director of the Company you will not, without the consent of the Board, which shall not be withheld unreasonably, be engaged or interested in any capacity in any business or with any
company which is, in the reasonable opinion of the Board, competitive with the business of any company in the Group. In the event that you become aware of any potential conflicts of interest, these should be disclosed to me and to the Company Secretary as soon as possible.

6 Confidentiality
You agree that you will not make use of, divulge or communicate to any person (except in the proper performance of your duties) any of the trade secrets or other confidential information of or relating to any company in the Group which you have received or obtained from or through the Company. This restriction shall continue to apply after the termination of your appointment without limit in point of time but shall cease to apply to information or knowledge which comes into the public domain otherwise than through your default or which shall have been received by you from a third party entitled to disclose the same to you.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of inside information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from me or from the Company Secretary. Please note that all media enquiries concerning the Company must be referred immediately to the Group External Affairs Director.

7 Illness or Incapacity
If you are prevented by illness or incapacity from carrying out your duties for a period exceeding three consecutive calendar months or at different times for a period exceeding in aggregate three calendar months in any one period of twelve calendar months or if you become prohibited by law or under the Articles from being a non-executive director of the Company, then the Company may terminate your appointment immediately.

8 Effect of Termination
Upon termination of your appointment howsoever arising, you shall forthwith or upon request of the Company, resign from office as a non-executive director of the Company and all other offices held by you in any other companies in the Group and your membership of any organisation acquired by virtue of your tenure of any such office, and should you fail to do so, the Company is hereby irrevocably authorised to appoint some person in your name and on your behalf to sign any documents and do anything necessary or requisite to give effect thereto.

9 Return of Company Property
You agree that upon termination of your appointment as a non-executive director, you will immediately deliver to the Company all property belonging to the Company or any member of its Group, including all documents or other records made or compiled or acquired by you during your appointment concerning the business, finances or affairs of the Group.

10 Independent Professional Advice
In accordance with the UK Corporate Governance Code, the Board has agreed procedures for directors in the furtherance of their duties to take independent professional advice if necessary, at the Company’s expense. A copy of the relevant Board resolution is enclosed in your director information pack. Naturally, if you have any queries or difficulties at any time please feel free to discuss them with me. I am also available at all times to provide you with information and advice you may need.
11 Indemnification and Insurance

You will have the benefit of the following indemnity in relation to liability incurred in your capacity as a Director of the Company. This indemnity is as wide as English law currently permits:

(i) The Company will provide funds to cover costs as incurred by you in defending legal proceedings brought against you in your capacity as, or as a result of your being or having been, a Director of the Company including criminal proceedings and proceedings brought by the Company itself or an Associated Company;

(ii) The Company will indemnify you in respect of any proceedings brought by third parties, including both legal and financial costs of an adverse judgment brought against you in your capacity as, or as a result of your being or having been, a Director of the Company; and

(iii) The Company will indemnify you for liability incurred in connection with any application made to a court for relief from liability, where the court grants such relief.

For the avoidance of doubt, the indemnity granted does not cover:

(i) Unsuccessful defence of criminal proceedings, in which instance the Company would seek reimbursement for any funds advanced;

(ii) Unsuccessful defence of an action brought by the Company itself or an Associated Company, in which instance the Company would seek reimbursement for any funds advanced;

(iii) Fines imposed by regulatory bodies;

(iv) Fines imposed in criminal proceedings; and

(v) Liability incurred in connection with any application under Section 144(3) or (4) of the Companies Act 1985 (acquisition of shares by innocent nominee) or section 1157 of the Companies Act 2006 (general power to grant relief in case of honest and reasonable conduct), where the court refuses to grant you relief, and such refusal is final.

You will notify the Company as soon as reasonably practicable upon becoming aware of any claim or potential claim against you.

The Company maintains Directors and Officers insurance as additional cover for directors which, if the insurance policy so permits, may provide funds in circumstances where the law prohibits the Company from indemnifying directors. Further information will be provided by the Company Secretary.

12 Review Process

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role, please discuss them with me as soon as is appropriate.

13 Contract for Services

It is agreed that you will not be an employee of the Company or any of its subsidiaries and that this letter shall not constitute a contract of employment.
In this letter:

“Board” means the board of directors of the Company from time to time or any person or committee nominated by the board of directors as its representative or to whom (and to that extent) it has delegated powers for the purposes of this letter.

“Group” means the Company and any other company which is its subsidiary or in which the Company or any subsidiary of the Company controls not less than 25% of the voting shares (where “subsidiary” has the meaning given to it by section 736 of the Companies Act 1985).

This letter shall be governed by and construed in accordance with English Law. Both parties submit to the exclusive jurisdiction of the English Courts as regards any claim or matter arising in connection with the terms of this letter.

Please acknowledge receipt and acceptance of the terms of this letter by signing the enclosed copy and returning it to the Company Secretary. I am greatly looking forward to working with you.

Kind regards.

Yours sincerely

/s/ Gerard Kleisterlee

I hereby accept that the terms of this letter constitute the terms of my appointment as a non-executive director of the Company.

Signed: /s/Valerie Gooding Date: 28 November 2013
Val Gooding
Dated 23 January 2014

VODAFONE GROUP PUBLIC LIMITED COMPANY

and

Nicholas Johnathan Read

SERVICE AGREEMENT
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This agreement is made on 23 January 2014 between

(1) VODAFONE GROUP PUBLIC LIMITED COMPANY incorporated in the UK with registered number 1833679 whose registered office is at Vodafone House, The Connection, Newbury, Berkshire RG14 2FN (the “Company”); and

(2) Nicholas Johnathan Read (the “Executive”).

This agreement records the terms on which the Executive will continue to serve the Company.

1 Interpretation

In this agreement (and any schedules to it):

1.1 Definitions

“Board” means the board of directors of the Company from time to time or any person or committee nominated by the board of directors as its representative for the purposes of this agreement;

“Employment” means the employment governed by this agreement;

“Group” means the Company and any other company which is its subsidiary or in which the Company or any subsidiary of the Company controls not less than 20% of the voting shares (where “Subsidiary” has the meaning given to it by Section 736 of the Companies Act 1985);

“Group Company” means a member of the Group and “Group Companies” will be interpreted accordingly;

“Listing Rules” means the Listing Rules made by the UK Listing Authority under section 74 of the Financial Services and Markets Act 2000;

“Remuneration Committee” means the Remuneration Committee of the Board from time to time;

“Termination Date” means the date on which the Employment terminates; and

“UK Listing Authority” means the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000.

2 Term of Employment

2.1 The Employment will commence on 1 January 2014 (the “Commencement Date”) until termination in accordance with the provisions of this agreement.

2.2 The Executive warrants that he is not prevented from undertaking the Employment or from performing his duties in accordance with the terms of this agreement by any obligation or duty owed to any other party, whether contractual or otherwise.

3 Appointment and Duties of the Executive

3.1 From the Commencement Date the Executive will serve the Company as Chief Financial Officer Designate or such other position as may be agreed from time to time. It is expected that the Executive will be appointed to the Board of Directors of the Company as Chief Financial Officer on 1 April 2014.
3.2 The Executive will:

3.2.1 devote the whole of his working time, attention and skill to the Employment;
3.2.2 fulfil with due diligence and to the best of his ability the obligations incumbent upon him pursuant to his appointment;
3.2.3 accept any offices or directorships as reasonably required by the Board;
3.2.4 comply with all rules and regulations issued by the Company or any relevant Group Company;
3.2.5 obey the lawful directions of the Board; and
3.2.6 promote the interests and reputation of the Group.

3.3 The Executive accepts that, subject always to his consent (which he will not unreasonably withhold or delay), the Company may:

3.3.1 require him to perform duties for any other Group Company whether for the whole or part of his working time. The Company will remain responsible for the payments and benefits he is entitled to receive under this agreement;
3.3.2 appoint any other person to act jointly with him; and
3.3.3 transfer the Employment to any other Group Company.

3.4 The Executive will promptly disclose to the Board (and where appropriate the board of directors of any other Group Company) full details of any wrongdoing of which he is or becomes aware by any employee of any Group Company where that wrongdoing is material to that employee’s employment by the relevant company or to the interests or reputation of any Group Company.

3.5 At any time during the Employment the Company may require the Executive to undergo a medical examination, related to the performance of the Executive’s role, by a medical practitioner appointed by the Company. The Executive authorises that medical practitioner to disclose to the Company any report or test results prepared or obtained as a result of that examination which are relevant to the Employment and to discuss with it any matters arising out of the examination which are relevant to the Employment or which might prevent the Executive properly performing the duties of the Employment.

4 Hours

4.1 The Executive and the Company agree that the Executive is a managing executive for the purposes of the Working Time Regulations 1998 (the “Regulations”) and is able to determine the duration of his working time himself. As such, the exemptions in Regulation 20 of the Regulations will apply to the Employment.

5 Interests of the Executive

5.1 The Executive will disclose promptly in writing to the Board all his interests (for example, shareholdings or directorships) in any businesses whether or not of a commercial or business nature except his interests in any Group Company. The Executive has disclosed his interests at the date of this agreement to the Corporate Secretariat.
5.2 Subject to clause 5.3, during the Employment the Executive will not be directly or indirectly engaged or concerned in the conduct of any activity which is similar to or competes with any activity carried on by any Group Company except as a representative of the Company or with the written consent of the Board.

5.3 The Executive may not hold or be interested in investments which amount to more than five per cent of the issued investments of any class of any one company whose investments are listed or quoted on any recognised Stock Exchange or dealt in on the Alternative Investments Market.

5.4 The Executive may serve as a non-executive director of not more than one non-Group company quoted on a recognised Stock Exchange provided he has prior Board approval to do so.

5.5 The Executive will (and will procure that his “connected persons”, including his spouse and dependent children) comply with all rules of law, including the Criminal Justice Act 1993, the Financial Services and Markets Act 2000, the Model Code as set out in Annex 1 to Listing Rule 9 in the Financial Services Authority’s Listing Rules as amended from time to time and rules or policies applicable to the Company from time to time in relation to the holding or trading of securities.

6 Location

6.1 The Executive will work at the principal office of the Company or anywhere else within the United Kingdom required by the Board. He may be required to travel and work outside the United Kingdom from time to time.

7 Salary and Benefits

7.1 From the Commencement Date the Company will pay the Executive a salary of £675,000 per annum. Salary will be paid monthly in arrears by bank credit transfer on or about the 28th day of each month. Salary will be reviewed annually (the first such review to take place in 2014) and the revised salary, if different, will take effect from 1 July.

7.2 The salary referred to in clause 7.1 includes director’s fees from the Group Companies and any other companies in which the Executive is required to accept a directorship under the terms of this Employment. To achieve this:

7.2.1 the Executive will repay any fees he receives to the Company; or

7.2.2 his salary will be reduced by the amount of those fees; or

7.2.3 a combination of the methods set out in clauses 7.2.1 and 7.2.2 will be applied. References to fees in clause 7.2 exclude any fees received as a result of a directorship held in accordance with clause 5.4.

7.3 In addition to the remuneration referred to in clause 7.1 above, the Executive will be entitled to participate in short-term and long-term incentive plans and schemes in accordance with the rules of those plans from time to time in force and the Company’s executive remuneration policy as determined by the Remuneration Committee and approved by the Company’s shareholders in general meeting from time to time.
7.4 To assist in the performance of his duties under this agreement the Executive will, during the continuance of the Employment be entitled to the benefits of the UK car policy as applicable to directors of the Company from time to time.

7.5 The Executive may join the Vodafone UK Defined Contribution Pension Plan (the Plan) at any time. The Executive will be eligible for an allowance of 30% of salary (reducing to 24% from 1 November 2015) which can be taken as an employer pension contribution, taxable cash allowance or a combination of these options. Due to pension taxation changes from April 2011, the maximum Company contribution to the Plan will be £50,000 per annum. The maximum contribution will reduce to £40,000 per annum from 6 April 2014. The Executive may elect not to join the Plan and instead the Company will pay the entire allowance as a taxable cash sum.

7.6 If the Executive joins the Plan and subsequently decides to cease membership of the Plan then the Company may choose to re-enrol the Executive back into the Plan on a regular basis, expected to be every 3 years. The date at which the Executive may choose to retire for employment and pension purposes will be their 60th birthday.

7.7 Participation in the Plan and the extent to which the Executive is entitled to benefits under it are subject always to the rules of the Plan. The Company expressly reserves the right to discontinue or modify the Plan from time to time.

7.8 The Executive will automatically be covered for life assurance at four times salary and receive long-term disability insurance regardless of whether or not they remain in the Plan. This cover will be effective from the Commencement Date.

7.9 Without prejudice to the Company’s right to terminate the Employment at any time in accordance with clause 11 if the Executive complies with any eligibility or other conditions set by the Company and any insurer appointed by the Company from time to time (the “Insurer”), the Executive will be provided with long-term disability insurance. The terms upon which this insurance is provided and the level of cover will be in accordance with Company policy from time to time but currently an income of two thirds of basic salary (capped at a maximum of £650,000 per annum) is provided up to retirement on long-term total disability. The Executive understands and agrees that if the Insurer fails or refuses to provide him with any benefit under the insurance arrangement provided by the Company, the Executive will have no right of action against the Company in respect of such failure or refusal.

7.10 If the Executive complies with any eligibility requirements or other conditions set by the Company and any insurer appointed by the Company, the Executive and his partner and children under 18 years of age or, children under 21 years of age if in full time education may participate in the Company’s private health insurance arrangements at the Company’s expense and subject to the terms of those arrangements from time to time. The Company reserves the right at any time to withdraw this benefit or to amend the terms upon which it is provided.

7.11 The Executive is entitled to 28 days’ paid holiday each year (in addition to English Bank and other public holidays) to be taken at times approved in advance by the Board. In addition the Executive shall be entitled to an additional day’s holiday for each five years of continuous service up to a maximum of 3 days. The leave year runs from 1 December to 30 November. The Executive agrees that the provisions of Regulations 15(1)-(4) inclusive of the Regulations (dates on which leave is taken) do not apply to the Employment.
Holiday entitlement will be calculated on a monthly basis and accrue on the basis of completed whole calendar months of Employment. The Executive will be paid for any accrued holiday not taken at the Termination Date. The Company may require the Executive to take accrued holiday during any notice period. If on the Termination Date the Executive has exceeded his accrued holiday entitlement, the excess may be deducted from any sums due to him. The formula for calculating the amount of holiday due to the Executive and any payments or repayments to be made is $\frac{1}{260}$ of the Executive’s annual basic salary.

7.12 Subject to the rights of the Company under clause 11.6 of this agreement, if the Executive during this agreement is incapacitated by ill health or accident from performing his duties under this agreement he will, during the period of any such incapacity be entitled to Company Sick Pay Scheme subject to and in accordance with the terms of the Scheme – (full details of which have been supplied to the Executive) if and for so long as such Scheme remains in force but he shall not be entitled to receive any other remuneration under clause 7.1.

7.13 If the Executive is absent from work due to sickness or injury which is caused by the fault of another person, and as a consequence recovers from that person or another person any sum representing compensation for loss of salary under this agreement, the Executive will repay to the Company any money it has paid to him as salary in respect of the same period of absence.

8 Expenses

8.1 The Company will refund to the Executive all reasonable expenses properly incurred by him in performing his duties under this agreement, provided that these are incurred in accordance with Company policy from time to time. The Company will require the Executive to produce receipts or other documents as proof that he has incurred any expenses he claims.

9 Confidentiality

9.1 Without prejudice to the common law duties which he owes to the Company, the Executive agrees that he will not, except in the proper performance of his duties, copy, use or disclose to any person any of the Company’s trade secrets or confidential information. This restriction will continue to apply after the termination of the Employment without limit in time but will not apply to trade secrets or confidential information which become public other than through unauthorised disclosure by the Executive. The Executive will use his best endeavours to prevent the unauthorised copying use or disclosure of such information.

For the purposes of this agreement trade secrets and confidential information include but will not be limited to names of clients, suppliers, reports, papers, data and other confidential information in any form prepared by the Company or acquired by it and any other information in whatever form (written, oral, visual and electronic) concerning the confidential affairs of the Company.

9.2 In the course of the Employment the Executive is likely to obtain trade secrets and confidential information belonging or relating to other Group Companies and other persons. He will treat such information as if it falls within the terms of clause 9.1 and clause 9.1 will apply with any necessary amendments to such information. If requested to do so
by the Company the Executive will enter into an agreement with other Group Companies and any other persons in the same terms as clause 9.1 with any amendments necessary to give effect to this provision.

9.3 Nothing in this agreement will prevent the Executive from making a “protected disclosure” in accordance with the provisions of the Employment Rights Act 1996.

10 Intellectual Property Rights

10.1 The Executive will promptly inform the Company if he makes, creates or is involved in making or generating an Invention, Work or Information during the Employment and will give the Company sufficient details of it to allow the Company to assess the Invention, Work or Information and to decide whether the Invention, Work or Information belongs to the Company. The Company will treat any Invention, Work or Information which does not belong to it as confidential.

“Invention” means any invention (whether patentable or not within the meaning of the Patents Act 1977 or other applicable legislation in any other country) relating to or capable of being used in the business of the Company.

“Work” means any discovery, design, database or other work (whether registrable or not and whether a copyright work or not) which is not an Invention and which the Executive creates or is involved in creating:

10.1.1 in connection with or in the course of his Employment; or

10.1.2 relating to or capable of being used in those aspects of the businesses of the Group Companies in which he is involved.

“Information” means any idea, method or information which is not an Invention or Work generated by the Executive either:

10.1.3 in connection with or in the course of the Employment, or

10.1.4 outside the course of the Employment, but relating to the business, finance or affairs of any Group Company.

10.2 The Executive is not entitled to any additional compensation for any Invention, Work or Information; such achievements are compensated by base salary.

10.3 The Executive shall not make copies of any computer files belonging to any Group Company or their service providers and shall not introduce any of his own computer files into any computer used by a Group Company in breach of any Group Company policy, unless he has obtained the consent of the Company.

11 Termination and Suspension

11.1 The Employment will continue until terminated by either party giving written notice as set out in clause 11.2.

11.2 Either party may terminate the Employment by giving not less than twelve months’ written notice to the other.

11.3 Subject to the Employment Equality (Age) Regulations 2006 and notwithstanding the other provisions of this agreement and in particular clause 11.2, the Employment will automatically terminate (if not already terminated) on the Executive’s 65th birthday.
11.4 Once notice to terminate has been given by either party in accordance with clause 11.2 the Company reserves the right, exercisable at any time and in its absolute discretion, to terminate the Executive’s employment forthwith by notice in writing. In such event, the Company shall pay the Executive in lieu of the unexpired period of notice the sums or sum calculated and payable in accordance with clause 11.5 (together the “PILON”). The PILON shall not constitute a debt payable by the Company and from the Termination Date in accordance with this Clause the Executive shall be obliged to mitigate his losses flowing from such termination subject only to abiding by the obligations as set out in clause 13. For the purposes of this clause and clause 11.5, the Executive’s obligation to mitigate shall be to take such steps to mitigate as he would have been required to take at common law had he been dismissed in breach of the terms of this agreement.

11.5 The amount of the PILON shall be such sum as the Executive would have received in salary (at the rate in force at the Termination Date) had the employment continued throughout the unexpired notice period less the aggregate of (a) any sums earned or received by the Executive as a result of his obligation to mitigate his losses and (b) deductions for income tax and employee’s national insurance contributions. The PILON shall be payable in installments at the same intervals and on the same dates as salary payments would have been made to the Executive had the employment continued. The Executive shall no later than the 15th day of each month during which installments of the PILON are payable, provide to the Company a statement of all sums earned or received by the Executive referable to the period for which the next installment of the PILON falls to be made. In the absence of receipt of any such statement, payment of the relevant installment of the PILON shall be delayed until 7 working days after receipt of the statement.

11.6 The Company may terminate the Employment with immediate effect by giving written notice if the Executive does not perform the duties of the Employment for a period of 130 days (whether or not consecutive) in any period of 365 days because of sickness, injury or other incapacity. This notice can be given whilst the Executive continues not to perform his duties or on expiry of the 130 day period. In this clause, ‘days’ includes Saturdays, Sundays and public holidays.

11.7 The Company may terminate the Employment with immediate effect by giving written notice if the Executive:

11.7.1 After due notice, has not performed his duties under this agreement to the standard required by the Board or does not comply with any lawful order or direction given by the Board; or

11.7.2 commits any serious or persistent breach of his obligations under or does not comply with any material term of this agreement; or

11.7.3 is guilty of any gross misconduct or conducts himself (whether in connection with the Employment or not) in a way which is harmful to any Group Company; or

11.7.4 is guilty of dishonesty or is convicted of a criminal offence (other than a motoring offence which does not result in imprisonment) whether in connection with the Employment or not; or

11.7.5 commits (or is reasonably believed by the Board to have committed) a breach of any legislation in force which may affect or relate to the business of any Group Company; or
11.7.6 becomes of unsound mind, is bankrupted or has a receiving order made against him or makes any general composition with his creditors or takes advantage of any statute affording relief for insolvent debtors; or

11.7.7 becomes disqualified from being a director of a company.

11.8 When the Company terminates the Employment by giving written notice to take immediate effect in accordance with either clause 11.6 or 11.7, for the avoidance of doubt there is no obligation to give notice as set out in clause 11.1 or any other period of notice to make any payment in lieu of notice.

11.9 The Executive will have no claim for damages or any other remedy against the Company if the Employment is terminated for any of the reasons set out in clause 11.6 or 11.7.

11.10 When the Employment terminates the Company may deduct from any money due to the Executive (including remuneration) any amount which he owes to any Group Company.

11.11 The Company may suspend the Executive from the Employment on full salary at any time, and for any reason for a reasonable period to investigate any matter in which the Executive is implicated or involved (whether directly or indirectly) and to conduct any related disciplinary proceedings (including any appeals).

12 Garden Leave

12.1 Neither the Company nor any Group Company is under any obligation to provide the Executive with any work. At any time after notice to terminate the Employment is given by either party under clause 11 above, or if the Executive resigns without giving due notice and the Company does not accept his resignation, the Company may require the Executive to comply with any or all of the provisions in clauses 12.2 and 12.3 for a maximum period of six months (the “Garden Leave Period”).

12.2 The Executive will not, without prior written consent of the Board, be employed or otherwise engaged in the conduct of any activity, whether or not of a business nature during the Garden Leave Period. Further, the Executive will not, unless requested by the Company:

12.2.1 enter or attend the premises of the Company or any other Group Company; or

12.2.2 contact or have any communication with any customer or client of the Company or any other Group Company in relation to the business of the Company or any other Group Company; or

12.2.3 contact or have any communication with any employee, officer, director, agent or consultant of the Company or any other Group Company in relation to the business of the Company or any other Group Company; or

12.2.4 remain or become involved in any aspect of the business of the Company or any other Group Company except as required by such companies.

12.3 The Company may require the Executive:

12.3.1 to comply with the provisions of clause 15, save that he will not be required to return his Company car; and

12.3.2 to immediately resign from any directorship which he holds in the Company, any other Group Company or any other company where such directorship is held as a
consequence or requirement of the Employment, unless he is required to perform duties to which any such directorship relates in which case he may retain such directorships while those duties are ongoing. The Executive hereby irrevocably appoints the Company to be his attorney to execute any instrument and do anything in his name and on his behalf to effect his resignation if he fails to do so in accordance with this clause 12.3.2.

12.4 During the Garden Leave Period:

12.4.1 the Executive shall provide such assistance as the Company or any Group Company may require to effect an orderly handover of his responsibilities to any individual or individuals appointed by the Company or any Group Company to take over his roles or responsibilities;

12.4.2 the Executive shall make himself available to deal with requests for information, provide assistance, be available for meetings and to advise on matters relating to work (unless the Company has agreed the Executive may be unavailable for a period); and

12.4.3 the Company may appoint another person to carry out his duties in substitution for the Executive.

12.5 During the Garden Leave Period, the Executive will be entitled to receive his salary and all contractual benefits (for example, his Company car, if any) in accordance with the terms of this agreement. Any unused holiday accrued at the commencement of the Garden Leave Period and any holiday accrued during any such Period will be deemed to be taken by the Executive during the Garden Leave Period.

12.6 At the end of the Garden Leave Period, the Company may, but shall not in any way be obliged, to exercise its rights under clause 11.4 and clause 11.5 to pay the Executive the PILON in lieu of the balance of any period of notice given by the Company or the Executive, less any deductions the Company is required by law to make.

12.7 All duties of the Employment (whether express or implied), including without limitation the Executive’s duties of fidelity, good faith and exclusive service, shall continue throughout the Garden Leave Period save as expressly varied by this clause.

13 Restrictions after Termination of Employment

13.1 In this clause:

“Relevant Date” means the Termination Date or, if earlier, the date on which the Executive commences any Garden Leave Period; and

“Restricted Period” means the period of 12 months commencing on the Relevant Date.

13.2 The Executive is likely to obtain trade secrets and confidential information and personal knowledge of and influence over customers and employees of the Group during the course of the Employment. To protect these interests of the Company, the Executive agrees with the Company that he will be bound by the following covenants:

13.2.1 during the Restricted Period he will not be employed in, or carry on for his own account or for any other person, whether directly or indirectly, (or be a director of any company engaged in) any business which is or is about to be in competition with any business of the Company or any other Group Company being carried on
by such company at the Relevant Date provided he was concerned or involved with that business to a material extent at any time during the 12 months prior to the Relevant Date;

13.2.2 during the Restricted Period he will not (either on his own behalf or for or with any other person), whether directly or indirectly, canvass or solicit in competition with the Company or any other Group Company the custom of any person who at any time during the 12 months prior to the Relevant Date was a customer of, or in the habit of dealing with, the Company or (as the case may be) any other Group Company and in respect of whom the Executive had access to confidential information or with whose custom or business the Executive was personally concerned or employees reporting directly to him were personally concerned;

13.2.3 during the Restricted Period he will not (either on his own behalf or for or with any other person, whether directly or indirectly,) deal with or otherwise accept in competition with the Company or any Group Company the custom of any person who was at any time during the 12 months prior to the Relevant Date a customer of, or in the habit of dealing with, the Company or (as the case may be) any Group Company and in respect of whom the Executive had access to confidential information or with whose custom or business the Executive was personally concerned;

13.2.4 during the Restricted Period he will not (either on his own behalf or for or with any other person, whether directly or indirectly) canvass or solicit in competition with the Company or any other Group Company the custom of any person who was negotiating with the Company or any other Group Company the custom of any person who was negotiating with the Company or any other Group Company for the supply of goods or services (whether as customer, client, supplier, agent or distributor of the Company) during the six months prior to the Relevant Date or who was a potential customer to whom the Executive had made a presentation or a pitch and in respect of whom the Executive had access to confidential information or with whose custom or business the Executive was personally concerned; and

13.2.5 during the Restricted Period he will not (either on his own behalf or for or with any other person, whether directly or indirectly,) entice or try to entice away from the Company or any other Group Company any person who was an F band employee or higher employee (or equivalent) of such a company at the Termination Date and who had been such an employee at any time during the six months prior to the Relevant Date and with whom he had worked closely at any time during that period.

13.3 Each of the paragraphs contained in clause 13.2 constitutes an entirely separate and independent covenant. If any covenant is found to be invalid this will not affect the validity or enforceability of any of the other covenants.

13.4 Following the Termination Date, the Executive will not represent himself as being in any way connected with the businesses of the Company or of any other Group Company (except to the extent agreed by such a company).

13.5 Any benefit given or deemed to be given by the Executive to any Group Company under the terms of clause 13 is received and held on trust by the Company for the relevant Group Company. The Executive will enter into appropriate restrictive covenants directly with other Group Companies if asked to do so by the Company.
14 **Offers on Liquidation**

The Executive will have no claim against the Company if the Employment is terminated by reason of liquidation in order to reconstruct or amalgamate the Company or by reason of any reorganisation of the Company and the Executive is offered employment with the company succeeding to the Company upon such liquidation or reorganisation and the new terms of employment offered to the Executive are no less favourable to him than the terms of this agreement.

15 **Return of Company Property**

15.1 At any time during the Employment (at the request of the Company) and in any event when the Employment terminates, the Executive will immediately return to the Company:

15.1.1 all documents and other materials (whether originals or copies) made or compiled by or delivered to the Executive during the Employment and concerning all the Group Companies. The Executive will not retain any copies of any materials or other information; and

15.1.2 all other property belonging or relating to any of the Group Companies.

15.2 When the Employment terminates the Executive will immediately return to the Company any car provided to the Executive which is in the possession or under the control of the Executive.

15.3 If the Executive commences Garden Leave in accordance with clause 12 he may be required to comply with the provisions of clause 15.1.

16 **Directorships**

16.1 The Executive’s office as a director of the Company or any other Group Company is subject to the Articles of Association of the relevant company (as amended from time to time). If the provisions of this agreement conflict with the provisions of the Articles of Association, the Articles of Association will prevail.

16.2 The Executive must resign from any office held in any Group Company if he is asked to do so by the Company.

16.3 If the Executive does not resign as an officer of a Group Company, having been requested to do so in accordance with clause 16.2, the Company will be appointed as his attorney to effect his resignation. By entering into this agreement, the Executive irrevocably appoints the Company as his attorney to act on his behalf to execute any document or do anything in his name necessary to effect his resignation in accordance with clause 16.2. If there is any doubt as to whether such a document (or other thing) has been carried out within the authority conferred by this clause 16.3, a certificate in writing (signed by any director or the secretary of the Company) will be sufficient to prove that the act or thing falls within that authority.

16.4 The termination of any directorship or other office held by the Executive will not terminate the Executive’s employment or amount to a breach of terms of this agreement by the Company.

16.5 During the Employment the Executive will not do anything which could cause him to be disqualified from continuing to act as a director of any Group Company.
16.6 The Executive must not resign his office as a director of any Group Company without the agreement of the Company.

17 Notices

17.1 Any notices given under this agreement must be given by letter or fax. Notice to the Company must be addressed to its registered office at the time the notice is given. Notice to the Executive must be given to him personally or sent to his last known address.

17.2 Except for notices given by hand, notices given by post will be deemed to have been given on the next working day after the day of posting and notices given by fax will be deemed to have been given in the ordinary course of transmission.

18 Statutory Particulars

18.1 The written particulars of employment which the Executive is entitled to receive under the provisions of Part I of the Employment Rights Act 1996 are set out below, insofar as they are not set out elsewhere in this agreement or in any other documents provided with this agreement.

18.1.1 The Executive’s period of continuous employment began on 17th November 2008.

18.1.2 The Company’s disciplinary rules and disciplinary and grievance procedures as set out in the Employee Handbook from time to time are applicable to the Executive.

18.1.3 The Company’s normal hours of work are 8.30am to 5.15pm Monday to Thursday and 8.30am to 4.00pm on Friday.

18.1.4 There are no terms and conditions relating to collective agreements or to the requirement to work outside the United Kingdom.

18.1.5 A contracting-out certificate under the pension Schemes Act 1993 is not in force in respect of this Employment.

18.2 The authorisation of the Company to request a medical examination is governed under the Access to Medical Reports Act (1988).

19 Data Protection Act 1998

19.1 For the purposes of the Data Protection Act 1998 (the “Act”) the Executive gives his consent to the holding, processing and disclosure of personal data (including sensitive data within the meaning of the Act) provided by the Executive to the Company for all purposes relating to the performance of this agreement including, but not limited to:

19.1.1 administering and maintaining personnel records;

19.1.2 paying and reviewing salary and other remuneration and benefits;

19.1.3 providing and administering benefits (including if relevant, pension, life assurance, permanent health insurance and medical insurance);

19.1.4 undertaking performance appraisals and reviews;

19.1.5 maintaining sickness and other absence records;

19.1.6 taking decisions as to the Executive’s fitness for work;
19.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, the Inland Revenue and the Contributions Agency;

19.1.8 providing information to future purchasers of the Company or of the business in which the Executive works; and

19.1.9 transferring information concerning the Executive to a country or territory outside the EEA.

19.2 The Executive acknowledges that during his Employment he will have access to and process, or authorise the processing of, personal data and sensitive personal data relating to employees, customers and other individuals held and controlled by the Company. The Executive agrees to comply with the terms of the Act in relation to such data and to abide by the Company’s data protection policy issued from time to time.

20 Contracts (Rights of Third Parties) Act 1999

20.1 To the extent permitted by law, no person other than the parties to this agreement and the Group Companies shall have the right to enforce any term of this agreement under the Contracts (Rights of Third Parties) Act 1999. For the avoidance of doubt, save as expressly provided in this clause the application of the Contracts (Rights of Third Parties) Act 1999 is specifically excluded from this agreement, although this does not affect any other right or remedy of any third party which exists or is available other than under this Act.

21 Miscellaneous

21.1 This agreement may only be modified by the written agreement of the parties.

21.2 The Executive cannot assign this agreement to anyone else.

21.3 References in this agreement to rules, regulations, policies, handbooks or other similar documents which supplement it, are referred to in it or describe any pensions or other benefits arrangement are references to the versions or forms of the relevant documents as amended or updated from time to time.

21.4 This agreement supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in it. It contains the whole agreement between the parties relating to the Employment at the date the agreement was entered into (except for those terms implied by law which cannot be excluded by the agreement of the parties). The Executive acknowledges that he has not been induced to enter into this agreement by any representation, warranty or undertaking not expressly incorporated into it. The Executive agrees and acknowledges that his only rights and remedies in relation to any representation, warranty or undertaking made or given in connection with this agreement (unless such representation, warranty or undertaking was made fraudulently) will be for breach of the terms of this agreement, to the exclusion of all other rights and remedies (including those in tort or arising under statute).

21.5 Neither party’s rights or powers under this agreement will be affected if:

21.5.1 one party delays in enforcing any provision of this agreement; or

21.5.2 one party grants time to the other party.
21.6 The Interpretation Act 1978 shall apply to this agreement in the same way as it applies to an enactment.

21.7 References to any statutory provisions include any modifications or re-enactments of those provisions.

21.8 Headings will be ignored in construing this agreement.

21.9 If either party agrees to waive his rights under a provision of this agreement, that waiver will only be effective if it is in writing and it is signed by him. A party’s agreement to waive any breach of any term or condition of this agreement will not be regarded as a waiver of any subsequent breach of the same term or condition or a different term or condition.

21.10 This agreement is governed by and will be interpreted in accordance with the laws of England and Wales. Each of the parties submits to the exclusive jurisdiction of the English Courts as regards any claim or matter arising under this agreement.

EXECUTED as a **DEED** on behalf of

VODAFONE GROUP PLC

/s/ V Colao

Director

/s/ R E S Martin

Company Secretary/Director

EXECUTED as a **DEED** by Nicholas Johnathan Read in the presence of:

/s/ Nicholas Read

Witness’s signature

/s/ Adrian Jackson

Name

Adrian Jackson

Address

Occupation

HR Director
Sir Crispin Davis

Dear Crispin

NON-EXECUTIVE DIRECTORSHIP OF VODAFONE GROUP PUBLIC LIMITED COMPANY

Further to our discussions, this letter is to confirm the terms of your appointment as a non-executive director of Vodafone Group Public Limited Company (the “Company”), without prejudice to your obligations to the Company under English Law.

1 Role

Your obligations and responsibilities as a non-executive director are to the Company and, like all directors, you should act at all times in the best interests of the Company, exercising your independent judgment on all matters. Non-executive directors have the same general legal responsibilities to the Company as any other director. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. Your appointment as a non-executive director of the Company is subject to the Company’s Articles of Association (the “Articles”) and the latter will prevail in the event of any conflict between them and the terms of this letter. A copy of the current version of the Articles is available on the Company’s website at www.vodafone.com.

In my view, the role of the non-executive director has a number of key elements and I look forward to your contribution in these areas:

- Strategy: you should constructively challenge and contribute to the development of strategy;
- Performance: you should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- Risk: you should satisfy yourself that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
- People: non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, senior management and in succession planning.

Gerard Kleisterlee
Chairman
14 April 2014
Subject to the terms of this letter, your appointment as a director will commence on 28 July 2014 (“the Effective Date”). We would also like you to join the Audit & Risk Committee on the Effective Date, if you are willing to do so.

The Articles require that directors submit themselves for re-election by shareholders periodically and as a Board we have resolved that all the Directors will submit themselves for re-election every year. The Nominations and Governance Committee each year reviews and considers the submission of the directors for re-election and considers the membership of the Board committees. In the event that when you submit yourself for re-election you are not elected, your appointment as director will automatically terminate. You will not be entitled to receive any compensation from the Company in respect of the termination of your directorship. In accordance with the recommendations of the UK Corporate Governance Code, after nine years’ service on the Board, a director may not be considered independent.

Overall, we anticipate a time commitment from you involving attendance at all Board meetings (the Company currently has eight each year), the Annual General Meeting (usually held in July each year) and at least one Company/site visit per year. You will be expected to devote appropriate preparation time ahead of each meeting. In addition, each of the principal Board Committees meets about four or five times a year (and in some cases more frequently) and you are expected to attend all the meetings of the Committee(s) of which you are member.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. If you are unable to attend a Board meeting or Committee meeting in person, I hope, nevertheless, that you will be able to join those meetings either by videoconference or teleconference facilities. I would be grateful if, before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company, you would seek my agreement.

As you will be a non-executive director of the Company, the Board as a whole will determine your remuneration in accordance with the requirements of good corporate governance, and the Financial Conduct Authority’s Listing Rules. The fee for your services is £115,000.00 per annum and it is paid in equal instalments monthly in arrears. No separate fee is payable for membership of a Board Committee (unless you are the Chair of the Committee). You may elect to be paid either in cash or in the Company’s shares. Please let me know if you may prefer to receive shares. You will also be entitled to be repaid all travelling and other expenses properly incurred in performing your duties in accordance with the Articles. Payment of all fees will cease immediately after your appointment as a non-executive director of the Company terminates for any reason.

You shall (and you shall procure that your “connected persons”, including your spouse and any dependent children shall) comply with the provisions of the Criminal Justice Act 1993, the Financial Services and Markets Act 2000, the Financial Conduct Authority’s Model Code as set out in the Listing Rules and rules and regulations laid down by the Company from time to time in relation to dealing in the Company’s shares. Further guidance is provided in your director information pack.
5 Competitive Businesses
In view of the sensitive and confidential nature of the Company’s business you agree that for so long as you are a non-executive director of the Company you will not, without the consent of the Board, which shall not be withheld unreasonably, be engaged or interested in any capacity in any business or with any company which is, in the reasonable opinion of the Board, competitive with the business of any company in the Group. In the event that you become aware of any potential conflicts of interest, these should be disclosed to me and to the Company Secretary as soon as possible.

6 Confidentiality
You agree that you will not make use of, divulge or communicate to any person (except in the proper performance of your duties) any of the trade secrets or other confidential information of or relating to any company in the Group which you have received or obtained from or through the Company. This restriction shall continue to apply after the termination of your appointment without limit in point of time but shall cease to apply to information or knowledge which comes into the public domain otherwise than through your default or which shall have been received by you from a third party entitled to disclose the same to you.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of inside information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from me or from the Company Secretary. Please note that all media enquiries concerning the Company must be referred immediately to the Group External Affairs Director.

7 Illness or Incapacity
If you are prevented by illness or incapacity from carrying out your duties for a period exceeding three consecutive calendar months or at different times for a period exceeding in aggregate three calendar months in any one period of twelve calendar months or if you become prohibited by law or under the Articles from being a non-executive director of the Company, then the Company may terminate your appointment immediately.

8 Effect of Termination
Upon termination of your appointment howsoever arising, you shall immediately or upon request of the Company, resign from office as a non-executive director of the Company and all other offices held by you in any other companies in the Group and your membership of any organisation acquired by virtue of your tenure of any such office, and should you fail to do so, the Company is hereby irrevocably authorised to appoint some person in your name and on your behalf to sign any documents and do anything necessary or requisite to give effect thereto.

9 Return of Company Property
You agree that upon termination of your appointment as a non-executive director, you will immediately deliver to the Company all property belonging to the Company or any member of its Group, including all documents or other records made or compiled or acquired by you during your appointment concerning the business, finances or affairs of the Group.
**Independent Professional Advice**

In accordance with the UK Corporate Governance Code, the Board has agreed procedures for directors in the furtherance of their duties to take independent professional advice if necessary, at the Company’s expense. A copy of the relevant Board resolution is enclosed in your director information pack. Naturally, if you have any queries or difficulties at any time please feel free to discuss them with me. I am also available at all times to provide you with information and advice you may need.

**Indemnification and Insurance**

You will have the benefit of the following indemnity in relation to liability incurred in your capacity as a Director of the Company. This indemnity is as wide as English law currently permits:

(i) The Company will provide funds to cover costs as incurred by you in defending legal proceedings brought against you in your capacity as, or as a result of your being or having been, a Director of the Company including criminal proceedings and proceedings brought by the Company itself or an Associated Company;

(ii) The Company will indemnify you in respect of any proceedings brought by third parties, including both legal and financial costs of an adverse judgment brought against you in your capacity as, or as a result of your being or having been, a Director of the Company; and

(iii) The Company will indemnify you for liability incurred in connection with any application made to a court for relief from liability, where the court grants such relief.

For the avoidance of doubt, the indemnity granted does not cover:

(i) Unsuccessful defence of criminal proceedings, in which instance the Company would seek reimbursement for any funds advanced;

(ii) Unsuccessful defence of an action brought by the Company itself or an Associated Company, in which instance the Company would seek reimbursement for any funds advanced;

(iii) Fines imposed by regulatory bodies;

(iv) Fines imposed in criminal proceedings; and

(v) Liability incurred in connection with any application under Section 144(3) or (4) of the Companies Act 1985 (acquisition of shares by innocent nominee) or section 1157 of the Companies Act 2006 (general power to grant relief in case of honest and reasonable conduct), where the court refuses to grant you relief, and such refusal is final.

You will notify the Company as soon as reasonably practicable upon becoming aware of any claim or potential claim against you.

The Company maintains Directors and Officers insurance as additional cover for directors which, if the insurance policy so permits, may provide funds in circumstances where the law prohibits the Company from indemnifying directors. Further information will be provided by the Company Secretary.
The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role, please discuss them with me as soon as is appropriate.

It is agreed that you will not be an employee of the Company or any of its subsidiaries and that this letter shall not constitute a contract of employment.

In this letter:

“Board” means the board of directors of the Company from time to time or any person or committee nominated by the board of directors as its representative or to whom (and to that extent) it has delegated powers for the purposes of this letter.

“Group” means the Company and any other company which is its subsidiary or in which the Company or any subsidiary of the Company controls not less than 25% of the voting shares (where “subsidiary” has the meaning given to it by section 736 of the Companies Act 1985).

This letter shall be governed by and construed in accordance with English Law. Both parties submit to the exclusive jurisdiction of the English Courts as regards any claim or matter arising in connection with the terms of this letter.

Please acknowledge receipt and acceptance of the terms of this letter by signing the enclosed copy and returning it to the Company Secretary. I am greatly looking forward to working with you.

Kind regards.

Yours sincerely

/s/ Gerard Kleisterlee

I hereby accept that the terms of this letter constitute the terms of my appointment as a non-executive director of the Company.

Signed: /s/ Sir Crispin Davis 
Date: April 28 2014

Sir Crispin Davis
Dear Clara

NON-EXECUTIVE DIRECTORSHIP OF VODAFONE GROUP PUBLIC LIMITED COMPANY

Further to our discussions, this letter is to confirm the terms of your appointment as a non-executive director of Vodafone Group Public Limited Company (the “Company”), without prejudice to your obligations to the Company under English Law.

1 Role

Your obligations and responsibilities as a non-executive director are to the Company and, like all directors, you should act at all times in the best interests of the Company, exercising your independent judgment on all matters. Non-executive directors have the same general legal responsibilities to the Company as any other director. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. Your appointment as a non-executive director of the Company is subject to the Company’s Articles of Association (the “Articles”) and the latter will prevail in the event of any conflict between them and the terms of this letter. A copy of the current version of the Articles is available on the Company’s website at www.vodafone.com.

In my view, the role of the non-executive director has a number of key elements and I look forward to your contribution in these areas:

- Strategy: you should constructively challenge and contribute to the development of strategy;
- Performance: you should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- Risk: you should satisfy yourself that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
- People: non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, senior management and in succession planning.
Subject to the terms of this letter, your appointment as a director will commence on 1 September 2014 (“the Effective Date”). We would also like you to join the Audit & Risk Committee on the Effective Date, if you are willing to do so.

The Articles require that directors submit themselves for re-election by shareholders periodically and as a Board we have resolved that all the Directors will submit themselves for re-election every year. The Nominations and Governance Committee each year reviews and considers the submission of the directors for re-election and considers the membership of the Board committees. In the event that when you submit yourself for re-election you are not elected, your appointment as director will automatically terminate. You will not be entitled to receive any compensation from the Company in respect of the termination of your directorship. In accordance with the recommendations of the UK Corporate Governance Code, after nine years’ service on the Board, a director may not be considered independent.

Overall, we anticipate a time commitment from you involving attendance at all Board meetings (the Company currently has eight each year), the Annual General Meeting (usually held in July each year) and at least one Company/site visit per year. You will be expected to devote appropriate preparation time ahead of each meeting. In addition, each of the principal Board Committees meets about four or five times a year (and in some cases more frequently) and you are expected to attend all the meetings of the Committee(s) of which you are member.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. If you are unable to attend a Board meeting or Committee meeting in person, I hope, nevertheless, that you will be able to join those meetings either by videoconference or teleconference facilities. I would be grateful if, before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company, you would seek my agreement.

As you will be a non-executive director of the Company, the Board as a whole will determine your remuneration in accordance with the requirements of good corporate governance, and the Financial Conduct Authority’s Listing Rules. The fee for your services is £115,000.00 per annum and it is paid in equal instalments monthly in arrears. No separate fee is payable for membership of a Board Committee (unless you are the Chair of the Committee). You may elect to be paid either in cash or in the Company’s shares. Please let me know if you may prefer to receive shares. You will also be entitled to be repaid all travelling and other expenses properly incurred in performing your duties in accordance with the Articles. Payment of all fees will cease immediately after your appointment as a non-executive director of the Company terminates for any reason.

You shall (and you shall procure that your “connected persons”, including your spouse and any dependent children shall) comply with the provisions of the Criminal Justice Act 1993, the Financial Services and Markets Act 2000, the Financial Conduct Authority’s Model Code as set out in the Listing Rules and rules and regulations laid down by the Company from time to time in relation to dealing in the Company’s shares. Further guidance is provided in your director information pack.
In view of the sensitive and confidential nature of the Company’s business you agree that for so long as you are a non-executive director of the Company you will not, without the consent of the Board, which shall not be withheld unreasonably, be engaged or interested in any capacity in any business or with any company which is, in the reasonable opinion of the Board, competitive with the business of any company in the Group. In the event that you become aware of any potential conflicts of interest, these should be disclosed to me and to the Company Secretary as soon as possible.

You agree that you will not make use of, divulge or communicate to any person (except in the proper performance of your duties) any of the trade secrets or other confidential information of or relating to any company in the Group which you have received or obtained from or through the Company. This restriction shall continue to apply after the termination of your appointment without limit in point of time but shall cease to apply to information or knowledge which comes into the public domain otherwise than through your default or which shall have been received by you from a third party entitled to disclose the same to you.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of inside information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from me or from the Company Secretary. Please note that all media enquiries concerning the Company must be referred immediately to the Group External Affairs Director.

If you are prevented by illness or incapacity from carrying out your duties for a period exceeding three consecutive calendar months or at different times for a period exceeding in aggregate three calendar months in any one period of twelve calendar months or if you become prohibited by law or under the Articles from being a non-executive director of the Company, then the Company may terminate your appointment immediately.

You agree that upon termination of your appointment as a non-executive director, you will immediately deliver to the Company all property belonging to the Company or any member of its Group, including all documents or other records made or compiled or acquired by you during your appointment concerning the business, finances or affairs of the Group.
In accordance with the UK Corporate Governance Code, the Board has agreed procedures for directors in the furtherance of their duties to take independent professional advice if necessary, at the Company’s expense. A copy of the relevant Board resolution is enclosed in your director information pack. Naturally, if you have any queries or difficulties at any time please feel free to discuss them with me. I am also available at all times to provide you with information and advice you may need.

Indemnification and Insurance

You will have the benefit of the following indemnity in relation to liability incurred in your capacity as a Director of the Company. This indemnity is as wide as English law currently permits:

(i) The Company will provide funds to cover costs as incurred by you in defending legal proceedings brought against you in your capacity as, or as a result of your being or having been, a Director of the Company including criminal proceedings and proceedings brought by the Company itself or an Associated Company;

(ii) The Company will indemnify you in respect of any proceedings brought by third parties, including both legal and financial costs of an adverse judgment brought against you in your capacity as, or as a result of your being or having been, a Director of the Company; and

(iii) The Company will indemnify you for liability incurred in connection with any application made to a court for relief from liability, where the court grants such relief.

For the avoidance of doubt, the indemnity granted does not cover:

(i) Unsuccessful defence of criminal proceedings, in which instance the Company would seek reimbursement for any funds advanced;

(ii) Unsuccessful defence of an action brought by the Company itself or an Associated Company, in which instance the Company would seek reimbursement for any funds advanced;

(iii) Fines imposed by regulatory bodies;

(iv) Fines imposed in criminal proceedings; and

(v) Liability incurred in connection with any application under Section 144(3) or (4) of the Companies Act 1985 (acquisition of shares by innocent nominee) or section 1157 of the Companies Act 2006 (general power to grant relief in case of honest and reasonable conduct), where the court refuses to grant you relief, and such refusal is final.

You will notify the Company as soon as reasonably practicable upon becoming aware of any claim or potential claim against you.

The Company maintains Directors and Officers insurance as additional cover for directors which, if the insurance policy so permits, may provide funds in circumstances where the law prohibits the Company from indemnifying directors. Further information will be provided by the Company Secretary.
The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role, please discuss them with me as soon as is appropriate.

It is agreed that you will not be an employee of the Company or any of its subsidiaries and that this letter shall not constitute a contract of employment.

In this letter:

“Board” means the board of directors of the Company from time to time or any person or committee nominated by the board of directors as its representative or to whom (and to that extent) it has delegated powers for the purposes of this letter.

“Group” means the Company and any other company which is its subsidiary or in which the Company or any subsidiary of the Company controls not less than 25% of the voting shares (where “subsidiary” has the meaning given to it by section 736 of the Companies Act 1985).

This letter shall be governed by and construed in accordance with English Law. Both parties submit to the exclusive jurisdiction of the English Courts as regards any claim or matter arising in connection with the terms of this letter.

Please acknowledge receipt and acceptance of the terms of this letter by signing the enclosed copy and returning it to the Company Secretary. I am greatly looking forward to working with you.

Kind regards.

Yours sincerely

/s/ Gerard Kleisterlee

I hereby accept that the terms of this letter constitute the terms of my appointment as a non-executive director of the Company.

Signed: /s/ Dame Clara Furse  Date: 19 May 2014

Dame Clara Furse
STOCK PURCHASE AGREEMENT

Dated as of

September 2, 2013,

among

VODAFONE GROUP PLC,

VODAFONE 4 LIMITED

and

VERIZON COMMUNICATIONS INC.
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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT, dated as of September 2, 2013 (this “Agreement”), is hereby entered into among Vodafone Group Plc, an English public limited company (“Vodafone”), Vodafone 4 Limited, an indirect wholly owned Subsidiary of Vodafone (“Seller”), and Verizon Communications Inc., a Delaware corporation (“Verizon”).

WHEREAS, subject to the terms and conditions set forth herein, Vodafone, Seller and Verizon desire to engage, and cause certain of their respective Affiliates to engage, in certain transactions the consummation of which will have the effect of transferring all of the issued and outstanding capital stock of Vodafone Finance 1, which indirectly owns all of the Partnership Interests of Cellco Partnership d/b/a Verizon Wireless, a Delaware general partnership (the “Partnership”), that are indirectly owned by Seller, to Verizon or its Affiliates; and

WHEREAS, simultaneously with the execution of this Agreement, Vodafone Europe B.V., an Affiliate of Vodafone (“Vodafone Europe”) and Verizon Business International Holding BV, an Affiliate of Verizon (“VBIH”), have entered into a Share Purchase Agreement (the “Omnitel Purchase Agreement”), pursuant to the terms and conditions of which Vodafone Europe will acquire from VBIH, and VBIH will sell to Vodafone Europe, all of the outstanding equity interests of Vodafone Omnitel NV, an Affiliate of Vodafone (“Omnitel”), that are owned by VBIH.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

“Action” has the meaning set forth in Section 10.9(b).

“Adjusted Closing Price” means a dollar amount equal to (i) if the Average Trading Price is greater than $47.00 and less than $51.00, then the Average Trading Price; (ii) if the Average Trading Price is greater than or equal to $51.00, then $51.00; or (iii) if the Average Trading Price is equal to or less than $47.00, then $47.00.

“Adjusted Verizon Share Amount” has the meaning set forth in Section 2.2(a)(ii).

“Adverse Ruling or Statement” has the meaning set forth on Schedule 1 hereto.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person; and for purposes of the foregoing, “control” means (i) the ownership of more than 50% of the voting securities or other voting interests of such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting shares, by contract or otherwise, it being understood, for the avoidance of
doubt, that the Partnership and its Subsidiaries shall not be considered “Affiliates” of Vodafone or its Affiliates for the purposes of this Agreement.

“Agreement” has the meaning set forth in the preamble.

“Ancillary Documents” means the Verizon Notes, the Vodafone Scheme, the Omnitel Note, the Omnitel Purchase Agreement, the Vodafone Direction Letter, the Vodafone B.V. Inc. Note, the Settlement Note and the Term Note.

“Applicable De Minimis Amount” means (i) in the case of claims for indemnification pursuant to Section 9.2(a)(i) or 9.2(b)(i), Two Million Dollars ($2,000,000), and (ii) in the case of claims for indemnification pursuant to Sections 9.2(a)(ii) through (vi) or Sections 9.2(b)(ii) through (iv), Two Hundred Fifty Thousand Dollars ($250,000).

“Average Trading Price” means the volume-weighted average of the per share trading prices of Verizon Common Stock on the NYSE as reported through Bloomberg (based on all NYSE trades in Verizon Common Stock during the primary trading session from 9:30 a.m., New York City time, to 4:00 p.m., New York City time, and not an average of daily averages) for the twenty (20) consecutive full trading days ending on the third (3rd) Business Day prior to the Closing Date (the “Reference Period”); provided, however, that if an ex-dividend date for Verizon Common Stock occurs during the period beginning on the first (1st) day of such Reference Period and ending on (and including) the Closing Date, then the volume-weighted average of the per share NYSE trading prices of Verizon Common Stock for each day during the portion of such Reference Period that precedes such ex-dividend date shall be reduced by the amount of the applicable dividend payable on a share of Verizon Common Stock.

“B Share Election” has the meaning set forth in the Vodafone Scheme.

“Base Verizon Share Amount” has the meaning set forth in Section 2.2(a)(ii).

“Burdensome Effect” has the meaning set forth in Section 5.8(a).

“Business Day” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York or London, United Kingdom are authorized or required by applicable Law to close.

“Cash Consideration” has the meaning set forth in Section 2.2(a)(i).

“Cash Election” has the meaning set forth in Section 2.2(b).

“Cash Election Amount” has the meaning set forth in Section 2.2(b).

“Cash Election Notice” has the meaning set forth in Section 2.2(b).

“Cash Entitlement” has the meaning set forth in the Vodafone Scheme.
“Cash Flow Adjustment Amount” shall mean an amount equal to the product of (i) the number of calendar days elapsed from (and including) May 1, 2014 through (and including) the Closing Date and (ii) Ten Million Dollars ($10,000,000).

“Check-the-box-election” has the meaning set forth in Section 6.4.

“Claims” means all debts, demands, causes of action, suits, covenants, torts, damages, Encumbrances, claims, defenses, offsets, judgments and demands whatsoever, of every name and nature, both at law and in equity, known or unknown, suspected or unsuspected, accrued or unaccrued, fixed or contingent.

“Closing” means, if the Transaction is implemented by way of the Vodafone Scheme, the Scheme Closing, and if the Transaction is implemented by way of the Share Purchase, the Share Purchase Closing.

“Closing Date” means, if the Transaction is implemented by way of the Vodafone Scheme, the Scheme Effective Date and, if the Transaction is implemented by way of the Share Purchase, the Share Purchase Closing Date.


“Companies Act” means the Companies Act 2006.

“Consents” has the meaning set forth in Section 7.1(g).

“Contract” means any binding agreement, lease, license, contract, note, mortgage, indenture, arrangement or other contractual obligation.

“Controlling Party” has the meaning set forth in Section 6.2.

“Court” means the High Court of Justice of England and Wales.

“Court Hearing” means the hearing at which the Court will be requested to make an order sanctioning the Vodafone Scheme under Section 899 of the Companies Act.

“Court Meeting” has the meaning set forth in Section 7.1(b)(i).

“Crest” means the relevant system (as defined in the Uncertificated Securities Regulations 2001, as amended) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such regulations).

“Damages” has the meaning set forth in Section 9.2(a).

“Distribution Agent” has the meaning set forth in Section 2.7(a).

“Distribution Agent Agreement” has the meaning set forth in Section 2.7(a).

“Dividend Payment Date” has the meaning set forth in the respective Certificates of Designation, Preferences and Rights for the VAI Preferred Shares.
“Dollars” and “$” means the lawful currency of the United States of America.

“Employee Benefit Plans” means (i) “employee benefit plans” (within the meaning of Section 3(3) of ERISA) and (ii) all other compensation or employee benefit plans, programs, policies, agreements or other arrangements, whether or not subject to ERISA, and whether cash or equity-based, including employment, retention, change of control, health, medical, dental, disability, accident, life insurance, vacation, severance, retirement, pension, savings, or termination plans, programs, policies, agreements or other arrangements.

“Encumbrance” means any lien, mortgage, security interest, pledge, restriction on transferability, defect of title, option or other claim, charge or encumbrance of any nature whatsoever.

“Entity” means any corporation, firm, unincorporated organization, association, partnership, limited liability company, business trust, joint stock company, joint venture or other organization, entity or business.


“ERISA Affiliate” means, with respect to any Entity, trade or business, any other Entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first Entity, trade or business, or that is, or was at the relevant time, a member of the same “controlled group” as the first Entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

“EUR” means the lawful single currency of the Institutions of the European Union.


“Excluded Assets” has the meaning set forth in Section 5.1.

“Excluded Liabilities” has the meaning set forth in Section 5.1.

“FCA” means the Financial Conduct Authority.

“FCC” means the United States Federal Communications Commission.

“Financing” has the meaning set forth in Section 4.14(a).

“Financing Documents” has the meaning set forth in Section 4.14(b).

“Financing Failure” has the meaning set forth in Section 8.1(j)(ii).

“Financing Failure Termination Fee” means a cash amount equal to Ten Billion Dollars ($10,000,000,000).

“Financing Related Party” has the meaning set forth in Section 8.3(g).
“Financing Sources” has the meaning set forth in Section 4.14(a).


“GAAP” means U.S. generally accepted accounting principles.

“Governmental Entity” means any federal, state, territorial, county, municipal, local, multinational or other government or governmental agency or body or any other type of regulatory body, whether U.S. or non-U.S.


“IRS” means the United States Internal Revenue Service.

“Indemnified Party” has the meaning set forth in Section 9.3(a).

“Indemnifying Party” has the meaning set forth in Section 9.3(a).

“Initial Verizon Press Release” has the meaning set forth in Section 5.5.

“Initial Vodafone Press Release” has the meaning set forth in Section 5.5.

“Initial Press Releases” has the meaning set forth in Section 5.5.

“Intervening Event” means a material event or circumstance (occurring or arising after the date hereof) that was neither known nor reasonably foreseeable to the Board of Directors of Verizon on the date of this Agreement, which event or circumstance becomes known to the Board of Directors of Verizon prior to the time at which Verizon receives the Verizon Requisite Vote, other than (i) general events or changes in the industries in which any of Verizon and its Subsidiaries operate; (ii) changes in the market price or trading volume of the Verizon Common Stock; provided, that this clause (ii) shall not prevent or otherwise affect a determination that any event or change in circumstances underlying such change has resulted in or contributed to an “Intervening Event”; (iii) any action taken by the parties hereto pursuant to and in compliance with this Agreement or any of the Ancillary Documents; (iv) any event or change in circumstances adversely affecting the availability or terms of the Financing or Replacement Financing; (v) any event or change in circumstances that has had or would reasonably be expected to have an adverse effect on the business, financial condition or operations of Verizon or its Subsidiaries; and (vi) the receipt, existence or terms of any proposal or offer made by any Person relating to a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, spin-off, share exchange, business combination or similar transaction involving Verizon or any of its Subsidiaries.

“JV Partnerco” means JV Partnerco LLC.

“Knowledge of Verizon” means the actual knowledge of the persons set forth in Section 1 of the Verizon Disclosure Letter.
“Knowledge of Vodafone” means the actual knowledge of the persons set forth in Section 1 of the Vodafone Disclosure Letter.

“Law” means all applicable provisions of (i) constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances, codes or orders of any Governmental Entity, (ii) any consents or approvals of any Governmental Entity and (iii) any orders, decisions, injunctions, judgments, awards, decrees of or agreements with any Governmental Entity.

“Liability” means any liability, indebtedness, obligation, commitment, expense, claim, deficiency, guaranty or endorsement (or claims or contingencies that have not yet become liabilities) of or by any Person of any type, whether accrued, absolute, contingent, matured, unmatured, liquidated, unliquidated, known or unknown, or whether due or to become due, including any fines, penalties, interest, judgments, awards or settlements respecting any judicial, administrative or arbitration proceedings or other actions or any damages, losses, claims or demands with respect to any Law.

“Licenses” has the meaning set forth in Section 3.6(b).

“Listing Rules” means the Listing Rules of the UKLA made under Section 73A of FSMA.

“Loan Facility” has the meaning set forth in Section 4.14(a).

“LSE” means London Stock Exchange plc.

“Measurement Time” means, if the Transaction is implemented by way of the Vodafone Scheme, immediately prior to commencement of the Court Hearing on the Sanction Date, and, if the Transaction is implemented by way of the Share Purchase, 8:00 a.m. (New York time) on the Share Purchase Closing Date.

“Multiemployer Plan” has the meaning set forth in Section 4.10(a).

“NASDAQ” means the NASDAQ Stock Market.

“New Vodafone Shares” means ordinary shares in Vodafone arising as a result of the Vodafone Share Consolidation.

“New Vodafone Shares Admission” has the meaning set forth in Section 7.1(c).

“Non-Controlling Party” has the meaning set forth in Section 6.2.

“NYSE” means the New York Stock Exchange.

“Official List” means the Official List maintained by the FCA for the purposes of Section 74(1) of FSMA.

“Omnitel” has the meaning set forth in the recitals.
“Omnitel Consideration Amount” means Three Billion Five Hundred Million Dollars ($3,500,000,000).

“Omnitel Note” means the note to be issued at the Closing by Verizon if the transactions contemplated by the Omnitel Purchase Agreement are not consummated on the Closing Date, and made payable to Seller in the amount of the Omnitel Consideration Amount, having the terms provided for in Exhibit A hereto.

“Omnitel Purchase Agreement” has the meaning set forth in the recitals.

“Oversized Scheme Shareholders” has the meaning set forth in the Vodafone Scheme.

“Partner” has the meaning set forth in the Partnership Agreement.

“Partnership” has the meaning set forth in the recitals.

“Partnership Agreement” means the Amended and Restated Partnership Agreement of the Partnership, dated as of April 3, 2000, by and among certain Affiliates of Vodafone and Verizon, as amended.

“Partnership Interest” means, as of any date, with respect to each Partner of the Partnership, the entire ownership interests and rights of such Partner (expressed as a percentage) in the Partnership as of such date.

“PBGC” has the meaning set forth in Section 4.10(c).

“PCS Nucleus” means PCS Nucleus LP.

“Person” means any natural person or Entity.

“Post-Closing Tax Period” means (i) any taxable period beginning after the Closing Date and (ii) the portion of any Straddle Period beginning immediately after the Closing Date and ending at the close of the last day of the Straddle Period.

“Post-Sanction Conditions” means the conditions set forth in Sections 7.1(b)(ii)(v) and 7.1(b)(iii).

“Pre-Closing Tax Period” means (i) any taxable period ending or before the close of the Closing Date and (ii) the portion of any Straddle Period beginning on the first day of such Straddle Period and ending at the close of the Closing Date.

“Pro Rata Portion” has the meaning set forth in Section 2.7(b).

“Proxy Statement” means the proxy statement relating to matters to be submitted to the stockholders of Verizon at the Verizon Stockholders Meeting, as may be supplemented or amended from time to time.

“Purchase Price” has the meaning set forth in Section 2.2(c).
“Reference Period” has the meaning set forth in the definition of Average Trading Price.

“Reorganization” has the meaning set forth in Section 5.1.

“Replacement Financing” has the meaning set forth in Section 5.9(b).

“Replacement Financing Documents” has the meaning set forth in Section 5.9(b).

“Replacement Financing Sources” has the meaning set forth in Section 5.9(b).

“Representatives” means, with respect to any Person, such Person’s controlled Affiliates and its and their officers, directors, employees, investment bankers, attorneys, accountants, consultants or other agents or advisors.

“Requisite Regulatory Approvals” has the meaning set forth in Section 7.1(g).

“Sanction Date” has the meaning set forth in Section 7.1(b)(ii).

“Scheme Closing” means the Vodafone Scheme and the Vodafone Reduction of Capital becoming effective in accordance with their terms and the Companies Act 2006.

“Scheme Effective Date” means the date on which the Vodafone Reduction of Capital becomes effective in accordance with its terms and the Companies Act 2006.

“Scheme Longstop Date” means the date falling twenty (20) Business Days following the first scheduled date of the Court Hearing where such date falls after the satisfaction or waiver of the conditions set out in Article VII (other than the conditions set out in Sections 7.1(b)(ii) and 7.1(b)(iii)).

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Seller” has the meaning set forth in the preamble.

“Seller Returns” has the meaning set forth in Section 6.1(a).

“Settlement Note” means the note to be issued by Verizon and made payable to Seller at Closing, in the form appended as Exhibit B, in an amount equal to the principal amount of the Vodafone B.V. Inc. Note plus accrued interest, which shall be settled in accordance with Section 5.19.

“Share Issuance” has the meaning set forth in Section 4.3(b).

“Share Purchase” has the meaning set forth in Section 2.5.

“Share Purchase Closing” has the meaning set forth in Section 2.5.

“Share Purchase Closing Date” has the meaning set forth in Section 2.5.
“Significant Subsidiary” means a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X of the Securities Act.

“Sold Entities” means Vodafone Finance 1, Vodafone Finance 2, Vodafone Americas Holdings, Vodafone Americas, Vodafone Holdings LLC, JV Partnerco, PCS Nucleus, Vodafone International Inc. and Vodafone B.V. Inc.

“Straddle Period” means any taxable period beginning on or before the Closing Date and ending after the Closing Date.

“Subsidiary” means, with respect to any Person, any Entity, whether incorporated or unincorporated, of which (i) voting power to elect a majority of the board of directors or others performing similar functions with respect to such other Person is held by the first mentioned Person and/or by any one or more of its Subsidiaries or (ii) more than 50% of the equity interests of such other Person is, directly or indirectly, owned or controlled by such first mentioned Person and/or by any one or more of its Subsidiaries.

“Supplemental Tax Distributions” shall have the meaning set forth in Section 1 of the Verizon Disclosure Letter.

“Tax” or “Taxes” means any federal, state, local or foreign income, capital, corporation, gross receipts, property, sales, turnover, value-added, use, license, excise, franchise, employment, payroll, withholding, windfall profits, alternative or add on minimum, ad valorem, transfer, stamp, financial transaction or excise tax, or any other tax, custom, duty, levy, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, penalties, additions to tax or additional amounts imposed by any Governmental Entity.

“Tax Authority” means any Governmental Entity exercising any taxing or Tax regulatory authority.

“Tax Claim” means any claim, notice, demand, assessment, letter, or other document with respect to Taxes made by any Tax Authority that, if pursued successfully, would reasonably be expected to serve as the basis for a claim for indemnification pursuant to Section 9.2(c).

“Tax Return” means any return, declaration, report or similar statement filed or required to be filed with respect to any Tax (including any attached schedules), including any information return, claim for refund, amended return or declaration of estimated Tax.

“Term Note” means the note to be issued by Verizon and made payable to Seller at Closing, in the form appended as Exhibit C, in the amount of Two Hundred Fifty Million Dollars ($250,000,000).

“Termination Date” has the meaning set forth in Section 8.1(b).

“Third-Party Claim” has the meaning set forth in Section 9.3(a).

“Transaction” means (a) the Vodafone Scheme and the purchase by Verizon of the Transferred Shares as contemplated thereby or (b) the Share Purchase, as applicable.
“Transferred Shares” has the meaning set forth in Section 2.1.

“UKLA” means the United Kingdom Listing Authority.

“VAI Preferred Shares” means (a) the 5.143% Class D Cumulative Preferred Stock, Series 1998, of Vodafone Americas and (b) the 5.143% Class E Cumulative Preferred Stock, Series 1998, of Vodafone Americas.

“VAT” means (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in clause (a) above, or imposed elsewhere.

“VBIH” has the meaning set forth in the recitals.

“Verizon” has the meaning set forth in the preamble.

“Verizon Benefit Plans” means all Employee Benefit Plans, including the Verizon Stock Plans, that are sponsored, maintained, contributed to or required to be contributed to by Verizon or any of its Subsidiaries for the benefit of current or former employees, directors or consultants of Verizon or its Subsidiaries, or with respect to which Verizon or its Subsidiaries have any current, future or contingent Liability.

“Verizon Certificate Amendment” has the meaning set forth in Section 4.2(a).

“Verizon CDIs” has the meaning set forth in Section 5.2(e).

“Verizon Change Notice” has the meaning set forth in Section 5.2(f).

“Verizon Change of Recommendation” has the meaning set forth in Section 5.2(f).

“Verizon Charter Documents” has the meaning set forth in Section 4.1(c).

“Verizon Common Stock” has the meaning set forth in Section 2.2(a)(ii).

“Verizon Disclosure Document” means any registration statement, prospectus, offering memorandum, offering circular or similar disclosure document provided by or on behalf of Verizon to shareholders of Vodafone in connection with the Vodafone Scheme or the Share Purchase (including any other documents incorporated by reference therein) pursuant to the securities laws of any jurisdiction or the listing requirements of any securities exchange.

“Verizon Disclosure Letter” has the meaning set forth in Article IV.

“Verizon Fairness Opinions” has the meaning set forth in Section 4.17.

“Verizon Financial Advisors” has the meaning set forth in Section 4.17.

“Verizon Indemnitees” has the meaning set forth in Section 9.2(a).
“Verizon Indemnity Amount” has the meaning set forth in Section 6.4.

“Verizon Intellectual Property” has the meaning set forth in Section 4.13.

“Verizon Material Adverse Effect” means (i) any change, effect, event or occurrence that prevents or materially delays the ability of Verizon to consummate the Transaction or (ii) any change, effect, event or occurrence that has a material adverse effect on the financial condition, business or results of operations of Verizon and its Subsidiaries, taken as a whole; provided, however, that any changes, effects, events or occurrences will be deemed not to constitute a “Verizon Material Adverse Effect” to the extent resulting from (A) changes, effects, events or occurrences generally affecting (x) the United States or global economy or financial, debt, credit or securities markets or (y) any industry in which Verizon or its Subsidiaries operate; (B) declared or undeclared acts of war, terrorism, outbreaks or escalations of hostilities; (C) natural disasters or other force majeure events; (D) any change in GAAP or applicable Laws or regulatory or enforcement developments; (E) the failure by Verizon to meet any estimates of revenues or earnings for any period ending on or after the date hereof; provided, that the exception in this clause (E) shall not prevent or otherwise affect a determination that any change, effect, event or occurrence underlying such decline has resulted in or contributed to a “Verizon Material Adverse Effect”; (F) a decline in the price of Verizon Common Stock on the NYSE, NASDAQ or the LSE; provided, that the exception in this clause (F) shall not prevent or otherwise affect a determination that any change, effect, event or occurrence underlying such decline has resulted in or contributed to a “Verizon Material Adverse Effect”; or (G) the execution, delivery or performance of this Agreement, the Ancillary Documents or the Financing Documents (or any Replacement Financing Documents) or the public announcement or consummation of the transactions contemplated by this Agreement, the Ancillary Documents or the Financing Documents (or any Replacement Financing Documents); provided, that the exception in this clause (G) shall not apply to the representation or warranty contained in Section 4.4 to the extent that such representation or warranty purports to address the consequences resulting from the execution and delivery of this Agreement or the Ancillary Documents or the performance of obligations or consummation of the transactions contemplated by this Agreement or the Ancillary Documents; provided, however, that changes, effects, events or occurrences referred to in clauses (A), (B), (C) or (D) above shall, unless otherwise excluded, be considered for purposes of determining whether there is a “Verizon Material Adverse Effect” if and to the extent that such changes, effects, events or occurrences disproportionately adversely affect Verizon and its Subsidiaries, as compared to other companies operating in the industries in which Verizon and its Subsidiaries operate.

“Verizon Material Contract” has the meaning set forth in Section 4.12(a).

“Verizon Notes” means the notes to be issued at the Closing by Verizon and made payable to Seller in the aggregate amount of Five Billion Dollars ($5,000,000,000), having the terms provided for in Exhibit D hereto.

“Verizon Preferred Stock” has the meaning set forth in Section 4.2(a).

“Verizon Recommendation” has the meaning set forth in Section 5.2(f).
“Verizon Recommendation Change Fee” means a cash amount equal to Four Billion Six Hundred Fifty Million Dollars ($4,650,000,000).

“Verizon Registration Statement” has the meaning set forth in Section 5.2(c).

“Verizon Related Party” means Verizon and its Affiliates (including, upon and after the Closing, the Sold Entities), and the respective past or present directors, managers, officers, agents, employees, members, partners, successors and assigns of the foregoing.

“Verizon Releasing Persons” has the meaning set forth in Section 5.15(c).

“Verizon Requisite Vote” has the meaning set forth in Section 4.3(c).

“Verizon Returns” has the meaning set forth in Section 6.1(b).

“Verizon Reverse Termination Fee” means a cash amount equal to One Billion Five Hundred Fifty Million Dollars ($1,550,000,000).

“Verizon SEC Documents” has the meaning set forth in Section 4.5(a).

“Verizon Shares” has the meaning set forth in Section 2.2(a)(ii).

“Verizon Stockholders Meeting” has the meaning set forth in Section 5.2(b).

“Verizon Stock Option” means each option to purchase Verizon Common Stock granted pursuant to a Verizon Stock Plan that is outstanding and unexercised as of the Closing Date.

“Verizon Stock Plans” means the 2009 Verizon Long-Term Incentive Plan and the Verizon Broad-Based Incentive Plan, each as may be amended from time to time, and any other plan, policy or arrangement, including any Verizon Benefit Plan or Contract, pursuant to which Verizon Stock Options or other awards based on, in respect of, or denominated in Verizon Common Stock have been granted.

“Verizon Termination Fee” has the meaning set forth in Section 8.3(a).

“Verizon UK Admission” has the meaning set forth in Section 5.2(d).

“Verizon UK Prospectus” has the meaning set forth in Section 5.2(d).

“Verizon US Prospectus” has the meaning set forth in Section 5.2(d).

“Vodafone” has the meaning set forth in the preamble.

“Vodafone Americas” means Vodafone Americas Inc.

“Vodafone Americas Holdings” means Vodafone Americas Holdings Inc.

“Vodafone B.V. Inc.” means Vodafone International Business Ventures Inc., an entity to be incorporated as provided in Schedule 5.1.
“Vodafone B.V. Inc. Note” means the loan note issued by Vodafone and held by Vodafone B.V. Inc. pursuant to the Reorganization, in the form appended as Exhibit E, which shall remain outstanding immediately following the consummation of the sale of the Transferred Shares and which shall be settled in accordance with Section 5.19.

“Vodafone Change of Recommendation” has the meaning set forth in Section 5.3(d).

“Vodafone Circular” has the meaning set forth in Section 5.3(a)(ii).

“Vodafone Circular Posting Date” means the date on which the Vodafone Circular is published.

“Vodafone Class B Shares” means the class B shares in the capital of Vodafone to be issued by Vodafone in accordance with the terms of the Vodafone Scheme, having the rights and restrictions specified in the special resolution to be set out in the Vodafone Circular.

“Vodafone Class C Shares” means the class C shares in the capital of Vodafone to be issued by Vodafone in accordance with the terms of the Vodafone Scheme, having the rights and restrictions specified in the special resolution to be set out in the Vodafone Circular.

“Vodafone Direction Letter” has the meaning set forth in Section 2.6(a)(ii).

“Vodafone Disclosure Letter” has the meaning set forth in Article III.

“Vodafone Distribution Record Date” has the meaning set forth in Section 2.7(a).

“Vodafone Distribution Record Holders” has the meaning set forth in Section 2.7(a).

“Vodafone Benefit Plans” means all Employee Benefit Plans, including the Vodafone Stock Plans, that are sponsored, maintained, contributed to or required to be contributed to by Vodafone or its Subsidiaries for the benefit of current or former employees, directors or consultants of Vodafone or its Subsidiaries, or with respect to which Vodafone or its Subsidiaries have any current, future or contingent Liability.

“Vodafone Europe” has the meaning set forth in the recitals.

“Vodafone Finance 1” means Vodafone Americas Finance 1 Inc.

“Vodafone Finance 2” means Vodafone Americas Finance 2 Inc.

“Vodafone Holdings LLC” means Vodafone Holdings LLC.

“Vodafone Indemnitees” has the meaning set forth in Section 9.2(b).

“Vodafone International Inc.” means Vodafone International Inc.

“Vodafone Material Adverse Effect” means any change, effect, event or occurrence that, individually or in the aggregate with any other changes, effects, events or occurrences, prevents or materially delays the ability of Vodafone to consummate the Transaction.
“Vodafone Material Adverse Financial Effect” has the meaning set forth in Section 8.1.

“Vodafone Ordinary Shares” has the meaning set forth in Section 2.7(a).

“Vodafone Partners” means PCS Nucleus and JV Partnerco.

“Vodafone Recommendation” has the meaning set forth in Section 5.3(d).

“Vodafone Reduction of Capital” means the proposed reductions of capital of Vodafone under Chapter 10 of Part 17 of the Companies Act to be undertaken pursuant to the Vodafone Scheme, being (i) the reduction or cancellation of Vodafone’s share premium account; (ii) the cancellation of Vodafone’s capital redemption reserve; (iii) the cancellation of the Vodafone Class B Shares; and (iv) if applicable, the cancellation of the Vodafone Class C Shares, but subject always to Section 5.4(b).

“Vodafone Related Party” means Vodafone and its Affiliates and the respective past or present directors, managers, officers, agents, employees, members, partners, successors and assigns of (i) the foregoing or (ii) the Partnership or any of its Subsidiaries that, in the case of clause (ii), were designated or appointed by Vodafone or any of its Affiliates.

“Vodafone Releasing Persons” has the meaning set forth in Section 5.15(c).

“Vodafone Requisite Scheme Vote” has the meaning set forth in Section 3.2(c)(i).

“Vodafone Requisite Share Purchase Vote” has the meaning set forth in Section 3.2(c)(ii).

“Vodafone Resolutions” has the meaning set forth in Section 5.3(a)(vii).

“Vodafone Sale Resolutions” has the meaning set forth in Section 5.3(a)(vii).

“Vodafone Scheme” means the scheme of arrangement between Vodafone and its shareholders under Part 26 of the Companies Act, the terms of which shall be included in the Vodafone Circular and shall, subject always to Section 5.4(b), be in the form appended as Exhibit F.

“Vodafone Share Consolidation” means the proposed subdivision and consolidation of Vodafone’s share capital pursuant to the Vodafone Scheme, on terms to be set out in the Vodafone Circular.

“Vodafone Shareholders” means, collectively, the holders of the Vodafone Ordinary Shares and, following the issuance of the Vodafone Class B Shares and the Vodafone Class C Shares in accordance with the Vodafone Scheme, the Vodafone Class B Shares and the Vodafone Class C Shares and, following the Scheme Closing (if applicable), the New Vodafone Shares.

“Vodafone Shareholders Meeting” has the meaning set forth in Section 3.2(c)(i).
“Vodafone Stock Plans” means the Vodafone Group 1999 Long-Term Stock Incentive Plan, the Vodafone Group 2008 Sharesave Plan, the Vodafone Global Long-Term Incentive Plan, the Vodafone Global Incentive Plan and the Vodafone Share Incentive Plan, each as may be amended from time to time, and any other plan, policy or arrangement, including any Vodafone Benefit Plan or Contract pursuant to which awards based on, in respect of, or denominated in Vodafone capital stock have been granted.

“Vodafone Termination Fee” means a cash amount equal to One Billion Five Hundred Fifty Million Dollars ($1,550,000,000).

“Vodafone UK Pension Plan” has the meaning set forth in Section 3.14.

ARTICLE II

PURCHASE AND SALE OF TRANSFERRED SHARES

2.1 Purchase and Sale of Transferred Shares. Upon the terms and subject to the conditions set forth in this Agreement and pursuant to the Transaction, at the Closing, Seller will sell, assign, transfer and convey to Verizon, and Verizon will purchase and acquire from Seller, all of the issued and outstanding capital stock of Vodafone Finance 1 (collectively, the “Transferred Shares”), free and clear of any Encumbrance. As a result of Verizon’s acquisition of the Transferred Shares, each of the Sold Entities shall, except as a result of the existence of the VAI Preferred Shares, become a direct or indirect wholly owned Subsidiary of Verizon. Subject to Section 2.3, the Transaction shall be implemented by way of the Vodafone Scheme, unless the Vodafone Requisite Scheme Vote is not obtained, any condition set forth in Section 7.1(b) or 7.1(c) is not satisfied or waived or the Vodafone Scheme lapses in accordance with its terms or is withdrawn, in which case the Transaction shall be implemented by way of the Share Purchase, subject to Section 2.5. If Seller fails to perform its obligations pursuant to this Section 2.1, Vodafone shall procure that Seller does so and Vodafone shall be jointly and severally liable to Verizon for any default by Seller in performing its obligations under this clause.

2.2 Consideration for Transferred Shares.

(a) Upon the terms and subject to the conditions set forth in this Agreement and pursuant to the Transaction, at the Closing, Verizon shall:

(i) pay to Seller an amount in cash equal to (A) Fifty-Eight Billion Eight Hundred Eighty-Six Million Dollars ($58,886,000,000), plus (B) if so elected by Verizon pursuant to Section 2.2(b), the Cash Election Amount, plus (C) unless the failure to consummate the Closing prior to May 1, 2014 results from a breach by Vodafone or Seller of this Agreement, an amount equal to the Cash Flow Adjustment Amount, if any (collectively, the “Cash Consideration”);

(ii) issue and deliver an aggregate number of shares of common stock of Verizon, par value $0.10 per share (the “Verizon Common Stock”), equal to the quotient obtained by dividing (A) the difference (the “Adjusted Verizon Share Amount”) between (x) Sixty Billion One Hundred Fifty Million Dollars ($60,150,000,000) (the “Base Verizon Share Amount”) and (y) the Cash

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Election Amount (if any), by (B) the Adjusted Closing Price (the “Verizon Shares”); provided, that in the event of any stock split, reverse stock split, stock dividend or dividend payable in other securities, reorganization, reclassification, merger, combination, recapitalization, or other like event that occurs after the date hereof and prior to the Closing (or in respect of which a record date or effective date, as applicable, has been declared and passed within such period) that changes the outstanding shares of Verizon Common Stock into a different number of shares or a different class of stock, then any number, amount or definition contained herein that is used for purposes of determining the number of Verizon Shares to be received by the Vodafone Shareholders will be appropriately adjusted to provide the Vodafone Shareholders with the same economic effect as contemplated by this Agreement prior to such event; provided, further, that the aggregate payment hereunder to be made in the form of Verizon Shares shall be made only in whole shares of Verizon Common Stock, and any fractional share shall be rounded up to the nearest whole share;

(iii) deliver the Verizon Notes to Seller;

(iv) deliver the Term Note to Seller; and

(v) deliver the Settlement Note to Seller.

(b) No later than ten (10) Business Days prior to the Vodafone Circular Posting Date, Verizon may on a single occasion (subject to the below proviso), in its sole discretion, elect to increase the amount of the Cash Consideration payable pursuant to Section 2.2(a)(i) (a “Cash Election”) by up to Fifteen Billion Dollars ($15,000,000,000), and reduce the Adjusted Verizon Share Amount pursuant to Section 2.2(a)(ii)(A) by an amount equal to such increase, by delivery of a written notice to Vodafone (a “Cash Election Notice”) specifying the additional amount of Cash Consideration to be paid pursuant to such election (together with any amount elected pursuant to the proviso to this sentence, the “Cash Election Amount”); provided, in addition to any Cash Election previously made, on a single occasion during the period after the date of the Verizon Shareholders Meeting and prior to the date that is ten (10) Business Days prior to the anticipated Closing Date, if the Verizon Certificate Amendment has not been approved by the Verizon Shareholders, then Verizon may make a Cash Election for a Cash Election Amount of up to the lesser of (x) Five Billion Dollars ($5,000,000,000) and (y) Fifteen Billion Dollars ($15,000,000,000) minus the Cash Election Amount of any Cash Election previously made; provided, further, that upon the making of any Cash Election, the representations and warranties contained in Section 4.14 (Financing) remain true and accurate in all material respects after giving effect to such Cash Election.

(c) (i) If the transactions contemplated by the Omnitel Purchase Agreement are consummated on the Closing Date, Verizon shall pay, or cause to be paid, by wire transfer or intrabank transfer of immediately available funds to an account designated by Vodafone no later than the close of business on the third (3rd) Business Day prior to the Closing Date, cash in the amount of the Omnitel Consideration Amount or (ii) if the transactions contemplated by the Omnitel Purchase Agreement are not consummated on
the Closing Date, Verizon shall deliver to Seller the Omnitel Note, duly executed by Verizon (the Omnitel Consideration Amount or the Omnitel Note, as applicable, together with the Cash Consideration, Verizon Shares, Verizon Notes, Settlement Note and the Term Note, collectively, the “Purchase Price”).

2.3 Scheme Closing. Subject to the terms and conditions of this Agreement, (a) the Scheme Closing shall occur on the date that the condition set forth in Section 7.1(b)(ii)(y) is satisfied, (b) Vodafone shall use commercially reasonable efforts to cause to be satisfied the condition set forth in Section 7.1(b)(ii)(x) on the date that the condition set forth in Section 7.1(b)(i)(x) is satisfied, or at such other time as Verizon and Vodafone may agree in writing and (c) Vodafone shall use commercially reasonable efforts to cause to be satisfied the condition set forth in Section 7.1(b)(ii)(y) on the date that the condition set forth in Section 7.1(b)(ii)(y) is satisfied, or at such other time as Verizon and Vodafone may agree in writing. For the avoidance of doubt, the Court Hearing shall not be held until all of the conditions set forth in Article VII have been satisfied (or, to the extent permitted by applicable Law, waived in a writing signed by the party for whose benefit the condition exists) other than the conditions set forth in Sections 7.1(b)(ii) and 7.1(b)(iii). The purchase and sale of the Transferred Shares in connection with the Scheme Closing shall take place on the Scheme Effective Date at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, NY, or at such other place as Verizon and Vodafone may agree in writing. Upon the earlier of (i) the Scheme Longstop Date and (ii) the date on which the Vodafone Scheme lapses in accordance with its terms or is withdrawn, or as Verizon and Vodafone may otherwise agree in writing, this Section 2.3 shall be of no further force and effect.

2.4 Vodafone Scheme Closing Deliverables. The provisions of this Section 2.4 shall apply (for the avoidance of doubt, without prejudice to the provisions of the Scheme, which shall apply) if the Transaction is implemented by way of the Vodafone Scheme, but not if it is implemented by way of the Share Purchase.

(a) Distribution of Verizon Shares. Promptly following the Scheme Closing, pursuant to and in accordance with the terms of the Vodafone Scheme, the Verizon Shares shall be distributed by or on behalf of Verizon to the Vodafone Shareholders in respect of their Vodafone Class B Shares or Vodafone Class C Shares, as applicable.

(b) Payment of Cash Consideration. If the Transaction is implemented pursuant to the Vodafone Scheme, payment of the Cash Consideration will be made at the Closing by wire transfer or intrabank transfer of immediately available funds to Seller or such other Person as Vodafone may direct to an account or accounts designated by Vodafone in writing, such designation to be made no later than the close of business on the third (3rd) Business Day prior to the Closing Date.

(c) Vodafone Deliverables. At or prior to the Scheme Effective Date or, in the case of clauses (ii) through (vi) of this Section 2.4(c), at or prior to the Measurement Time, Vodafone shall deliver, or cause to be delivered, to Verizon (or to a wholly owned Affiliate of Verizon designated by Verizon or as otherwise set forth below), the following:
(i) certificates representing the Transferred Shares, duly endorsed in blank or with stock powers duly executed in proper form for transfer in favor of Verizon (or to a wholly owned Affiliate of Verizon designated by Verizon);

(ii) a certificate of an executive officer of Vodafone to the effect that the Reorganization has been completed pursuant to Section 5.1;

(iii) duly executed letters of resignation, effective as of the Scheme Effective Date, providing for the resignation of all of the persons holding the positions of a director, officer or Representative (as defined in the Partnership Agreement) (A) of the Partnership or any of its Subsidiaries who were appointed to such position by Vodafone or any of its Affiliates or (B) of any of the Sold Entities, in each case in office immediately prior to the Closing;

(iv) a certification from Vodafone Finance 1 that complies with Treasury Regulation Section 1.1445-2(c)(3), dated no more than thirty (30) days prior to the Scheme Effective Date and signed by a responsible corporate officer of Vodafone Finance 1, that the Transferred Shares are not a “United States real property interest” (as defined in Section 897(c)(1) of the Code), and proof reasonably satisfactory to Verizon that Vodafone Finance 1 has provided notice of such certification to the IRS in accordance with the provisions of Treasury Regulation Section 1.897-2(h)(2);

(v) a certificate of an executive officer of Vodafone to the effect set forth in Section 7.3(c); and

(vi) any other documents, instruments or agreements that are reasonably requested by Verizon in connection with the consummation of the transactions contemplated hereby.

(d) Other Verizon Deliverables. At or prior to the Scheme Effective Date or, in the case of clauses (v) through (vii) of this Section 2.4(d), at or prior to the Measurement Time, Verizon shall deliver, or cause to be delivered, to Vodafone (or to a wholly owned Affiliate of Vodafone designated by Vodafone or as otherwise set forth below), the following:

(i) (A) if the transactions contemplated by the Omnitel Purchase Agreement are consummated on the Scheme Effective Date, payment, by wire transfer or intrabank transfer of immediately available funds to an account designated by Vodafone no later than the close of business on the third (3rd) Business Day prior to the Scheme Effective Date, of cash in the amount of the Omnitel Consideration Amount or (B) if the transactions contemplated by the Omnitel Purchase Agreement are not consummated on the Scheme Effective Date, the Omnitel Note, duly executed by Verizon;

(ii) the Verizon Notes, duly executed by Verizon and authenticated by the trustee under the indenture pursuant to which the Verizon Notes are issued;
(iii) the Settlement Note (which shall be delivered to Seller), duly executed by Verizon;
(iv) the Term Note, duly executed by Verizon;
(v) if Verizon determines (using commercially reasonable efforts) that the Verizon Shares do not constitute a “United States real property interest” (as defined in Section 897(c)(1) of the Code), a certification from Verizon that complies with Treasury Regulation Section 1.1445-2(c)(3), dated no more than thirty (30) days prior to the Scheme Effective Date and signed by a responsible corporate officer of Verizon, that the Verizon Shares are not a United States real property interest (as so defined) to Vodafone or its Subsidiaries, and proof reasonably satisfactory to Vodafone that Verizon has provided notice of such certification to the IRS in accordance with the provisions of Treasury Regulation Section 1.897-2(h)(2);
(vi) a certificate of an executive officer of Verizon to the effect set forth in Section 7.2(c); and
(vii) any other documents, instruments or agreements which are reasonably requested by Vodafone in connection with the consummation of the transactions contemplated hereby.

2.5 Share Purchase Closing. Subject to the terms and conditions of this Agreement, unless the Scheme Closing shall have occurred, the closing (the “Share Purchase Closing”) of the Transaction in accordance with Sections 2.6 and 2.7 (the “Share Purchase”) shall take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, NY, at 10:00 a.m., New York time, on the fifth (5th) Business Day (the “Share Purchase Closing Date”) after the later of (a) the satisfaction or waiver (to the extent permitted by applicable Law) of the conditions set forth in Article VII (other than the conditions set forth in Sections 7.1(b) and 7.1(c) and any condition to the Share Purchase that by its nature cannot be satisfied until the Share Purchase Closing, but subject to the satisfaction or waiver (to the extent permitted by applicable Law) by the party or parties entitled to the benefits thereof of such conditions at such time) and (b) the earlier of (i) the Scheme Longstop Date and (ii) the date on which the Vodafone Scheme lapses in accordance with its terms or is withdrawn, or at such other time or place as Verizon and Vodafone may agree in writing. If the Scheme Closing shall have occurred, this Section 2.5 shall be of no further force and effect.

2.6 Share Purchase Closing Deliverables. The provisions of this Section 2.6 shall apply if the Transaction is implemented by way of the Share Purchase, but not if it is implemented by way of the Vodafone Scheme.

(a) Vodafone Deliverables. At or prior to the Share Purchase Closing, Verizon shall deliver, or cause to be delivered, to Verizon (or to a wholly owned Affiliate of Verizon designated by Verizon or as otherwise set forth below), the following:
(i) certificates representing the Transferred Shares, duly endorsed in blank or with stock powers duly executed in proper form for transfer in favor of Verizon (or to a wholly owned Affiliate of Verizon designated by Verizon);

(ii) the direction letter, substantially in the form attached hereto as Exhibit G (the “Vodafone Direction Letter”), duly executed by Vodafone;

(iii) a duly executed copy of the Distribution Agent Agreement;

(iv) a certificate of an executive officer of Vodafone to the effect that the Reorganization has been completed pursuant to Section 5.1;

(v) duly executed letters of resignation, effective as of the Share Purchase Closing Date, providing for the resignation of all of the persons holding the positions of a director, officer or Representative (as defined in the Partnership Agreement) (A) of the Partnership or any of its Subsidiaries who were appointed to such position by Vodafone or any of its Affiliates or (B) of any of the Sold Entities, in each case in office immediately prior to the Closing;

(vi) a certification from Vodafone Finance 1 that complies with Treasury Regulation Section 1.1445-2(c)(3), dated no more than thirty (30) days prior to the Share Purchase Closing Date and signed by a responsible corporate officer of Vodafone Finance 1, that the Transferred Shares are not a “United States real property interest” (as defined in Section 897 (c)(1) of the Code), and proof reasonably satisfactory to Verizon that Vodafone Finance 1 has provided notice of such certification to the IRS in accordance with the provisions of Treasury Regulation Section 1.897-2(h)(2);

(vii) a certificate of an executive officer of Vodafone to the effect set forth in Section 7.3(c); and

(viii) any other documents, instruments or agreements that are reasonably requested by Verizon in connection with the consummation of the transactions contemplated hereby.

(b) Verizon Deliverables. At or prior to the Share Purchase Closing, Verizon shall deliver, or cause to be delivered, to Vodafone (or to a wholly owned Affiliate of Vodafone designated by Vodafone or as otherwise set forth below), the following:

(i) payment of the Cash Consideration, by wire transfer or intrabank transfer of immediately available funds, to Seller or such other Person as Vodafone may direct, to an account or accounts designated by Vodafone in writing, such designation to be made not later than the close of business on the third (3rd) Business Day prior to the Share Purchase Closing Date;

(ii) (A) if the transactions contemplated by the Omnitel Purchase Agreement are consummated on the Share Purchase Closing Date, payment, by wire transfer or intrabank transfer of immediately available funds to an account
designated by Vodafone no later than the close of business on the third (3rd) Business Day prior to the Share Purchase Closing Date, of cash in the amount of the Omnitel Consideration Amount or (B) if the transactions contemplated by the Omnitel Purchase Agreement are not consummated on the Share Purchase Closing Date, the Omnitel Note, duly executed by Verizon;

(iii) evidence of the book-entry issuance of the Verizon Shares, which Verizon Shares will be deposited by Verizon with the Distribution Agent in accordance with the Vodafone Direction Letter;

(iv) the Verizon Notes, duly executed by Verizon and authenticated by the trustee under the indenture pursuant to which the Verizon Notes are issued;

(v) the Settlement Note (which shall be delivered to Seller), duly executed by Verizon;

(vi) the Term Note, duly executed by Verizon;

(vii) if Verizon determines (using commercially reasonable efforts) that the Verizon Shares do not constitute a “United States real property interest” (as defined in Section 897(c)(1) of the Code), a certification from Verizon that complies with Treasury Regulation Section 1.1445-2(c)(3), dated no more than thirty (30) days prior to the Share Purchase Closing Date and signed by a responsible corporate officer of Verizon, that the Verizon Shares are not a United States real property interest (as so defined) to Vodafone or its Subsidiaries, and proof reasonably satisfactory to Vodafone that Verizon has provided notice of such certification to the IRS in accordance with the provisions of Treasury Regulation Section 1.897-2(h)(2);

(viii) a certificate of an executive officer of Verizon to the effect set forth in Section 7.2(c); and

(ix) any other documents, instruments or agreements which are reasonably requested by Vodafone in connection with the consummation of the transactions contemplated hereby.

2.7 Distribution of the Verizon Shares following a Share Purchase Closing. The provisions of this Section 2.7 shall apply if the Transaction is implemented by way of the Share Purchase, but not if it is implemented by way of the Vodafone Scheme. As soon as practicable after the date of this Agreement and the selection of the Distribution Agent, the parties shall discuss with Vodafone’s registrar and the Distribution Agent the method pursuant to which the parties will accomplish the prompt and efficient distribution of the Verizon Shares to the Vodafone Distribution Record Holders in accordance with Law, Vodafone’s articles of association and market practice. In the absence of agreement pursuant to the preceding sentence, the parties will take the actions specified in clauses (a)-(d) of this Section 2.7.
(a) Distribution Agent. Prior to the Share Purchase Closing, Vodafone shall enter into an agreement (the “Distribution Agent Agreement”) with such bank, trust company or other appropriate service provider as may be mutually agreed by Verizon and Vodafone (the “Distribution Agent”), which agreement shall provide that Verizon shall deposit the Verizon Shares pursuant to the Vodafone Direction Letter, with the Distribution Agent on the Share Purchase Closing, for the benefit of the holders of the Vodafone ordinary shares, par value 11 and 3/7ths cents per share (the “Vodafone Ordinary Shares”) as of the close of business on a date determined by the Board of Directors of Vodafone (such date, the “Vodafone Distribution Record Date” and such holders as of the Vodafone Distribution Record Date, the “Vodafone Distribution Record Holders”), for distribution in accordance with this Section 2.7.

(b) Distribution Procedures. Vodafone shall, if necessary to effect the distribution of the Verizon Shares required by this Section 2.7(b), declare such a dividend as shall enable such distribution to be effected Lawfully and shall instruct the Distribution Agent to distribute, as soon as reasonably practicable after the Share Purchase Closing, to each Vodafone Distribution Record Holder that number of whole shares of Verizon Common Stock representing such Vodafone Distribution Record Holder’s Pro Rata Portion of the Verizon Shares and cash in lieu of fractional shares pursuant to Section 2.7(c). No interest shall be paid or will accrue on the Verizon Shares or any cash payable to the Vodafone Distribution Record Holders pursuant to the provisions of this Agreement. “Pro Rata Portion” means the percentage obtained by dividing (i) the number of Vodafone Ordinary Shares owned by a Vodafone Distribution Record Holder by (ii) the total number of Vodafone Ordinary Shares issued and outstanding as of the Vodafone Distribution Record Date.

(c) No Fractional Shares. Notwithstanding anything herein to the contrary, no fractional shares of Verizon Common Stock shall be distributed to Vodafone Distribution Record Holders, and any such fractional share interests to which a Vodafone Distribution Record Holder would otherwise be entitled shall not entitle such Vodafone Distribution Record Holder to vote or to any other rights as a stockholder of Verizon. In lieu of any such fractional shares, each Vodafone Distribution Record Holder who, but for the provisions of this Section 2.7(c), would be paid cash, without any interest thereon, as hereinafter provided. Vodafone shall instruct the Distribution Agent to determine the number of whole shares and fractional shares of Verizon Common Stock allocable to each Vodafone Distribution Record Holder, to aggregate all such fractional shares into whole shares, to sell the whole shares obtained thereby in the open market at the then-prevailing prices on behalf of each Vodafone Distribution Record Holder who otherwise would be entitled to receive fractional share interests and to distribute to each such Vodafone Distribution Record Holder his, her or its ratable share of the total proceeds of such sale, after making appropriate deductions of the amounts required for Tax withholding purposes and after deducting any applicable transfer Taxes and the costs and expenses of such sale and distribution, including brokers fees and commissions. The sales of fractional shares shall occur as soon after the Share Purchase Closing as practicable and as determined by the Distribution Agent. None of Verizon, Vodafone or the Distribution Agent shall guarantee any minimum sale price for the fractional shares of
Verizon Common Stock. None of Verizon, Vodafone or the Distribution Agent shall pay any interest on the proceeds from the sale of fractional shares. The Distribution Agent shall have the sole discretion to select the broker-dealers through which to sell the aggregated fractional shares and to determine when, how and at what price to sell such shares. Neither the Distribution Agent nor the broker-dealers through which the aggregated fractional shares are sold shall be Affiliates of Verizon or Vodafone.

(d) Unclaimed Stock or Cash. Any Verizon Common Stock or cash in lieu of fractional shares with respect to Verizon Common Stock that remain unclaimed by any Vodafone Distribution Record Holder one (1) year after the Share Purchase Closing Date shall be delivered to Vodafone. Vodafone shall hold such Verizon Common Stock for the account of such Vodafone Distribution Record Holder and the parties agree that all obligations to provide such Verizon Common Stock and cash, if any, in lieu of fractional share interests shall be obligations of Vodafone, subject in each case to applicable escheat or other abandoned property Laws, and Verizon shall have no Liability with respect thereto. For the avoidance of doubt, Vodafone shall have no right to vote any such unclaimed shares of Verizon Common Stock on behalf of any Vodafone Distribution Record Holder.

2.8 Withholding. Verizon shall be entitled to deduct and withhold from the consideration otherwise payable under this Agreement, such amounts as are required to be withheld or deducted under any Tax Law with respect to the making of such payment; provided, that Verizon shall notify and consult with Vodafone prior to making any such withholding or deduction. To the extent that amounts are so withheld or deducted and paid over to the applicable Governmental Entity, such withheld or deducted amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding were made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF VODAFONE

Except as set forth in the corresponding sections of the disclosure letter delivered to Verizon on or prior to entering into this Agreement (the “Vodafone Disclosure Letter”) (it being agreed that disclosure of any item in any part of the Vodafone Disclosure Letter shall be deemed disclosure with respect to any other part to which the relevance of such item is reasonably apparent), Vodafone hereby makes the following representations and warranties (a) on the date hereof and (b) on the Measurement Time (except in either case to the extent such representation is made as of an earlier date (in which case on and as of such earlier date)):

3.1 Organization and Qualification. Vodafone is a public limited company duly incorporated and validly existing under the Laws of England and has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of Seller and each Sold Entity is duly organized, validly existing in good standing under the Laws of the jurisdiction of its incorporation or organization (with respect to jurisdictions that recognize the concept of good standing) and has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it
is now being conducted. Each of Seller and each Sold Entity is duly licensed or qualified to do business and is in good standing (with
respect to jurisdictions that recognize the concept of good standing) in each jurisdiction in which the nature of the business conducted
by it or the character or location of the properties or assets owned or leased by it makes such licensing or qualification necessary,
except for such failures to be so licensed, qualified or in good standing as would not reasonably be expected to have, individually or
in the aggregate, a Vodafone Material Adverse Effect. Vodafone has filed with the SEC a correct and complete copy of its articles of
association, as in force at the date of this Agreement, and made available to Verizon correct and complete copies of the organizational
documents (including the certificate of incorporation and bylaws, or comparable documents) of each of Seller and each Sold Entity, in
each case as amended to the date of this Agreement.

3.2 Authority.

(a) Each of Vodafone and Seller has the requisite power and authority to execute and deliver this Agreement and, subject to
obtaining the approvals set out in Section 3.2(c) below, to consummate the transactions contemplated hereby, and such
execution, delivery and, subject to obtaining the approvals set out in Section 3.2(c) below, consummation have been duly
authorized by all necessary action. This Agreement has been duly executed and delivered by Vodafone and Seller and, assuming
the due execution and delivery by Verizon, constitutes the valid and binding obligation thereof, enforceable against Vodafone
and Seller in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization,
insolvency and similar federal and state Laws generally affecting the rights and remedies of creditors and general principles of
equity, whether considered in a proceeding at law or in equity.

(b) The Board of Directors of Vodafone, at a meeting duly called and held on September 1, 2013, has (i) approved this
Agreement and the transactions contemplated by this Agreement and the Ancillary Documents, and (ii) resolved to make the
Vodafone Recommendation and to include the Vodafone Recommendation in the Vodafone Circular (subject to Section 5.3(d))
substantially on the following terms:

“The Board considers that the [Proposals] are in the best interests of Vodafone Shareholders as a whole and
accordingly unanimously recommends that all Vodafone Shareholders vote in favour of the Scheme of Arrangement at the
Court Meeting and the Resolutions at the Vodafone Shareholders Meeting, as the Directors intend to do in respect of their
own beneficial shareholdings. The Vodafone Board, which has been so advised by Goldman Sachs and UBS, considers the
terms of the [Transactions] to be fair and reasonable so far as the Vodafone Shareholders are concerned. In providing
financial advice to the Vodafone Board, Goldman Sachs and UBS have each taken into account the commercial
assessments of the Directors.”

(c) (i) The approval of the Vodafone Scheme at the Court Meeting and the passing of the Vodafone Resolutions at a duly
convened and held general meeting of Vodafone (the “Vodafone Shareholders Meeting”), in each case by the requisite majority
(the “Vodafone Requisite Scheme Vote”), are the only votes of the holders of any class or

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series of the equity interests of Vodafone necessary to approve and consummate the Transaction by way of the Vodafone Scheme as contemplated by this Agreement, and (ii) the approval of the Vodafone Sale Resolutions at the Vodafone Shareholders Meeting by the requisite majority (the “Vodafone Requisite Share Purchase Vote”) is the only vote of the holders of any class or series of the equity interests of Vodafone necessary to approve and consummate the Transaction by way of the Share Purchase as contemplated by this Agreement.

3.3 Consents. Neither the execution and delivery of this Agreement by Vodafone nor the execution and delivery of the Omnitel Purchase Agreement by Vodafone Europe, nor the consummation of the transactions contemplated hereby (including the Reorganization) or thereby, will (a) conflict with, or result in any breach or violation of, any provision of the organizational documents of Vodafone, Seller, Vodafone Europe, Omnitel or any of the Sold Entities; (b) constitute, with or without notice or the passage of time or both, a breach, violation or default, create an Encumbrance, or give rise to any right of termination, modification, cancellation, prepayment or acceleration, under any order, writ, injunction, decree, Law, statute, rule or regulation, governmental permit or license, or any mortgage, indenture, lease, agreement or other instrument of Vodafone, Seller, Vodafone Europe, Omnitel or the Sold Entities or to which Vodafone, Seller, Vodafone Europe, Omnitel or the Sold Entities or any of their respective assets or properties are subject, except in each case which would not reasonably be expected to have, individually or in the aggregate, a Vodafone Material Adverse Effect; or (c) require any consent, approval, or authorization of, waiver by, notification to, or filing with, any Governmental Entity on the part of Vodafone, Seller, Vodafone Europe, Omnitel or the Sold Entities other than (i) the filing of certificates and other documents with respect to the Reorganization transaction contemplated in Schedule 5.1 hereto, (ii) filings with the FCC or in connection with the transactions contemplated in the Omnitel Purchase Agreement and (iii) such other consents, approvals, authorizations, waivers, notifications or filings the failure of which to be obtained or made would not reasonably be expected to have, individually or in the aggregate, a Vodafone Material Adverse Effect.

3.4 No Liabilities of the Sold Entities; Assets of the Sold Entities.

(a) As of the Closing Date and following completion of the Reorganization, there will be no Liabilities of any Sold Entity of any kind, other than Liabilities (i) set forth on Section 3.4(a) of the Vodafone Disclosure Letter or that exist between such Sold Entity and another Sold Entity arising from the Reorganization, (ii) in the case of each Vodafone Partner, of and in respect of the Partnership pursuant to such Vodafone Partner’s ownership of its Partnership Interest and (iii) for Taxes of the Sold Entities.

(b) As of the Closing Date and following completion of the Reorganization, none of the Sold Entities will be party to any Contract or will have any assets other than (i) as set forth on Section 3.4(b) of the Vodafone Disclosure Letter or that exist between such Sold Entity and another Sold Entity arising from the Reorganization, (ii) in the case of any Sold Entity that owns another Sold Entity, ownership of such other Sold Entity and (iii) in the case of any Sold Entity which is also a Vodafone Partner, (x) Contracts with the Partnership or its Subsidiaries, Verizon or wholly owned Subsidiaries of Verizon in respect thereof and (y) ownership of any Partnership Interest. As of the Closing Date and
following completion of the Reorganization, none of the Sold Entities will employ any persons or sponsor, maintain, contribute to or be required to contribute to any Employee Benefit Plan, or have any current, future or contingent Liability in respect of any Employee Benefit Plan, in each case other than Excluded Liabilities.

(c) As of the Closing Date and following completion of the Reorganization, there is no Liability for, or obligation with respect to, any dividends or distributions declared or to be declared or accumulated but unpaid with respect to any shares of the capital stock or other equity interests of any Sold Entity. As of the most recent Dividend Payment Date, there were no accrued and unpaid dividends with respect to the VAI Preferred Shares.

3.5 Litigation. There are no (a) investigations or proceedings pending (or, to the Knowledge of Vodafone, threatened) by any Governmental Entity with respect to any Sold Entity or (b) actions, suits or proceedings pending (or, to the Knowledge of Vodafone, threatened) against any Sold Entity or any of their respective properties at law or in equity before, and there are no orders, judgments or decrees of, any Governmental Entity against any Sold Entity, in each case of clause (a) or (b), which would reasonably be expected to have, individually or in the aggregate, a Vodafone Material Adverse Effect.

3.6 Compliance with Laws; Licenses.

(a) The businesses of the Sold Entities are not being conducted in violation of any applicable Law, except for violations that would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect (disregarding, for purposes of this Section 3.6(a), clause (i) of the definition of “Verizon Material Adverse Effect”).

(b) As of the date of this Agreement, to the Knowledge of Vodafone, no event or condition has occurred or exists which would result in a violation of, breach, default or loss of a benefit under, or acceleration of an obligation of any Sold Entity under, any permits, licenses, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by a Governmental Entity (“Licenses”) or has caused (or would cause) an applicable Governmental Entity to fail or refuse to issue, renew or extend any License (in each case, with or without notice or lapse of time or both), in each case except for violations, breaches, defaults, losses, accelerations or failures that would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect (disregarding, for purposes of this Section 3.6(b), clause (i) of the definition of “Verizon Material Adverse Effect”).

(c) None of Vodafone, Seller or any Sold Entity is an “investment company” as defined in the Investment Company Act of 1940, as amended.

3.7 Capitalization and Ownership of the Sold Entities.

(a) Section 3.7 of the Vodafone Disclosure Letter sets forth, with respect to each Sold Entity, as of the date of this Agreement, (i) the number of its issued and outstanding shares of capital stock or other equity interests of such Sold Entity and (ii) except with
respect to the VAI Preferred Shares, the owner of such shares of capital stock or other equity interests.

(b) Except for the shares of capital stock or other equity interests of each Sold Entity to be transferred to Verizon, directly or indirectly, pursuant to the terms and subject to the conditions of this Agreement, there are no issued and outstanding equity interests in any Sold Entity other than the VAI Preferred Shares. All of the shares of capital stock or other equity interests of each Sold Entity have been duly authorized and validly issued and are fully paid and nonassessable and, as of immediately prior to the Closing and except for (x) the VAI Preferred Shares or (y) as set forth on Section 3.7 of the Vodafone Disclosure Letter, will be owned, beneficially and of record, by Seller or a Sold Entity, free and clear of all Encumbrances other than transfer restrictions under applicable securities Laws. There are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, agreements, arrangements or commitments of any character under which Vodafone or a Sold Entity is or may become obligated to issue or sell, or giving any Person other than a Sold Entity a right to subscribe for or acquire, or in any way dispose of, any shares of capital stock or other securities of any Sold Entity or any securities or obligations convertible or exchangeable into or exercisable for, or convertible into, any shares of capital stock or any securities of any Sold Entity, and no securities or obligations evidencing such rights will be authorized, reserved for issuance, issued or outstanding. Except for the VAI Preferred Shares, no Sold Entity has any outstanding bonds, debentures, notes or other obligations that provide the holders thereof the right to vote (or are convertible or exchangeable into or exercisable for securities having the right to vote) with the shareholders of Vodafone, Seller or any Sold Entity on any matter.

3.8 Ownership of Partnership Interest. The Vodafone Partners (together) have good and valid title to a 45% Partnership Interest in the Partnership, free and clear of any Encumbrance other than any Encumbrance imposed by the organizational documents of the Partnership, the Delaware Revised Uniform Partnership Act or applicable federal and state securities Law transfer restrictions.

3.9 Ownership of Transferred Shares. Seller has good and valid title to the Transferred Shares, free and clear of any Encumbrance other than applicable federal and state securities Law transfer restrictions, and upon consummation of the Transaction, Verizon will have good and valid title to such Transferred Shares, free and clear of any Encumbrance other than applicable federal and state securities Law transfer restrictions.

3.10 Tax.

(a) The Sold Entities (i) have timely filed or caused to be filed (taking into account any extension of time to file granted or obtained) all material Tax Returns required to be filed by or on behalf of them and all such filed Tax Returns are true, correct and complete in all material respects; and (ii) have timely paid all material amounts of Taxes due and payable except, in each case, to the extent that such Taxes are being contested in good faith or are adequately reserved in accordance with IFRS; provided, that no representation is made with respect to the accuracy of any such filed
Tax Return with respect to information reported to the Sold Entities by the Partnership on Schedule K-1 (IRS Form 1065). There are no material liens with respect to Taxes upon any asset of the Sold Entities, other than liens for current Taxes not yet due and payable.

(b) Other than with respect to items of Partnership income, gain, loss, deduction or credit (or other items reported to its partners on Schedule K-1 (IRS Form 1065)), no material deficiencies for any Taxes have been proposed in writing or assessed against or with respect to any of the Sold Entities, and there is no outstanding audit, assessment, dispute or claim pending or threatened in writing concerning any material Tax Liability of the Sold Entities.

(c) None of the Sold Entities has received any written notice or inquiry that has not been withdrawn or resolved from any jurisdiction where such Sold Entity does not currently file Tax Returns to the effect that such filings may be required or that such Sold Entity may be subject to Tax by such jurisdiction.

(d) None of the Sold Entities (i) is a party to, is bound by or has any obligation under any Tax sharing or Tax indemnity agreement or similar contract or arrangement, (ii) is or was (since June 30, 1999), a member of any consolidated, combined, unitary or affiliated Tax Return group (other than a group consisting solely of one or more of the Sold Entities), and (iii) has any liability for Taxes of any other Person under any Law, as transferee or successor, by contract or otherwise.

(e) None of the Sold Entities will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any Post-Closing Tax Period as a result of any (i) adjustment required by reason of a change in method of accounting for a Pre-Closing Tax Period under Section 481(c) of the Code (or any corresponding or similar provision of state, local or foreign Tax Law), (ii) “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax Law) entered into prior to the Closing, or (iii) installment sale or intercompany transaction made prior to the Closing, except, in each case of clauses (i) through (iii), for any such items arising from any such change in method of accounting, closing agreement, installment sale or intercompany transaction by the Partnership.

(f) All material Taxes required to be withheld, collected or deposited by or with respect to any of the Sold Entities have been timely withheld, collected or deposited, as the case may be, and to the extent required, have been paid to the relevant Tax Authority.

(g) Section 3.10(g) of the Vodafone Disclosure Letter specifies any Sold Entity for which an entity classification election pursuant to Treasury Regulation Section 301.7701-3 was made, and with respect to each such election, the effective date thereof and the classification elected pursuant thereto.

(h) Within the past two (2) years, none of the Sold Entities has been a “distributing corporation” or a “controlled corporation” in a distribution intended to qualify under Section 355(a) of the Code.

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(i) None of the Sold Entities has participated in any “listed transaction” within the meaning of Treasury Regulations Section 1.6011-4.

3.11 Information Supplied. None of the information supplied or to be supplied in writing by Vodafone in connection with this Agreement, the Ancillary Documents and the transactions contemplated hereby and thereby specifically for inclusion or incorporation by reference in the Proxy Statement, the Verizon Registration Statement or the Verizon UK Prospectus will, at the time such document or any amendment or supplement thereto is declared effective under the Securities Act or first mailed or posted to shareholders and/or, as applicable, published, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Vodafone Circular will not, at the date of publication of the Vodafone Circular, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein; provided, however, that no representation is made by Vodafone with respect to statements made or incorporated by reference therein based on information supplied in writing by Verizon specifically for inclusion or incorporation by reference therein.

3.12 Brokers and Finders. Other than Goldman Sachs International and UBS Limited, the fees and expenses of which will be paid by Vodafone, none of Vodafone or any of its controlled Affiliates has engaged any broker or finder or incurred any Liability for any brokerage fees, commissions or finder’s fees in connection with the transactions contemplated by this Agreement and the Ancillary Documents for which any cost or Liability could be imposed on Verizon or any of its Affiliates.

3.13 Lack of Ownership of Verizon Common Stock. Except as held by any benefit or pension plan sponsored, maintained, contributed to or required to be contributed to by Vodafone or any of its Subsidiaries for the benefit of current or former employees, directors or consultants of Vodafone or its Subsidiaries, or with respect to which Vodafone or its Subsidiaries have any current, future or contingent Liability, neither Vodafone nor any of its Subsidiaries beneficially owns directly or indirectly, any shares of Verizon Common Stock or other securities convertible into, exchangeable for or exercisable for shares of Verizon Common Stock, and none of Vodafone or any of its Subsidiaries has any rights to acquire any shares of Verizon Common Stock. There are no voting trusts or other agreements or understandings to which Vodafone or any of its Subsidiaries is a party with respect to the voting of the capital stock or other equity interest of Verizon.

3.14 Vodafone Employee Benefits. With respect to each Vodafone Benefit Plan, except as would not reasonably be expected to have, individually or in the aggregate, a Vodafone Material Adverse Effect, (i) Vodafone and its Subsidiaries and the Sold Entities have complied, and are now in compliance with, all Laws applicable to the Vodafone Benefit Plans and their terms, (ii) each Vodafone Benefit Plan has been maintained, funded and administered in compliance with its terms and with applicable Law, and (iii) insofar as relates to any Vodafone Benefit Plan operated in the UK which provides pension benefits other than on a money purchase basis (each such plan, a “Vodafone UK Pension Plan”), there is no cause to believe that the UK Pensions Regulator currently has any reason to consider issuing a financial support direction or a contribution notice against any entity by reference to such Vodafone UK Pension Plan.
ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF VERIZON

Except as set forth in the Verizon SEC Documents filed with the SEC after December 31, 2011 and prior to the date hereof (excluding, in each case, any disclosures set forth in any risk factor section or in any other section to the extent they are forward-looking statements or cautionary, predictive or forward-looking in nature) or in the corresponding sections of the disclosure letter delivered to Vodafone on or prior to entering into this Agreement (the “Verizon Disclosure Letter”) (it being agreed that disclosure of any item in any part of the Verizon Disclosure Letter shall be deemed disclosure with respect to any other part to which the relevance of such item is reasonably apparent), Verizon hereby makes the following representations and warranties (a) on the date hereof and (b) on the Measurement Time (except in either case to the extent such representation is made as of an earlier date (in which case on and as of such earlier date)):

4.1 Organization and Qualification.

(a) Each of Verizon and its Significant Subsidiaries is a legal entity duly organized, validly existing in good standing (with respect to jurisdictions that recognize the concept of good standing) under the Laws of the jurisdiction in which it is incorporated or organized and has all requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted, except, in the case of the Significant Subsidiaries of Verizon, for such failures to be so organized, existing and in good standing or to have such power and authority as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

(b) Each of Verizon and its Subsidiaries is duly licensed or qualified to do business and is in good standing (with respect to jurisdictions that recognize the concept of good standing) in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except for such failures to be so licensed, qualified or in good standing as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

(c) Verizon has filed with the SEC correct and complete copies of its certificate of incorporation and by-laws (the “Verizon Charter Documents”), in each case as amended to the date of this Agreement. All such Verizon Charter Documents are in full force and effect and Verizon is not in violation of any of their provisions.

4.2 Capitalization.

(a) The authorized capital stock of Verizon consists of 4,250,000,000 shares of Verizon Common Stock and 250,000,000 shares of preferred stock, par value $0.10 per share (“Verizon Preferred Stock”). As of the close of business on August 30, 2013, (i) 2,861,731,823 shares of Verizon Common Stock were issued and outstanding.
(ii) 105,878,296 shares of Verizon Common Stock were issued and held in treasury, (iii) 117,180,785 shares of Verizon Common Stock were reserved for issuance upon the exercise of outstanding stock options, the vesting or lapse of restrictions of restricted share units to acquire shares of Verizon Common Stock or the exercise or vesting or lapse of restrictions of or on any similar instruments into Verizon Common Stock and (iv) no shares of Verizon Preferred Stock were issued and outstanding. All of the Verizon Common Stock (A) has been duly authorized and validly issued, (B) is fully paid and nonassessable and (C) was issued in compliance with all applicable Laws concerning the issuance of securities. As of the close of business on August 30, 2013, there were no other equity interests of Verizon issued, authorized or outstanding. In the event that the Verizon Certificate of Incorporation is amended to provide for an increase in the number of shares of Verizon Common Stock authorized by the Verizon Certificate of Incorporation (a “Verizon Certificate Amendment”), the authorized capital stock of Verizon will be increased by the number of newly authorized shares of Verizon Common Stock provided for thereupon.

(b) Other than pursuant to the Verizon Stock Plans, as of the date hereof, except as expressly contemplated by this Agreement, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character under which Verizon is or may become obligated to issue or sell, or giving any Person a right to subscribe for or acquire, or in any way dispose of, any equity interests of Verizon, or any securities or obligations exercisable or exchangeable for, or convertible into, any equity interests of Verizon, and no securities or obligations evidencing such rights are authorized, reserved for issuance, issued, or outstanding. Upon issuance, the Verizon Shares will not be subject to any voting trust agreement or other contract, agreement or arrangement restricting or otherwise relating to the voting, dividend rights or disposition of such equity interests.

4.3 Authority.

(a) Verizon has the requisite power and authority to execute and deliver this Agreement and, subject to obtaining the Verizon Requisite Vote, to consummate the transactions contemplated by this Agreement and the Ancillary Documents, and such execution, delivery and, subject to obtaining the Verizon Requisite Vote, consummation have been duly authorized by all necessary action. This Agreement has been duly executed and delivered by Verizon and, assuming the due execution and delivery by Vodafone and Seller, constitutes the valid and binding obligation thereof, enforceable against Verizon in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency and similar federal and state Laws generally affecting the rights and remedies of creditors and general principles of equity, whether considered in a proceeding at law or in equity.

(b) The Board of Directors of Verizon, at a meeting duly called and held, has (i) approved and declared advisable this Agreement and the transactions contemplated by this Agreement and the Ancillary Documents, including the issuance of the Verizon
Shares (the “Share Issuance”) and (ii) resolved to make the Verizon Recommendation (subject to Section 5.2(f)).

(c) The affirmative vote (in person or by proxy) pursuant to NYSE listing rules, of the holders of a majority of the shares of Verizon Common Stock voting at the Verizon Stockholders Meeting or any adjournment or postponement thereof to approve the Share Issuance (the “Verizon Requisite Vote”) is the only vote of the holders of any class or series of the equity interests of Verizon necessary to approve and consummate the Transaction.

4.4 Consents. Neither the execution and delivery of this Agreement by Verizon nor execution and delivery of the Omnitel Purchase Agreement by VBIH, nor the consummation of the transactions contemplated hereby or thereby, will (a) conflict with, or result in any breach or violation of, any provision of the Verizon Charter Documents or any equivalent organizational or governing documents of any Significant Subsidiary of Verizon or VBIH; (b) constitute, with or without notice or the passage of time or both, a breach, violation or default, create an Encumbrance, or give rise to any right of termination, modification, cancellation, prepayment or acceleration, under any order, writ, injunction, decree, Law, statute, rule or regulation, governmental permit or license, or any mortgage, indenture, lease, agreement or other instrument of Verizon or its Significant Subsidiaries or VBIH or to which Verizon or its Significant Subsidiaries or VBIH or any of their respective assets or properties is subject, except for such breaches, violations, defaults, Encumbrances, and rights as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect; or (c) require any consent, approval, or authorization of, waiver by, notification to, or filing with, any Governmental Entity on the part of Verizon or any of its Subsidiaries other than (i) those expressly contemplated by this Agreement (including the approvals required by the FCC) or in connection with the transactions contemplated by the Omnitel Purchase Agreement and (ii) such consents, approvals, authorizations, waivers, notifications or filings the failure of which to be obtained or made would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

4.5 Verizon SEC Documents; Financial Statements; Verizon UK Prospectus.

(a) Verizon has filed or furnished, as applicable, on a timely basis all required reports, schedules, forms, certifications, prospectuses, and registration, proxy and other statements with the SEC (collectively and together with all documents filed on a voluntary basis on Form 8-K, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the “Verizon SEC Documents”) since December 31, 2011. Each of the Verizon SEC Documents, at the time of its filing or being furnished, complied, or if not yet filed or furnished, will comply, in all material respects, with the applicable requirements of the Exchange Act, the Securities Act and the Sarbanes-Oxley Act of 2002, and any rules and regulations promulgated thereunder applicable to the Verizon SEC Documents. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Verizon SEC Documents did not, and any Verizon SEC Documents filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state
a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

(b) Verizon maintains disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act. Such disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by Verizon is recorded and reported on a timely basis to the individuals responsible for the preparation of Verizon’s filings with the SEC and other public disclosure documents. Verizon maintains internal control over financial reporting (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act). Such internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Verizon, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Verizon are being made only in accordance with authorizations of management and directors of Verizon, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Verizon’s assets that could have a material effect on its financial statements. Verizon has disclosed, based on the most recent evaluation of its chief executive officer and its chief financial officer prior to the date of this Agreement, to Verizon’s auditors and the audit committee of Verizon’s Board of Directors (A) any “significant deficiencies” (as defined in Auditing Standard No. 5 of the Public Company Accounting Oversight Board, as in effect on the date hereof) in the design or operation of its internal controls over financial reporting that are reasonably likely to adversely affect Verizon’s ability to record, process, summarize and report financial information and has identified for Verizon’s auditors and audit committee of Verizon’s Board of Directors any “material weaknesses” (as defined in Auditing Standard No. 5 of the Public Company Accounting Oversight Board, as in effect on the date hereof) in internal control over financial reporting and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in Verizon’s internal control over financial reporting.

c) Each of the audited consolidated statements of income, changes in stockholders’ equity and cash flows of Verizon and its consolidated Subsidiaries included in or incorporated by reference into the Verizon SEC Documents (including any related notes and schedules) (i) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto); (ii) presented fairly, in all material respects, the consolidated financial position of Verizon and its consolidated Subsidiaries as at the dates thereof and the consolidated results of income, changes in stockholders’ equity and cash flows of Verizon and its consolidated Subsidiaries for the periods then ended, and (iii) were prepared from the books of account and other financial records of Verizon and its consolidated Subsidiaries.

d) Verizon does not have any Liabilities of any kind (whether or not accrued or contingent) that would be required to be reflected or reserved against on a consolidated
balance sheet of Verizon prepared in accordance with GAAP (or the notes thereto), except for (i) Liabilities reflected or reserved against on Verizon’s consolidated unaudited balance sheet as of June 30, 2013 (or the notes thereto), (ii) Liabilities incurred in the ordinary course of business since June 30, 2013, (iii) Liabilities incurred in connection with or contemplated by this Agreement and (iv) Liabilities that would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

(e) The Verizon UK Prospectus will contain all such information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of Verizon and the rights attaching to the Verizon Shares having regard to the matters specified in section 87A of FSMA and all statements contained in the Verizon UK Prospectus or any other Verizon Disclosure Document upon publication will be true and accurate in all material respects and not misleading in any material respect.

(f) None of the information supplied or to be supplied by Verizon for inclusion or incorporation by reference in the Proxy Statement, the Verizon Registration Statement, the Verizon UK Prospectus or any other Verizon Disclosure Document will, at the time such document or any amendment or supplement thereto is declared effective under the Securities Act or first mailed or posted to shareholders and/or, as applicable, published, contain any untrue statement of material fact or omit to state any material fact required to be stated therein to make the statements therein not misleading.

(g) None of the information supplied or to be supplied in writing by Verizon specifically for inclusion or incorporation by reference in the Vodafone Circular will, at the time such document or any amendment or supplement thereto is first mailed or posted to shareholders and/or, as applicable, published, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(h) Notwithstanding anything in this Agreement to the contrary, no representation is made by Verizon with respect to statements made or incorporated by reference in any Verizon Disclosure Document based on information supplied in writing by Vodafone in connection with this Agreement, the Ancillary Documents and the transactions contemplated hereby and thereby specifically for inclusion or incorporation by reference in such Verizon Disclosure Document.

4.6 Absence of Certain Changes. Since June 30, 2013 until the date of this Agreement, the businesses of Verizon and its Subsidiaries have been conducted in the ordinary course of business in all material respects. Since December 31, 2012, there has not been any change, effect, event or occurrence that would reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

4.7 Litigation. There are no (a) investigations or proceedings pending (or, to the Knowledge of Verizon, threatened) by any Governmental Entity with respect to Verizon or any of its Subsidiaries or (b) actions, suits or proceedings pending (or, to the Knowledge of Verizon,
threatened) against Verizon or any of its Subsidiaries or any of their respective properties at law or in equity before, and there are no orders, judgments or decrees of, any Governmental Entity against Verizon or any of its Subsidiaries, in each case of clause (a) or (b), which would reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

4.8 Compliance with Laws; Licenses.

(a) Verizon and its Subsidiaries each has obtained and is in compliance with all Licenses necessary to conduct its businesses as presently conducted, except those the absence of which would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect. The businesses of Verizon and its Subsidiaries are not being conducted in violation of any applicable Law, except for violations that have not had, and would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

(b) As of the date of this Agreement, to the Knowledge of Verizon, no event or condition has occurred or exists which would result in a violation of, breach, default or loss of a benefit under, or acceleration of an obligation of Verizon or any of its Subsidiaries under, any Licenses or has caused (or would cause) an applicable Governmental Entity to fail or refuse to issue, renew or extend any License (in each case, with or without notice or lapse of time or both), except for violations, breaches, defaults, losses, accelerations or failures that would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.

4.9 Tax Matters.

Except as would not, individually or in the aggregate, have and would not reasonably be expected to have, a Verizon Material Adverse Effect:

(a) Verizon and its Subsidiaries (i) have timely filed or caused to be filed (taking into account any extension of time to file granted or obtained) all Tax Returns required to be filed by or on behalf of them and all such filed Tax Returns are true, correct and complete; and (ii) have timely paid all Taxes due and payable except, in each case, to the extent that such Taxes are being contested in good faith or are adequately reserved, in accordance with GAAP. There are no liens with respect to Taxes upon any asset of Verizon or its Subsidiaries, other than liens for current Taxes not yet due and payable.

(b) No deficiencies for any Taxes have been proposed in writing or assessed against or with respect to any Taxes due by or Tax Returns of Verizon or its Subsidiaries, and there is no outstanding audit, assessment, dispute or claim pending or threatened in writing concerning any Tax liability of Verizon or its Subsidiaries.

(c) All Taxes required to be withheld, collected or deposited by or with respect to Verizon and its Subsidiaries have been timely withheld, collected or deposited, as the case may be, and to the extent required, have been paid to the relevant Tax Authority.
4.10 Verizon Employee Benefits

(a) Except for such claims which would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, no action, dispute, suit, claim, arbitration, or legal, administrative or other proceeding or governmental action is pending or, to the Knowledge of Verizon, threatened (x) with respect to any Verizon Benefit Plan (other than a "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) (a “Multiemployer Plan”)), other than claims for benefits in the ordinary course, (y) alleging any breach of the material terms of any Verizon Benefit Plan (other than a Multiemployer Plan) or any fiduciary duties with respect thereto or (z) with respect to any violation of any applicable Law with respect to such Verizon Benefit Plan (other than a Multiemployer Plan).

(b) Each Verizon Benefit Plan has been maintained, funded and administered in compliance with its terms and with applicable Law, including ERISA and the Code, except for such non-compliance which would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect. Except, in each case, as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, each Verizon Benefit Plan intended to be qualified under Section 401 of the Code has received a favorable determination letter from the IRS that has not been revoked and, to the Knowledge of Verizon, no fact or event has occurred since the date of such determination letter or letters from the IRS that would reasonably be expected to adversely affect the qualified status of any such Verizon Benefit Plan.

(c) With respect to each Verizon Benefit Plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code, (i) Verizon, its Subsidiaries and their respective ERISA Affiliates have complied with the minimum funding requirements under Sections 412, 430 and 431 of the Code and Sections 302, 303 and 304 of ERISA, whether or not waived, (ii) no reportable event within the meaning of Section 4043 of ERISA for which the 30-day notice requirement has not been waived has occurred, (iii) all premiums to the Pension Benefit Guaranty Corporation (the “PBGC”) have been timely paid in full, (iv) no current or contingent Liability under Title IV of ERISA has been incurred by Verizon, its Subsidiaries or any of their respective ERISA Affiliates (other than for premiums to the PBGC) and (v) the PBGC has not instituted proceedings to terminate any such Verizon Benefit Plan, except, in each case of (i) – (v), with respect to any Verizon Benefit Plan, all contributions, premiums and other payments due from any of Verizon or its Subsidiaries required by Law or any Verizon Benefit Plan have been made under any such plan to any fund, trust or account established thereunder or in connection therewith by the due date thereof.

4.11 Labor Matters

Except for such matters which would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, (i) there are no (and have not been during the two-year period preceding the date of this Agreement any) strikes or lockouts with respect to any employees of Verizon or any of its Subsidiaries, (ii) to the
Knowledge of Verizon, there is no (and has not been during the two-year period preceding the date of this Agreement any) union organizing effort pending or threatened against Verizon or any of its Subsidiaries, and (iii) there is no (and has not been during the two-year period preceding the date of this Agreement any) slowdown, or work stoppage in effect or, to the Knowledge of Verizon, threatened with respect to any employees of Verizon or any of its Subsidiaries.

4.12 Contracts.

(a) Except for this Agreement or as filed with the SEC prior to the date of this Agreement, neither Verizon nor any of its Subsidiaries is a party to or bound by, as of the date of this Agreement, any Contract (whether written or oral) which is a “material contract” (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC) to Verizon (all such Contracts, “Verizon Material Contracts”).

(b) (i) Each Verizon Material Contract is valid and binding on Verizon and its Subsidiaries, as applicable, and is in full force and effect, except where such failure to be valid, binding and in full force and effect would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, (ii) Verizon and each of its Subsidiaries has in all material respects performed all obligations required to be performed by it to date under each Verizon Material Contract, except where such noncompliance would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, and (iii) neither Verizon nor any of its Subsidiaries has, to the Knowledge of Verizon, received written notice of any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a material default on the part of Verizon or any of its Subsidiaries under any such Verizon Material Contract, except for such defaults as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect.


Except for such matters as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, either Verizon or a Subsidiary of Verizon owns, or is licensed or otherwise possesses adequate rights to use, all material trademarks, trade names, service marks, service names, mark registrations, logos, assumed names, domain names, registered and unregistered copyrights, patents or applications and registrations, and trade secrets (collectively, the “Verizon Intellectual Property”) used in their respective businesses as currently conducted. Except for such matters as would not reasonably be expected to have, individually or in the aggregate, a Verizon Material Adverse Effect, (i) there are no pending or, to the Knowledge of Verizon, threatened claims by any Person alleging infringement or misappropriation by Verizon or any of its Subsidiaries of such Person’s intellectual property, (ii) to the Knowledge of Verizon, the conduct of the businesses of Verizon and its Subsidiaries does not infringe or misappropriate any intellectual property rights of any Person, (iii) neither Verizon nor any of its Subsidiaries has made any claim of a violation or infringement, or misappropriation by others of its rights to or in connection with the owned Verizon Intellectual Property, and (iv) to the Knowledge of Verizon, no Person is infringing or misappropriating any Verizon Intellectual Property.

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4.14 Financing.

(a) The net proceeds of the loans under the Bridge Credit Agreement, dated as of the date hereof, by and among the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent (including any of their respective successors under such facility, the "Financing Sources") and Verizon (the "Loan Facility"), when funded in accordance with its terms and together with cash on hand (whether from debt issuances, equity issuances, operations or other sources) of Verizon and/or the net proceeds of any Replacement Financing, will, in the aggregate, be sufficient for the payment of the Cash Consideration and any other amounts required to be paid in connection with the consummation of the transactions contemplated hereby, including the payment of all related fees and expenses.

(b) Verizon has delivered to Vodafone true, correct and complete fully executed copies of the Loan Facility, including all exhibits, schedules, annexes and amendments to such Loan Facility in effect as of the date of this Agreement (the Loan Facility, and all exhibits, schedules, annexes and amendments thereto are collectively referred to as the "Financing Documents"), pursuant to which the lenders party thereto have severally agreed, subject to the conditions set forth therein, to lend the amounts set forth therein (the provision of such funds as set forth therein, the "Financing") for the purposes set forth in such Loan Facility. No Financing Document has been amended, restated or otherwise modified or waived prior to the date of this Agreement, and the respective commitments contained in the Loan Facility have not been withdrawn, modified or rescinded in any respect prior to the date of this Agreement. As of the date hereof, the Financing Documents are in full force and effect and constitute the legal, valid and binding obligation of each of Verizon and, to the Knowledge of Verizon, the other parties thereto, except as enforceability may be limited by applicable bankruptcy, reorganization, insolvency and similar federal and state Laws generally affecting the rights and remedies of creditors and general principles of equity, whether considered in a proceeding at law or in equity. There are no conditions precedent (including pursuant to any "flex" provisions) to the funding of the full amount of the Financing or the Replacement Financing, other than the satisfaction of the conditions contained in Sections 3.01 and 3.02 of the Loan Facility (or, in respect of certainty of funding, such substantially equivalent conditions (or conditions that are more favorable to Verizon) as may appear in any Replacement Financing Document). As of the date hereof, there are no side letters or other contracts or arrangements related to the Financing that could adversely affect the availability of the Financing. As of the date hereof, no event has occurred which would constitute a breach or default (or an event which with notice or lapse of time or both would constitute a breach or default), in each case, on the part of Verizon under the Financing Documents or, to the Knowledge of Verizon, any other party to the Financing Documents. As of the date hereof, subject to the satisfaction of the conditions contained in Section 3.01 and 3.02 of the Loan Facility (or, in respect of certainty of funding, such substantially equivalent conditions (or conditions that are more favorable to Verizon) as may appear in any Replacement Financing Document), Verizon does not have any reason to believe that the funds necessary for the payment of the Cash Consideration, and any other amounts required to be paid in connection with the consummation of the transactions contemplated hereby, including the payment of all related fees and expenses, will not be available to Verizon on the Closing Date. Verizon has fully paid all
commitment fees or other fees required to be paid prior to the date of this Agreement pursuant to the Financing Documents.

4.15 Verizon Shares.

(a) Upon issuance, the Verizon Shares will be duly authorized, validly issued, fully paid and nonassessable, and will not be subject to any option, call, preemptive, subscription or similar rights under any provision of applicable Law or the Verizon Charter Documents.

(b) At the Closing, Verizon will have sufficient authorized but unissued shares or treasury shares of Verizon Common Stock for Verizon to meet its obligation to deliver the Verizon Shares under this Agreement. Upon consummation of the transactions contemplated hereby, Verizon will deliver the Vodafone Shareholders good and valid title to the Verizon Shares to which they are entitled pursuant to the Transaction and the issuance of such shares will have been registered under the Securities Act.

4.16 Brokers and Finders. Other than Guggenheim Securities, LLC, PJT Capital LLC, J.P. Morgan Securities LLC, Morgan Stanley and Co. LLC, Barclays Capital Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc., the fees and expenses of which will be paid by Verizon, neither Verizon nor any of its controlled Affiliates has engaged any broker or finder or incurred any liability for any brokerage fees, commissions or finder’s fees in connection with the transactions contemplated by this Agreement and the Ancillary Documents for which any cost or liability could be imposed on Vodafone or any of its Affiliates or, until after the Closing, the Partnership or any of its Subsidiaries.

4.17 Opinions of Verizon Financial Advisors. The Board of Directors of Verizon has received the opinion of each of J.P. Morgan Securities LLC and Morgan Stanley and Co. LLC (collectively, the “Verizon Financial Advisors”), dated the date of this Agreement, to the effect that, as of such date, and subject to the various assumptions and qualifications set forth therein, the Purchase Price to be paid by Verizon is fair, from a financial point of view, to Verizon (the “Verizon Fairness Opinions”).

4.18 Lack of Ownership of Vodafone Ordinary Shares. Except as held by any Verizon Benefit Plan, none of Verizon or any of its Subsidiaries beneficially owns directly or indirectly, any ordinary shares of Vodafone or other securities convertible into, exchangeable for or exercisable for Vodafone Ordinary Shares, and neither Verizon nor any of its Subsidiaries has any rights to acquire any Vodafone Ordinary Shares. There are no voting trusts or other agreements or understandings to which Verizon or any of its Subsidiaries is a party with respect to the voting of the capital stock or other equity interest of Vodafone.
ARTICLE V
COVENANTS

Each of the parties hereby covenants and agrees as follows:

5.1 Reorganization. Prior to the Closing, Vodafone shall, and shall cause its controlled Affiliates to, take all actions and to do, or cause its controlled Affiliates to do, all things necessary, proper or advisable under Law to effect a pre-closing reorganization consisting of the transactions set forth on Schedule 5.1 in all material respects in the manner set forth therein (such transactions, together with any modifications made pursuant to the following sentence of this Section 5.1, collectively, the “Reorganization”), such that (a) at and following the Closing, the only shares or other equity or partnership interests held (directly or indirectly) by Vodafone Finance 1 shall be shares of, or equity or partnership interests in, a Sold Entity or in the Partnership, (b) Verizon shall not acquire, directly or indirectly, any assets of the Sold Entities, other than those assets set forth in clauses (i) – (iii) of the first sentence of Section 3.4(b)(i) – (iii) of Section 3.4(b) the “Excluded Assets”), and (c) Verizon shall not assume or become responsible, directly or indirectly (including by virtue of the acquisition of any entity), for any Liabilities of the Sold Entities other than those Liabilities of the Sold Entities set forth in clauses (i) – (iii) of Section 3.4(a)(i) – (iii) of Section 3.4(a) (all such Liabilities, other than those Liabilities set forth in clauses (i) – (iii) of Section 3.4(a), the “Excluded Liabilities”). Vodafone may modify the transactions set forth on Schedule 5.1 hereto; provided, that no such modifications shall (i) other than in any de minimis respect, impair or delay consummation of the transactions contemplated by this Agreement and the Ancillary Documents, (ii) cause a breach of any representation or warranty of Vodafone made in this Agreement or (iii) other than in any de minimis respect, increase the risk of any Liability of Verizon or any of its Subsidiaries or any of the Sold Entities or otherwise affect costs (including Taxes), in each case for which Vodafone is not responsible. Vodafone shall notify Verizon in writing of any changes to the Reorganization reasonably in advance of effecting any modified step of the Reorganization and shall consider in good faith any comments received from Verizon.

5.2 Proxy Statement, Verizon Registration Statement and Verizon UK Prospectus.

(a) As soon as reasonably practicable following the date of this Agreement but subject to Section 5.4(a), Verizon shall prepare and file the Proxy Statement with the SEC. Verizon and Vodafone will cooperate with each other in the preparation of the Proxy Statement. Without limiting the generality of the foregoing, Vodafone will furnish to Verizon in writing the information relating to it required by the Exchange Act and the rules and regulations promulgated thereunder to be set forth in the Proxy Statement. Verizon shall use its commercially reasonable efforts to resolve all SEC comments with respect to the Proxy Statement as promptly as reasonably practicable after receipt thereof and to have the Proxy Statement cleared by the staff of the SEC as promptly as reasonably practicable after such filing. Verizon shall as soon as reasonably practicable notify Vodafone of the receipt of any comments from the SEC with respect to the Proxy Statement and any request by the SEC for any amendment to the Proxy Statement or for additional information and shall provide Vodafone with copies of all such comments and correspondence. Prior to filing or mailing the Proxy Statement (or any amendment or
supplement thereto) or responding to any comments of the SEC (or the staff of the SEC) with respect thereto, Verizon shall provide Vodafone a reasonable opportunity to review and to propose comments on such document or response. Each of Vodafone and Verizon agrees to promptly correct any information provided by it in writing for use in the Proxy Statement which such party shall have become aware is false or misleading. For the avoidance of doubt, Vodafone shall not, and nothing in this Agreement shall require Vodafone to, be responsible for the Proxy Statement other than with respect to the information provided in writing by Vodafone specifically for inclusion in the Proxy Statement.

(b) Verizon, acting through the Verizon Board of Directors (or a committee thereof), shall (i) whether or not there shall have been a Verizon Change of Recommendation, as soon as reasonably practicable after the date hereof, subject to Section 5.4(a), take all action necessary to set a record date for, duly call, give notice of, convene and hold a meeting of its stockholders for the purpose of approving the Share Issuance (the “Verizon Stockholders Meeting”), (ii) unless there has been a Verizon Change of Recommendation, include in the Proxy Statement the Verizon Recommendation and (iii) use its commercially reasonable efforts to obtain the Verizon Requisite Vote.

(c) As soon as reasonably practicable following the date of this Agreement but subject to Section 5.4(a), Verizon shall prepare and file with the SEC a registration statement on Form S-4 in connection with the issuance, and, as appropriate, the distribution to Vodafone Shareholders, of the Verizon Shares (the “Verizon Registration Statement”). Verizon and Vodafone will cooperate with each other in the preparation of the Verizon Registration Statement. Without limiting the generality of the foregoing, Vodafone will furnish to Verizon in writing the information relating to it required by the Securities Act and the rules and regulations promulgated thereunder to be set forth in the Verizon Registration Statement. Verizon shall use its commercially reasonable efforts to resolve all SEC comments with respect to the Verizon Registration Statement as promptly as reasonably practicable after such filing and keep the Verizon Registration Statement effective for so long as necessary to consummate the Transaction. Verizon shall as soon as reasonably practicable notify Vodafone of the receipt of any comments from the SEC with respect to the Verizon Registration Statement and any request by the SEC for any amendment to the Verizon Registration Statement or for additional information and shall provide Vodafone with copies of all such comments and correspondence. Prior to filing the Verizon Registration Statement or mailing the Verizon US Prospectus (or any amendment or supplement thereto) or responding to any comments of the SEC (or the staff of the SEC) with respect thereto, Verizon shall provide Vodafone a reasonable opportunity to review and to propose comments on such document or response. Each of Vodafone and Verizon agrees to promptly correct any information provided by it in writing for use in the Verizon Registration Statement which such party shall have become aware is false or misleading. Following its filing and/or mailing, Verizon undertakes that it shall not (and shall not seek to) withdraw the Verizon Registration Statement on the grounds that there is an exemption from a requirement to register the issuance of the
Verizon Shares pursuant to the Securities Act. For the avoidance of doubt, Vodafone shall not, and nothing in this Agreement shall require Vodafone to, be responsible for the Verizon Registration Statement other than with respect to the information provided in writing by Vodafone specifically for inclusion in the Verizon Registration Statement.

(d) As soon as reasonably practicable following the date of this Agreement but subject to Section 5.4(a), Verizon shall prepare a prospectus as required by FSMA (the “Verizon UK Prospectus”) in connection with the admission of the Verizon Shares to listing on the Official List in accordance with the Listing Rules and to trading on the LSE in accordance with paragraph 3 of the LSE’s admission and disclosure standards (the “Verizon UK Admission”). Verizon and Vodafone will cooperate with each other in the preparation of the Verizon UK Prospectus. Without limiting the generality of the foregoing, Vodafone will furnish to Verizon in writing the information relating to it required by the FSMA and the rules and regulations promulgated thereunder to be set forth in the Verizon UK Prospectus. Verizon shall use its commercially reasonable efforts to resolve all UKLA comments with respect to the Verizon UK Prospectus as promptly as reasonably practicable after receipt thereof and to have the Verizon UK Prospectus cleared by the UKLA as promptly as reasonably practicable after such filing. Verizon shall as soon as reasonably practicable notify Vodafone of the receipt of any comments from the UKLA with respect to the Verizon UK Prospectus and any request by the UKLA for any amendment to the Verizon UK Prospectus or for additional information and shall provide Vodafone with copies of all such comments and correspondence. Prior to posting and publishing (as applicable) the Verizon UK Prospectus (or any amendment or supplement thereto), Verizon shall provide Vodafone a reasonable opportunity to review and to propose comments on such document. Each of Vodafone and Verizon agrees to promptly correct any information provided by it in writing for use in the Verizon UK Prospectus which such party shall have become aware is false or misleading. For the avoidance of doubt, Vodafone shall not, and nothing in this Agreement shall require Vodafone to, be responsible for the Verizon UK Prospectus other than with respect to the information provided in writing by Vodafone specifically for inclusion in the Verizon UK Prospectus. For the avoidance of doubt, if Verizon so elects, it may combine the prospectus forming a part of the Verizon Registration Statement (the “Verizon US Prospectus”) together with the Verizon UK Prospectus into a joint document intended to satisfy the rules and regulations applicable to both documents.

(e) Verizon and Vodafone shall, following the execution of this Agreement and prior to the Closing, discuss in good faith the possibility of offering a “mix and match” facility through appropriate service providers to enable Vodafone Shareholders (other than Vodafone Shareholders located in certain restricted jurisdictions) to elect to vary the proportion in which such Vodafone Shareholders receive Verizon Shares and cash in respect of their entitlements pursuant to the Vodafone Scheme. Verizon shall also (i) implement a free share dealing facility through one or more appropriate service providers, to enable Vodafone Shareholders (other than Vodafone Shareholders located in certain restricted jurisdictions to be set out in more detail in the Vodafone Circular) holding fewer than 50,000 Vodafone Ordinary Shares in Vodafone to elect to sell the Verizon Shares to which they are entitled pursuant to the terms of the Vodafone Scheme and receive the proceeds of such sale in cash and in such manner as enables such
Vodafone Shareholders, without charge, to elect to receive such proceeds either in USD, GBP or EUR, such free share dealing facility to be provided for a period of six weeks from the Closing Date; provided, that Vodafone shall pay on demand to Verizon fifty percent (50%) of all costs and expenses incurred by Verizon in connection with the implementation of the free share dealing pursuant to this clause (i), and (ii) implement such arrangements with one or more appropriate service providers (A) as may be reasonably necessary to enable Vodafone Shareholders to hold Crest Depository Instruments representing underlying Verizon Shares ("Verizon CDIs") and (B) pursuant to which such appropriate service provider(s) will act as corporate sponsored nominee and hold Verizon CDIs for the benefit of certificated Vodafone Shareholders. Verizon will consult with Vodafone (each acting reasonably and in good faith) with a view to providing that the terms on which the Verizon CDIs, corporate sponsored nominee service and dealing facilities are provided are consistent with market practice for similar facilities in the UK-listed market, such terms to be detailed in the Vodafone Circular and the Verizon UK Prospectus.

(f) Except as set forth below in this Section 5.2(f), neither the Board of Directors of Verizon nor any committee thereof shall withhold or withdraw (or qualify or modify in any manner adverse to Vodafone), the approval, recommendation or declaration of advisability by the Board of Directors of Verizon or any such committee thereof with respect to the Share Issuance (such approval, recommendation or declaration, the “Verizon Recommendation” and any such withholding, withdrawal, qualification or modification, a “Verizon Change of Recommendation”). Notwithstanding the foregoing, at any time prior to obtaining the Verizon Requisite Vote, the Board of Directors of Verizon may make a Verizon Change of Recommendation in response to an Intervening Event if the Verizon Board determines in good faith (after consultation with outside counsel and a financial advisor, each of nationally recognized reputation) that the exercise of its fiduciary duties under applicable Law requires such Verizon Change of Recommendation; provided, however, that (i) Verizon shall not be entitled to exercise its right to make a Verizon Change of Recommendation until after the fourth (4th) Business Day following Vodafone’s receipt of written notice (a “Verizon Change Notice”) from Verizon advising Vodafone that the Verizon Board intends to take such action and (ii) Verizon shall, throughout such four- (4-) Business Day period, negotiate in good faith with Vodafone with respect to any revisions to the terms of the Transaction proposed by Vodafone in response to an Intervening Event. In determining whether to make a Verizon Change of Recommendation, the Verizon Board shall take into account any changes to the terms of this Agreement proposed by Vodafone in response to a Verizon Change Notice or otherwise.

5.3 Vodafone Shareholder Approval, Circular and Reduction of Capital

(a) As soon as reasonably practicable following execution of this Agreement but subject to Section 5.4(a), Vodafone shall:

(i) instruct counsel for the purposes of the Vodafone Scheme;
(ii) prepare a circular (the “Vodafone Circular”) to its shareholders in relation to (inter alia) the transactions contemplated by this Agreement and the Vodafone Scheme, and, whether or not there shall have been a Vodafone Change of Recommendation, convene the Vodafone Shareholders Meeting (subject to Section 5.4(a)) and, unless Vodafone has withdrawn the Vodafone Scheme, the Court Meeting to consider and, if thought fit, approve the Vodafone Resolutions, and, unless there has been a Vodafone Change of Recommendation, containing the Vodafone Recommendation (whether or not Vodafone has withdrawn the Vodafone Scheme, provided that in such event such Vodafone Recommendation shall be in respect of the Vodafone Sale Resolutions only);

(iii) apply to the Court for leave to convene the Court Meeting and to post or publish the Vodafone Circular, and use commercially reasonable efforts to resolve all comments from the Court as promptly as reasonably practicable;

(iv) supply all documents as may reasonably be required by the UKLA to approve the Vodafone Circular;

(v) correct any information in the Vodafone Circular which shall have become false or misleading and, as soon as reasonably practicable, notify Verizon of any comments from the UKLA with respect to the Vodafone Circular or any request for amendments or additional information, and provide Verizon with copies of all such comments and correspondence;

(vi) post or publish the Vodafone Circular;

(vii) whether or not there shall have been a Vodafone Change of Recommendation and, with respect to subclauses (A) and (B), below, whether or not the Vodafone Scheme shall have been approved by the requisite majority at the Court Meeting, as soon as reasonably practicable after the date hereof, subject to Section 5.4(a), convene the Vodafone Shareholders Meeting to:

(A) approve the disposal of all the shares in Vodafone Finance 1 pursuant to the terms of this Agreement and the Transaction as a “Class 1 transaction” under chapter 10 of the Listing Rules;

(B) approve as a “related party transaction” under Chapter 11 of the Listing Rules (x) the disposal of all the shares in Vodafone Finance 1 pursuant to the terms of this Agreement and the Transaction and (y) the acquisition by Vodafone Europe of Verizon’s indirect ownership interest in Omnitel pursuant to the terms of the Omnitel Purchase Agreement (if such approval is required for such acquisition);
(C) approve the Vodafone Scheme and authorize the implementation thereof;
(D) approve the issue of the Vodafone Class B Shares and Vodafone Class C Shares to Vodafone Shareholders in accordance with the terms of the Vodafone Scheme;
(E) approve the Vodafone Reduction of Capital and authorize the implementation thereof;
(F) approve the Vodafone Share Consolidation and authorize the implementation thereof;
(G) amend the articles of association of Vodafone to the extent necessary in connection with the Vodafone Scheme, the issue of the Vodafone Class B Shares and Vodafone Class C Shares, the Vodafone Reduction of Capital and/or the Vodafone Share Consolidation; and
(H) do, approve or authorize any other matter or thing which the directors of Vodafone consider necessary or appropriate in connection with the aforementioned,

(collectively, the “Vodafone Resolutions” and clauses (A) and (B) thereof, the “Vodafone Sale Resolutions”); provided, that Vodafone shall use its commercially reasonable efforts to reach a position whereby the Vodafone Sale Resolutions are proposed for approval at the Vodafone Shareholders Meeting as a single, composite resolution or failing which, the related party transaction approvals referred to in (B) above are proposed as a single, composite resolution;

(viii) unless there has been a Vodafone Change of Recommendation, use its commercially reasonable efforts to obtain the Vodafone Requisite Scheme Vote and the Vodafone Requisite Share Purchase Vote;

(ix) apply to the Court for the sanction of the Vodafone Scheme and the confirmation of the Court of the Vodafone Reduction of Capital; provided, that the parties agree to use their respective commercially reasonable efforts to minimize the period between the two hearings of the Court and, subject to the approval of the Court, have both hearings occur on the same day; provided, further, that without limiting any other provision of this Agreement, the hearing in respect of the confirmation by the Court of the Vodafone Reduction of Capital shall (A) not be held on a Friday and (B) be held in the same calendar week as the Court Hearing; and
(x) give such reasonable undertakings as may be required by the Court as a condition to obtaining the Court’s sanction of the Vodafone Scheme and confirmation of the Vodafone Reduction of Capital.

(b) Prior to posting or publishing the Vodafone Circular or responding to comments of the UKLA, Vodafone shall provide Verizon a reasonable opportunity to review and to propose comments on such document or response and give reasonable consideration to all comments proposed by Verizon in connection therewith. Vodafone shall also provide Verizon a reasonable advance opportunity to review and to propose comments on all documents to be filed with the Court in connection with the Vodafone Scheme and give reasonable consideration to all comments proposed by Verizon in connection therewith.

(c) Verizon shall take all such steps as are reasonably necessary to implement the Vodafone Scheme and in particular shall (subject to the satisfaction of the conditions to the Vodafone Scheme):

(i) unless not required by the terms of the Vodafone Scheme, through counsel, consent at the Court Hearing to be bound by the Vodafone Scheme;

(ii) execute or procure the execution of all such documents, and do or procure the carrying out of all such actions, as may be reasonably necessary or desirable to implement the Vodafone Scheme;

(iii) give such reasonable undertakings as may be required by the Court as a condition to obtaining the Court’s sanction for the Vodafone Scheme; and

(iv) provide such other assistance (and shall use its commercially reasonable efforts to procure that its Affiliates provide such assistance) as Vodafone may reasonably request in connection with the preparation of the Vodafone Circular, the implementation of the Vodafone Scheme or Vodafone Reduction of Capital and in preparing and obtaining UKLA approval of, and posting or publishing (as appropriate), any other document in connection with the matters set out in this Section 5.3(c), including by, subject to applicable Law, providing information in writing in relation to Verizon, any of its Affiliates and any of its or their directors or officers;

provided, that Verizon and Vodafone shall, in relation to clauses (i) and (iii), cooperate with each other to explain fully to the Court the terms of this Agreement and, in particular, Sections 8.1(j) and 10.6(b), with a view to assuring the Court that, in the event of a Financing Failure, Verizon should not be regarded as being in breach of any consent or undertaking that Verizon is required to give to the Court.

(d) Except as set forth below in this Section 5.3(d), neither the Board of Directors of Vodafone nor any committee thereof shall withhold or withdraw (or qualify or modify in any manner adverse to Verizon) the recommendation by the Board of Directors of
Vodafone or any such committee thereof to the Vodafone Shareholders to vote in favor of each of the Vodafone Resolutions (such recommendation, the “Vodafone Recommendation” and any such withholding, withdrawal, qualification or modification, a “Vodafone Change of Recommendation”). Notwithstanding the foregoing, the Board of Directors of Vodafone may at any time prior to obtaining the Vodafone Requisite Share Purchase Vote make a Vodafone Change of Recommendation if the Board of Directors of Vodafone determines in good faith (in its sole discretion but after consultation with outside counsel and a financial advisor of nationally recognized reputation) that the exercise of its fiduciary duties as the board of directors of an English public limited company requires such Vodafone Change of Recommendation; provided, however, that Vodafone shall, to the extent reasonably practicable and legally permissible (taking into account the date of the Vodafone Shareholders Meeting) seek to consult with Verizon prior to exercising its right to make a Vodafone Change of Recommendation. In determining whether to make a Vodafone Change of Recommendation, the Vodafone Board shall take into account any changes to the terms of this Agreement proposed by Verizon during any such consultation. In the event of a Vodafone Change of Recommendation following the posting of the Vodafone Circular, Vodafone shall, upon request by Verizon, promptly withdraw the Vodafone Scheme from the Court.

(e) Notwithstanding the provisions of the Vodafone Scheme, Vodafone shall not reduce the amount of the Cash Entitlement if and to the extent that such reduction would delay the date on which the Court Hearing would otherwise take place.

5.4 Cooperation with Respect to Filings and Meetings of Shareholders.

(a) Vodafone and Verizon shall cooperate and consult with each other to co-ordinate the timing of the preparation, posting or publication of the relevant documents, convening of the relevant meetings, or the taking of the other steps required pursuant to Sections 5.2 and 5.3, and in particular shall cooperate to ensure that (i) the Proxy Statement is mailed to Verizon Shareholders, and the Verizon UK Prospectus, the Verizon Registration Statement (and the prospectus contained therein) and the Vodafone Circular are mailed or posted to the Vodafone Shareholders and/or, as applicable, published, on the same date and (ii) the Vodafone Shareholders Meeting, the Court Meeting and the Verizon Stockholders Meeting are held on the same date and at substantially the same time.

(b) Vodafone agrees that it shall not, without Verizon’s consent (such consent not to be unreasonably withheld, conditioned or delayed), except as required by Law, make any amendments to the terms of the Vodafone Scheme which may adversely affect the rights and obligations of Verizon. Vodafone may, at its sole discretion, withdraw the Vodafone Scheme at any time prior to or during the Court Hearing but shall, prior to withdrawing the Vodafone Scheme, consult with Verizon.

(c) Verizon will procure that Verizon and the directors of Verizon accept responsibility for all of the information set out in the Verizon UK Prospectus (but not, for avoidance of doubt, in the Vodafone Circular).
(d) Vodafone will procure that the directors of Vodafone accept responsibility for all of the information set out in the Vodafone Circular (but not, for the avoidance of doubt, in the Verizon UK Prospectus, the Verizon Registration Statement or any other Verizon Disclosure Document).

(e) If there shall occur any event (including discovery of any fact, circumstance or event) that is required by applicable Law to be set forth in an amendment or supplement to the Vodafone Circular, the Proxy Statement, the Verizon Registration Statement, the Verizon US Prospectus or the Verizon UK Prospectus, Vodafone or Verizon (as applicable) shall prepare and post or publish (as applicable) such an amendment or supplement or issue a press release or take other corrective action, in each case to the extent required by applicable Law, and in each case after, to the extent reasonably practicable: (i) providing the other party with a reasonable opportunity to review such amendment or supplement; and (ii) in good faith giving reasonable consideration to all comments proposed by that other party.

(f) Vodafone and Verizon shall cooperate and consult with each other to determine a mutually satisfactory approach to the treatment of Overseas Scheme Shareholders. Without limitation of the foregoing, (i) Vodafone shall not make a determination under paragraphs 11.1(A) or (B) of the Vodafone Scheme, and Verizon shall not give notice requiring such a determination pursuant to Section 5.4(g), without prior consultation with the other party and (ii) Vodafone and Verizon shall attempt to reach an agreement with respect to the treatment of Overseas Scheme Shareholders prior to the Vodafone Circular Posting Date.

(g) Without prejudice to Section 5.4(f), Vodafone shall not make the B Share Election available to Overseas Scheme Shareholders in any jurisdiction, nor shall Verizon be obliged to issue and deliver Verizon Shares (or procure the delivery of Verizon CDIs or statements of ownership in respect of Verizon CDIs) to Overseas Scheme Shareholders in any jurisdiction, if Verizon has notified Vodafone at least five (5) Business Days before the Court Hearing that it has determined that doing so is (A) prohibited by applicable Law or (B) permitted only subject to compliance by Verizon with requirements of applicable Law (including any requirement to make any registration or filing with, or obtain any consent or approval from, any Governmental Authority) which Verizon, in its absolute discretion, considers to be unduly onerous. If Verizon makes such a notification with respect to a jurisdiction, then Vodafone shall make such determination under paragraph 11.1(A) or (B) of the Scheme as is notified by Verizon to Vodafone for these purposes. For the avoidance of doubt, it shall not be unduly onerous for Verizon to “passport” the Verizon UK Prospectus from the United Kingdom into any other Member State in accordance with the applicable requirements of the Prospectus Directive and the Laws of such Member State.

5.5 Press Releases. The forms of the initial press releases regarding the transactions contemplated hereby, to be released as promptly as practicable following the execution of this Agreement and at substantially the same time, are attached hereto as Exhibit H (the “Initial Verizon Press Release”) and Exhibit I (the “Initial Vodafone Press Release” and, together with the Initial Vodafone Press Release, the “Initial Press Releases”), Each of Verizon and Vodafone
agrees that, prior to Closing, it will consult with the other prior to making, or permitting any of their Subsidiaries to make, any public statement or release concerning this Agreement, the Ancillary Documents or the transactions contemplated hereby or thereby, except to the extent otherwise required by Law or the obligations pursuant to any applicable listing agreement with or rules of any securities exchange (including, for avoidance of doubt, the NYSE, the NASDAQ and the LSE); provided, that (a) to the extent such consultation obligation has been discharged with respect to the contents of any such public statement or release, no separate consultation obligation shall apply in respect of such content to the extent replicated in whole or in part in any subsequent public statement or release and (b) Verizon and Vodafone may make public statements in response to questions by the press, analysts, investors or those attending industry conferences or financial analysts conference calls, so long as any such statements are consistent with the Initial Press Releases and other prior press releases, public disclosures or public statements made jointly by Verizon and Vodafone or made by one party in accordance with this Section 5.5 or in the Current Report on Form 8-K filed by Verizon with respect to this Agreement and the transactions contemplated hereby and do not reveal material nonpublic information regarding this Agreement, the Ancillary Documents or the transactions contemplated hereby or thereby.

5.6 Securityholder Litigation. Verizon and Vodafone shall, in connection with the defense or settlement by such party of any actual or threatened securityholder litigation, complaints or challenges against it or its directors or officers relating to the transactions contemplated by this Agreement or the Ancillary Documents (including, for avoidance of doubt, any actual or threatened litigation, complaints or challenges that may be brought in the Court or any other court of England and Wales in connection with the Vodafone Scheme or that otherwise relates to the transactions contemplated by this Agreement or the Ancillary Documents), (a) consult and cooperate with the other party and (b) keep the other party reasonably and timely informed of developments, changes or occurrences with respect to any such litigation.

5.7 Confidentiality. Except as mutually agreed by each of the parties hereto, each of the parties agrees that, during the term of this Agreement and at all times thereafter, it will not disclose to any person (other than any financial advisers, accountants, attorneys, and other Representatives who are required to know such information) any information that has been made available to such party in connection with the negotiation, execution or performance of this Agreement, except as required by Law, regulation or legal process (including necessary disclosure in connection with any legal process relating to establishing or enforcing any rights under this Agreement) or in connection with obtaining the approval of any Governmental Entity, and except that Verizon may disclose this Agreement and the Omnitel Purchase Agreement to Financing Sources.

5.8 Approvals, Consents and Regulatory Filings. (a) Subject to the terms and conditions set forth in this Agreement, each of the parties shall, and shall cause their respective Subsidiaries to, use its commercially reasonable efforts to take or cause to be taken all actions, and do or cause to be done all things necessary, proper or advisable on its part under this Agreement and the Ancillary Documents to satisfy all legal conditions to the consummation of the transactions contemplated by this Agreement and the Ancillary Documents, and to obtain all consents,
orders and approvals of Governmental Entities and non-governmental third parties that may be or become necessary for the consummation of any of the transactions contemplated by this Agreement and the Ancillary Documents, in each case as soon as reasonably practicable following the execution of this Agreement, and each of the parties will cooperate fully with the other parties in taking or causing to be taken all actions, or doing or causing to be done all things necessary, proper or advisable on its part under this Agreement and the Ancillary Documents and promptly seeking to obtain all such authorizations, consents, orders and approvals. Without limiting the generality of the foregoing, as soon as practicable after the date hereof (and in any event within fifteen (15) Business Days from the date hereof with respect to clause (i) below), Verizon shall file or cause the Partnership to file (i) applications or notices with the FCC necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Documents, if any, which applications will comply in all material respects with the requirements of the Communications Act of 1934 as amended and the rules and regulations of the FCC. (ii) applications or notices with each applicable state public service utility commission or other state or local regulatory entity necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Documents, if any, and (iii) any other regulatory consents and approvals necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Documents. Verizon shall diligently prosecute and cause its Subsidiaries to diligently prosecute all such applications and take all such actions and give all such notices as may be required or requested by the FCC or any other regulatory agency or as may be appropriate in an effort to expedite the grant of any necessary consent by the FCC or such regulatory agency. For purposes of this Section 5.8, “commercially reasonable efforts” shall not include nor require any party or any of its Subsidiaries to (A) sell, or agree to sell, hold or agree to hold separate, or otherwise dispose or agree to dispose of any asset, in each case if such sale, separation or disposition or agreement with respect thereto would, individually or in the aggregate, reasonably be expected to have a Verizon Material Adverse Effect, or (B) conduct or agree to conduct its business in any particular manner, or agree to any other condition, requirement, restriction or action, if such conduct or agreement with respect thereto, or such other condition, requirement, restriction or action, would, individually or in the aggregate, reasonably be expected to have a Verizon Material Adverse Effect (each of the foregoing effects, a “Burdensome Effect”). None of Vodafone or any of its Affiliates shall, without the prior written consent of Verizon, agree to become subject to, or consent to or otherwise take any action with respect to, any requirement, condition, understanding, agreement or order of a Governmental Entity in connection with any of the transactions contemplated by this Agreement to the extent such requirement, condition, understanding, agreement or order would be binding on any Sold Entity or any of its Affiliates upon or following the Closing.

(b) Except to the extent prohibited by Law and without limiting the generality of the foregoing, each of the parties shall, and shall cause their respective Subsidiaries to, (i) cooperate in all respects with each other in connection with any investigation or other inquiry before a Governmental Entity and in connection with the transactions contemplated by this Agreement and the Ancillary Documents, including any proceeding initiated by a Governmental Entity or a private party; (ii) furnish all information required
or reasonably requested for any application or other filing to be made pursuant to any applicable Laws in connection with the transactions contemplated by this Agreement and the Ancillary Documents; (iii) keep the other parties informed in all material respects of any material communication received by such party from, or given by such party to, any Governmental Entities, and of any material communication received or given in connection with any proceeding by a private party, in each case relating to the transactions contemplated by this Agreement and the Ancillary Documents; (iv) except for filings made by Vodafone and its Affiliates in connection with the Reorganization, give the other parties a reasonable opportunity to review in advance and propose comments with respect to any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the transactions contemplated by this Agreement and the Ancillary Documents; and (v) except for filings made by Vodafone and its Affiliates in connection with the Reorganization, provide to the other parties hereto copies of all filings and material correspondence with all Governmental Entities with respect to the filings and consents in connection with the transactions contemplated by this Agreement and the Ancillary Documents. In exercising the foregoing rights, each of the parties shall act reasonably and as promptly as practicable; provided, however, that materials provided to the other parties may be redacted (A) to remove references to valuation, (B) as necessary to comply with contractual arrangements, (C) as necessary to address reasonable attorney-client or other privilege or confidentiality concerns and (D) to protect competitively sensitive information.

(c) In furtherance and not in limitation of the covenants of each of the parties contained in Sections 5.8(a) and (b), if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement or the Ancillary Documents as violative of any Law, or if any statute, rule, regulation, executive order, decree, injunction or administrative order is enacted, entered or promulgated or enforced by a Governmental Entity which would make the transactions contemplated by this Agreement or the Ancillary Documents illegal or otherwise prohibit or materially impair or delay consummation of the transactions contemplated by this Agreement and the Ancillary Documents, each of the parties shall cooperate in all respects with each of the other parties and use its commercially reasonable efforts to contest and resist any such action or proceeding, to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of any of the transactions contemplated by this Agreement and the Ancillary Documents and to have such statute, rule, regulation, executive order, decree, injunction or administrative order repealed, rescinded or made inapplicable; provided, that the parties shall not be obligated to seek to overturn a final order by the FCC disapproving the transactions contemplated by this Agreement and the Ancillary Documents.

(d) If any objections are asserted with respect to the transactions contemplated by this Agreement or any Ancillary Document under any Law or if any suit is instituted by any Governmental Entity or any private party challenging any of the transactions contemplated by this Agreement or the Ancillary Documents as violative of any Law,
each of the parties shall use its commercially reasonable efforts to resolve any such objections or challenges as such Governmental Entity or private party may have to such transactions under such Law so as to permit consummation of the transactions contemplated by this Agreement and the Ancillary Documents.

5.9 Financing

(a) Verizon shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and obtain the proceeds of, the Financing and, if applicable, the Replacement Financing on the terms and conditions described in the Financing Documents and Replacement Financing Documents, including using commercially reasonable efforts to (i) comply with its obligations and satisfy the conditions precedent to funding under the Financing Documents and, if applicable, Replacement Financing Documents; (ii) upon satisfaction of the conditions set forth in Section 3.02 of the Loan Facility (and/or, in respect of certainty of funding, such substantially equivalent conditions (or conditions that are more favorable to Verizon) as may appear in any Replacement Financing Document), consummate the Financing and, if applicable, the Replacement Financing at or prior to Closing; and (iii) cause the Financing Sources and, if applicable, Replacement Financing Sources to fund on the Closing Date the Financing and, if applicable, the Replacement Financing to the extent required to consummate the Transaction in accordance with the terms thereof (including, to the extent commercially reasonable, by promptly taking enforcement action under the Financing Documents and, if applicable, the Replacement Financing Documents in the event of a breach by any Financing Sources or Replacement Financing Sources).

(b) Verizon shall have the right to substitute the proceeds of consummated debt (including unsecured notes) or equity offerings for all or any portion of the Financing or, if applicable, Replacement Financing by reducing commitments under the Financing and, if applicable, any Replacement Financing; provided, that to the extent any consummated debt has a scheduled special or mandatory redemption right, such right is not exercisable prior to the Termination Date. Further, Verizon shall have the right to substitute commitments in respect of other debt or equity financing for all or any portion of the Financing from the same and/or alternative bona fide third-party financing sources (“Replacement Financing Sources”) so long as (i) all conditions precedent to effectiveness of definitive documentation for such debt or equity financing have been satisfied and the conditions precedent to funding under the debt financing or issuance of the equity financing are, in respect of certainty of funding, substantially equivalent to (or conditions that are more favorable to Verizon) than the conditions set forth in Section 3.02 of the Loan Facility, and (ii) in respect of any debt financing, prior to funding of the loans thereunder, the commitments in respect of such debt financing are subject to restrictions on assignment which are substantially equivalent to or more favorable to the Verizon than the restrictions set forth in Section 8.07 of the Loan Facility (any such debt or equity financing which satisfies the foregoing clauses (i) and (ii), the “Replacement Financing”; the definitive documentation for any such Replacement Financing, the “Replacement Financing Documents”).

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Verizon shall have the right from time to time to amend, replace, supplement or otherwise modify, or waive any provision or remedy under, the Financing Documents or Replacement Financing Documents; provided that Verizon shall not, without the prior written consent of Vodafone, at any time prior to the Closing: (i) permit any amendment, replacement, supplement or modification to, or any waiver of any material provision or remedy under, any Financing Document or Replacement Financing Document if such amendment, replacement, supplement, modification or waiver (A) adds any new (or modifies, in a manner materially adverse to Verizon, any existing) conditions to the consummation of the Financing or Replacement Financing (as applicable), (B) reduces the aggregate amount of the Financing and the Replacement Financing other than to the extent that (1) such reduction is required by the terms of the Loan Facility or (2) Verizon has available to it Replacement Financing or cash on hand in an amount equal to such reduction, (C) materially adversely impacts the ability of Verizon to enforce its rights against other parties to any Financing Document as so amended, replaced, supplemented, modified or waived, relative to the ability of Verizon to enforce its rights against such other parties to any Financing Document as in effect on the date hereof or Replacement Financing Document as in effect on the date of execution thereof, or (D) prevents, impedes or materially delays the consummation of the transactions contemplated by this Agreement; provided, further, that notwithstanding the foregoing, Verizon may amend the Financing Documents and/or Replacement Financing Documents to add lenders, lead arrangers, syndication agents, documentation agents or similar entities who had not executed any Financing Document and/or Replacement Financing Document; or (ii) terminate the Loan Facility other than to the extent that (A) the commitments under the Loan Facility have been reduced to zero in accordance with its terms or (B) Verizon has obtained Replacement Financing in an aggregate amount equal to the commitment under the Loan Facility at the time of such termination of the Loan Facility. Verizon shall promptly following execution deliver to Vodafone copies of any such amendment, replacement (including any Replacement Financing Document), supplement, modification or waiver (which may be redacted to delete any compensation information). Notwithstanding anything to the contrary in this Agreement, Verizon agrees that it shall not reduce the aggregate amount of all unfunded commitments in respect of the Financing and, if applicable, Replacement Financing (whether as a result of a disposition of assets, debt issuance or equity issuance but, for the avoidance of doubt, not as a result of the funding of the loans thereunder) to an amount less than Twenty Billion Dollars ($20,000,000,000) without Vodafone’s consent, which shall not be unreasonably withheld, conditioned or delayed.

Verizon acknowledges and agrees that Vodafone and its Affiliates, their respective Representatives and, prior to the Closing, the Partnership or any of its Subsidiaries and their respective Representatives, shall not have any responsibility for, or incur any liability to, any Person under or pursuant to the Financing or Replacement Financing pursuant to the Financing Documents or Replacement Financing Documents, if any, and that Verizon shall indemnify and hold harmless Vodafone and its Affiliates, their respective Representatives and, prior to the Closing, the Partnership and its Subsidiaries and their respective Representatives from and against any and all losses, damages, claims, costs or expenses suffered or incurred by any of them in
connection with the Financing or the Replacement Financing pursuant to the Financing Documents or Replacement Financing Documents, if any, except to the extent resulting from any breaches of the representations, warranties or covenants of Vodafone under this Agreement. Verizon shall keep Vodafone reasonably informed with respect to all material activity concerning the status of the financing contemplated by the Financing Documents and Replacement Financing Documents (if any), it being understood, for the avoidance of doubt, that nothing in this Section 5.9(d) shall relieve Vodafone of any liability pursuant to Section 8.3 or require Verizon to provide indemnification in respect of any such liability.

5.10 Voting Rights; Purchases of Securities.

(a) Prior to the Closing, Verizon shall not, and shall cause its controlled Affiliates not to, purchase any ordinary shares of Vodafone or other securities convertible into, exchangeable for or exercisable for ordinary shares of Vodafone, and none of Verizon or any of its Subsidiaries shall purchase any rights to acquire any ordinary shares of Vodafone.

(b) Prior to the Closing, Vodafone shall not, and shall cause its controlled Affiliates not to, purchase any shares of Verizon Common Stock or other securities convertible into, exchangeable for or exercisable for Verizon Common Stock, and neither Vodafone nor any of its Subsidiaries shall purchase any rights to acquire any Verizon Common Stock.

5.11 Name Changes. As promptly as reasonably practicable following the Closing Date but not later than thirty (30) days after the Closing Date, Verizon shall cause the organizational documents of the Sold Entities to be amended so as not to include any of “Vodafone” or any word, phrase or acronym confusingly similar thereto and take all such other steps required under applicable law to change and register the name of the Sold Entities accordingly.

5.12 Further Assurances. Subject to the terms and provisions of this Agreement, each party hereto shall at any time and from time to time after the Closing, upon the request of another party hereto, do, execute, acknowledge and deliver, and cause to be done, executed, acknowledged or delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney or assurances as may be required for (a) the better transferring, assigning and conveying the equity interests of the Sold Entities to Verizon, or (b) the transfer, assignment, conveyance and assumption of any Excluded Assets owned by or Excluded Liabilities of the Sold Entities to Vodafone or its designated Affiliates following the Closing. Except with respect to a Verizon Change of Recommendation or a Vodafone Change of Recommendation, no party hereto shall take any actions that would be reasonably be expected to prevent, impair or materially delay the consummation of the transactions contemplated by this Agreement or the Ancillary Documents. In the event that Seller fails to perform any covenant, agreement or obligation that it is obligated to perform pursuant to this Agreement, Vodafone shall cause Seller to perform such covenant, agreement or obligation.
5.13 **Access.** Except as determined in good faith to be necessary to comply with applicable Law, or preserve any applicable privilege (including the attorney-client privilege), Verizon will cause the Sold Entities and the Partnership and its Subsidiaries, until the date that is six (6) years after the Closing Date, and Vodafone will cause the Sold Entities, prior to the Closing Date, to afford promptly to Vodafone and its Representatives or Verizon and its Representatives, as applicable, reasonable access to their books of account, financial, tax and other records, information, employees and auditors to the extent necessary (a) with respect to Vodafone and its Representatives, in determining any matter in connection with any audit relating to the Sold Entities or their Affiliates and the Partnership with respect to any period ending on or before the Closing Date for purposes of financial statements of Vodafone or its Affiliates or for the preparation of any Tax Returns of Vodafone or its Affiliates and (b) with respect to Verizon and its Representatives, in determining the Tax consequences of the Transaction; provided, that any such access shall not unreasonably interfere with the conduct of the business of Verizon, the Sold Entities, the Partnership or their respective Affiliates or Vodafone, the Sold Entities and their Affiliates, as applicable. The party seeking access to information shall bear all of the out-of-pocket costs and expenses (including attorneys’ fees, but excluding reimbursement for general overhead, salaries and employee benefits) incurred in connection with obtaining such access. Each party will hold, and will use its commercially reasonable efforts to cause its Representatives to hold (and will be responsible for any failure by any of its Representatives to hold), in confidence all confidential information concerning the Sold Entities or their Affiliates and the Partnership or its Affiliates.

5.14 **Change in Ownership; ELPI Contribution.** (a) The parties agree that entry into this Agreement and consummation of the transactions pursuant hereto do not and will not constitute a “Change in Ownership” for purposes of the Partnership Agreement until the Closing shall have occurred.

(b) Prior to the Closing, Verizon shall not, and shall cause its Affiliates not to, exercise the ELPI Contribution referred to in the ELPI Contribution Agreement, dated as of December 2001, among the Partnership, Verizon, Vodafone and certain other Persons.

5.15 **Indemnification and Insurance; Mutual Release.** (a) Vodafone and Verizon agree that all rights to exculpation, indemnification and advancement of expenses for acts or omissions occurring at or prior to the Closing, whether asserted or claimed prior to, at or after the Closing, now existing in favor of the current or former directors, officers, employees and other representatives of the Sold Entities, the Partnership and its Subsidiaries as provided in their respective organizational documents and which, in the case of the Sold Entities, has prior to the date hereof been made available to Verizon shall survive the Closing and shall continue in full force and effect to the extent provided in the following sentence. Verizon shall cause the Sold Entities and the Partnership and its Subsidiaries to maintain in effect until the sixth (6th) anniversary of the Closing any and all exculpation, indemnification and advancement of expenses provisions of such entity’s organizational documents, in each case in effect as of the date hereof and which, in the case of the Sold Entities, has been provided to
Verizon prior to the date hereof, for acts or omissions occurring on or prior to the Closing.

(b) In the event any of the Sold Entities, the Partnership or its Subsidiaries or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in either such case, proper provision shall be made so that the successors and assigns of the applicable Sold Entity, the Partnership or the applicable Subsidiary of the Partnership shall assume all of the obligations of such Person contemplated to be maintained pursuant to Section 5.15(a).

(c) As of the Closing, Verizon, for and on behalf of itself, its Affiliates and their respective successors and assigns (the “Verizon Releasing Persons”), hereby voluntarily, knowingly, fully, unconditionally and irrevocably acquits, releases and forever discharges each Vodafone Related Party from any and all Claims that such Verizon Releasing Person has or has ever had or may have or that have been or could have been or could be asserted against any Vodafone Related Party, which arise out of or in any way relate to events, circumstances, actions or omissions occurring, existing or taken on or prior to the Closing in connection with or on behalf of the Partnership, its Subsidiaries or the Sold Entities, other than Claims arising out of or permitted under the express terms set forth in this Agreement or the Ancillary Documents or any agreement, other than the Partnership Agreement, that is not terminated pursuant to the last sentence of this Section 5.15. As of the Closing, Vodafone, for and on behalf of itself, its Affiliates and their respective successors and assigns (the “Vodafone Releasing Persons”), hereby voluntarily, knowingly, fully, unconditionally and irrevocably acquits, releases and forever discharges each Verizon Related Party from any and all Claims that such Vodafone Releasing Person has or has ever had or may have or that have been or could have been or could be asserted against any Verizon Related Party, which arise out of or in any way relate to events, circumstances, actions or omissions occurring, existing or taken on or prior to the Closing in connection with or on behalf of the Partnership, its Subsidiaries or the Sold Entities, other than Claims arising out of or permitted under the express terms set forth in this Agreement or the Ancillary Documents or any agreement, other than the Partnership Agreement, that is not terminated pursuant to the last sentence of this Section 5.15. Additionally, as of the Closing, the parties hereto agree to take the actions specified on Schedule 5.15 hereto.

5.16 Listing of Verizon Shares. Verizon shall use its commercially reasonable efforts to cause the Verizon Shares to be approved for listing (a) on the NYSE and NASDAQ, subject only to official notice of issuance, prior to the Closing and (b) on the Official List and to trading on the LSE on the first (1st) Business Day following the Closing. Verizon shall maintain its standard listing of Verizon Shares on the LSE for a period of at least two (2) years following the Closing.

5.17 Additional Covenants of Verizon. Except as required by applicable Law, as expressly contemplated by this Agreement, as Vodafone may approve in writing (such approval not to be unreasonably withheld, conditioned or delayed) or as set forth in Section 5.17 of the
Verizon covenants and agrees as to itself and its Subsidiaries that, after the date of this Agreement and prior to the Closing, the business of it and its Subsidiaries shall be conducted in all material respects in the ordinary course of business; provided, however, that no action by Verizon or any of its Subsidiaries with respect to matters specifically addressed by any provision of subsections (a) through (g) of this Section 5.17 shall be deemed to be a breach of this sentence unless such action would constitute a breach of such subsection. Without limiting the generality of, and in furtherance of, the foregoing, from the date of this Agreement until the Closing, except as otherwise expressly contemplated by this Agreement, as required by Law or as Vodafone may approve in writing (such approval not to be unreasonably withheld, conditioned or delayed) or as set forth in Section 5.17 of the Verizon Disclosure Letter, Verizon will not and will not permit its Subsidiaries to, directly or indirectly:

(a) other than a Verizon Certificate Amendment, adopt or propose any change in Verizon’s or the Partnership’s certificate of incorporation, certificate of formation, by-laws, operating agreement or other applicable governing instruments, as applicable;

(b) (i) merge or consolidate Verizon with any other Person, (ii) other than in the ordinary course of business with respect to the Significant Subsidiaries of Verizon (other than the Partnership), restructure or reorganize or (iii) completely or partially liquidate;

(c) acquire, directly or indirectly, whether by purchase, merger, consolidation or acquisition of stock or assets or otherwise, an equity interest in or a substantial portion of the assets of any Person or any business or division thereof, in each case that would reasonably be expected to prevent or materially delay the consummation of the Transaction;

(d) issue, sell, pledge, dispose of, grant, transfer, encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of, any shares of capital stock of Verizon, or securities convertible or exchangeable into or exercisable for any shares of such capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities, in each case, except (i) for grants made pursuant to the Verizon Stock Plans or the exercise, vesting or settlement of any award outstanding thereunder at any time on or following the date of this Agreement, (ii) in connection with the acquisition, directly or indirectly, of an equity interest in or assets of any Person or any business or division thereof, whether by purchase, merger, consolidation or acquisition of stock or assets or otherwise and (iii) other than at a price below fair market value (as determined by the Verizon Board of Directors), for issuances of shares of capital stock of Verizon, or securities convertible or exchangeable into or exercisable for any shares of such capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities, the proceeds of which are used to fund any portion of the Cash Consideration; provided, that following the issuance of any shares of Verizon Common Stock pursuant to clauses (ii) or (iii) above, Verizon shall have a sufficient number of authorized but unissued shares under the certificate of incorporation of Verizon to allow it to issue the maximum number of Verizon Shares issuable pursuant to Section 2.2(a)(ii).
(e) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (except for (i) distributions made by the Partnership, (ii) dividends paid by any Subsidiary to Verizon or to any other Subsidiary or (iii) regular quarterly dividends in cash on the Verizon Common Stock, declared and paid consistent with prior timing and in the ordinary course of business, including increases to such regular quarterly cash dividends in the ordinary course of business);

(f) reclassify, split, combine, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any Verizon capital stock or securities convertible or exchangeable into or exercisable for any shares of Verizon capital stock, other than in the ordinary course of business pursuant to the Verizon Stock Plans or any award outstanding thereunder at any time on or following the date of this Agreement; or

(g) authorize any of, or commit, resolve or agree to take any of the foregoing actions.

5.18 Additional Covenants of Vodafone with Respect to the Sold Entities. From the date of this Agreement until the Closing, except as otherwise expressly contemplated by this Agreement (including as required to implement the Reorganization in accordance with Section 5.1), as Verizon may approve in writing, as required by applicable Law or as set forth in Section 5.18 of the Vodafone Disclosure Letter, from the date of this Agreement to the Closing, Vodafone shall cause each Sold Entity to not do any of the following, directly or indirectly:

(a) (i) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property or any combination thereof) in respect of, the capital stock of any Sold Entity other than dividends with respect to the VAI Preferred Shares (which Vodafone shall pay, or cause Vodafone Americas to pay, on a quarterly basis consistent with past practice and consistent with the provisions of the VAI Preferred Shares) or any distributions made to another Sold Entity, (ii) split, combine, subdivide or reclassify any capital stock of any Sold Entity, or securities convertible into or exchangeable or exercisable for such capital stock or other equity interests or voting securities or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for such capital stock, or (iii) repurchase, redeem or otherwise acquire, or offer to repurchase, redeem or otherwise acquire, any capital stock of any Sold Entity or voting securities of, or equity interests in, any Sold Entity or any securities convertible into or exchangeable or exercisable for capital stock or voting securities of, or equity interests in, any Sold Entity, or any warrants, calls, options or other rights to acquire any such capital stock, securities or interests;

(b) issue, deliver, sell, grant, pledge or otherwise encumber or subject to any Lien (i) any shares of capital stock of any Sold Entity, (ii) any other equity interests or voting securities of any Sold Entity, (iii) any securities convertible into or exchangeable or exercisable for capital stock of any Sold Entity or voting securities of, or other equity interests in, any Sold Entity, or (iv) any warrants, calls, options or other rights to acquire any capital stock or voting securities of, or other equity interests in, any Sold Entity;
(c) amend the certificate of incorporation, bylaws or other organizational documents of any Sold Entity;

(d) make any material change in financial accounting methods, principles or practices, except insofar as may have been required by a change in GAAP or IFRS (after the date of this Agreement);

(e) directly or indirectly acquire in any transaction (i) any equity interest in or business of any firm, corporation, partnership, company, limited liability company, trust, joint venture, association or other entity or division thereof or (ii) any material properties or assets;

(f) make, change or rescind any Tax election, adopt (other than in the ordinary course of business) or change any method of Tax accounting, or, other than in a manner consistent with past practice, file any amended Tax Return, enter into a closing agreement, settle or compromise any Tax proceeding or surrender any right to claim a refund of Taxes, in each case, if such action is reasonably likely to have an adverse effect on Verizon or any of its Subsidiaries (including any Sold Entity) after the Closing;

(g) merge, consolidate, restructure, reorganize or liquidate, in whole or in part, any of the Sold Entities; provided, that, notwithstanding anything in Section 5.1 or this Section 5.18 to the contrary, none of the Sold Entities shall transfer, directly or indirectly, any interest in the Partnership; or

(h) authorize any of, or commit, resolve or agree to take any of, the foregoing actions.

5.19 Settlement Note Actions. At the Closing and immediately following the consummation of the sale of the Transferred Shares, Verizon and Vodafone shall take, and shall cause their controlled Affiliates to take, all actions and do, and cause their controlled Affiliates to do, all things necessary and proper to effect the transactions substantially as set forth on Schedule 5.19 hereto.

5.20 Vodafone B.V. Inc.

(a) Verizon shall maintain the corporate existence of Vodafone B.V. Inc. for at least the two-year period beginning on the Closing Date and during such period shall cause Vodafone B.V. Inc. to (i) employ at least one individual to manage its finance operations, (ii) not prepay the principal balance of the notes that it holds at the completion of the Reorganization (which Verizon shall cause to be serviced in accordance with their terms) other than any prepayments permitted pursuant to the terms thereof, and (iii) maintain a balance of at least Two Hundred Fifty Million Dollars ($250,000,000) in cash, cash equivalents or third-party investments.

(b) At the Closing and pursuant to the Reorganization, Vodafone shall cause at least Two Hundred Fifty Million Dollars ($250,000,000) of cash to be on deposit in a U.S. account of Vodafone B.V. Inc.
5.21 Post-Closing Partnership Tax Distribution Payments. Notwithstanding anything to the contrary contained herein, following the Closing, Verizon shall pay to Vodafone, in cash, by wire transfer or intrabank transfer of immediately available funds to an account designated by Vodafone, an amount equal to all Tax Distributions (as defined in the Partnership Agreement and calculated in a manner consistent with past practice of the Partnership) and Supplemental Tax Distributions that would be required to be paid to the Vodafone Partners if the Transaction had not occurred in respect of any Pre-Closing Tax Period or portion thereof (determined, on a basis consistent with Section 6.1(d), as if the Closing Date was the end of the quarterly period of the Partnership) for which the Partnership has not yet paid any such distributions as of the Closing Date, which payment shall be made no later than the time such distribution would have been required to be made under the Partnership Agreement and other arrangements as in effect on the date hereof. The amount of any payment required to be made pursuant to this Section 5.21 shall not be adjusted to take into account any adjustment to items of Partnership income, gain, loss, deduction or credit (or other items reported to its partners on Schedule K-1 (IRS Form 1065)), whether by reason of audit assessment, amended return or otherwise, in each case, occurring after the date of such payment, and with respect to which clause (A)(i) of the penultimate sentence of Section 9.2(c) applies.

ARTICLE VI
TAX MATTERS

6.1 Tax Returns.

(a) Vodafone shall prepare, or cause to be prepared (in a manner consistent with past practices, except as otherwise required by applicable Law), all Tax Returns of the Sold Entities required to be filed for any Pre-Closing Tax Period of a Sold Entity (the “Seller Returns”). In the case of any Seller Return that is required to be filed on or prior to the Closing Date, Vodafone shall cause each such Seller Return to be timely filed and shall cause the amount of Taxes shown as due on such Seller Return to be timely paid. With respect to any Seller Return filed after the Closing Date, Verizon shall (i) provide Vodafone with a copy of each such Seller Return at least twenty (20) days prior to the due date for filing such Seller Return and (ii) consider in good faith any written comments promptly received from Verizon with respect to such Seller Return (and, if applicable, revise such Seller Return to reflect such comments). In the case of any Seller Return that is required to be filed after the Closing Date, Verizon shall cause the Sold Entities to timely file such Seller Return received from Vodafone; provided, however, that Verizon shall not be required to cause such filing if (i) such Seller Return is not prepared in accordance with this Agreement or (ii) Verizon reasonably believes that there may not be “substantial authority” (or such higher standard as may be required under applicable Law to avoid the imposition of penalties) supporting each material position reflected on such Seller Return, unless Vodafone provides an opinion reasonably acceptable to Verizon from a recognized tax advisor to the effect that there is “substantial authority” (or such higher standard as may be required under applicable Law to avoid the imposition of penalties) for such position; and provided, further, that the signing and filing of a Seller Return in accordance with the foregoing provision shall not be considered an acknowledgement that such Seller Return complies with the requirements of this
Agreement. Verizon shall pay, or cause the Sold Entities to pay, any Taxes due with respect to Seller Returns filed in accordance with the preceding sentence, subject to the other provisions of this Agreement, including the next sentence and any indemnity obligation of Vodafone pursuant to Section 9.2(c). Vodafone shall pay to Verizon by wire transfer of immediately available funds no later than three (3) Business Days prior to the due date for filing any Seller Return required to be filed after the Closing Date the amount of Taxes shown as due and unpaid on such Seller Return for which Vodafone is responsible under this Agreement.

(b) Verizon shall prepare, or cause to be prepared, and file, or cause to be filed, when due all Tax Returns (other than Seller Returns) that are required to be filed by or with respect to the Sold Entities for Straddle Periods of such entities (the “Verizon Returns”). Verizon shall pay, or cause the Sold Entities to pay, any Taxes due with respect to any Verizon Returns, subject to any indemnity obligation of Vodafone pursuant to Section 9.2(c). If any Verizon Return includes any amounts for which Vodafone is liable under this Agreement (including any indemnity obligation of Vodafone pursuant to Section 9.2(c)), Verizon shall, at least twenty (20) days prior to the due date of any such Verizon Return, deliver such Verizon Return to Vodafone for Vodafone’s approval (not to be unreasonably withheld, provided, however, that Vodafone may control and direct the manner in which the Reorganization is reported on such Verizon Return; provided, further, that Verizon shall not be required to reflect any material position on such Verizon Return unless, either (i) Verizon reasonably determines that there is at least “substantial authority” (or such higher standard as may be required under applicable Law to avoid the imposition of penalties) for such position, or (ii) Vodafone provides an opinion reasonably acceptable to Verizon from a recognized tax advisor to the effect that there is “substantial authority” (or such higher standard as may be required under applicable Law to avoid the imposition of penalties) for such position; and Vodafone shall pay to Verizon by wire transfer of immediately available funds no later than three (3) Business Days prior to the due date for filing such Verizon Return the amount of Taxes shown as due and unpaid on such Verizon Return for which Vodafone is responsible under this Agreement.

(c) For purposes of Section 9.2(c), in the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion of such Tax related to the portion of such Straddle Period ending on and including the Closing Date shall (A) in the case of any gross receipts, employment, sales or use, value added, Taxes based upon or measured by reference to income or gain, and other similar Taxes, be deemed equal to the amount which would be payable if the relevant Tax period ended on and included the Closing Date, and (B) in the case of any Tax other than a Tax described in clause (A) be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction the numerator of which is the number of days in the Straddle Period ending on and including the Closing Date and the denominator of which is the number of days in the entire Straddle Period.

(d) Each Sold Entity that is classified as a partnership for United States federal income Tax purposes (and, with respect to any Sold Entity that holds an interest in an entity classified as a partnership for United States federal income Tax purposes, including
the Partnership, such other entity) shall be treated for purposes of this Agreement as if its taxable year ended as of the end of the Closing Date. The allocation of any item of income, gain, loss, deduction or credit of the Partnership to the Sold Entities for the period ending on the Closing Date will be determined under the “closing of the books” method, provided, however, if the Closing Date is not on a quarter end, the items of income, gain, loss, deduction or credit of the Partnership, other than extraordinary items, for the portion of the quarter that ends on the Closing Date may be determined by pro rata of the quarter’s results, provided that the Tax Distributions are determined on a basis consistent with such allocation. The taxable year of each Sold Entity that is treated as a corporation for United States federal income Tax purposes shall, for such purposes, end as of the end of the Closing Date, and such Sold Entities will become members of Verizon’s consolidated group on the day after the Closing Date. The allocation of any item of income, gain, loss, deduction or credit of any Sold Entity that is treated as a corporation for United States federal income Tax purposes for the period ending on the Closing Date will be determined under the “closing of the books” method. To the extent permitted or required under applicable Law, Vodafone and Verizon agree to take all actions necessary to treat the Closing Date as the last day of the taxable year or period of the Sold Entities for all Tax purposes.

6.2 Tax Claims. Vodafone shall, solely at its own cost and expense, have the right to control all Tax proceedings (and make all decisions relating to such Tax proceedings) involving a Tax Claim with respect to the Sold Entities for any taxable period ending on or before the Closing Date; provided, that Vodafone must provide Verizon with written notice of its election to control such Tax Claim within twenty (20) days of Verizon (or a Tax Authority) notifying Vodafone of such Tax Claim; and provided, further, that Vodafone shall not settle, compromise or abandon any such Tax proceeding without the prior written consent of Verizon (which consent shall not be unreasonably withheld) if such settlement, compromise or abandonment would reasonably be expected to have an adverse effect on Verizon or any of its Subsidiaries (including, after the Closing, the Sold Entities) that is material. Vodafone shall keep Verizon reasonably informed with respect to the commencement, status and substantive aspects of any such Tax proceeding. If Verizon receives notice of a Tax Claim, Verizon shall give notice to Vodafone in writing of such claim; provided, however, that no failure or delay by Verizon to give notice of a Tax Claim shall reduce or otherwise affect the obligation of Vodafone hereunder except to the extent Vodafone is actually prejudiced thereby. In the case of a Tax proceeding of or with respect to the Sold Entities for any Straddle Period, the Controlling Party (defined below) shall have the right and obligation to conduct, at its own expense, such Tax proceeding; provided, however, that (i) the Controlling Party shall provide Vodafone with a timely and reasonably detailed account of each stage of such Tax proceeding, (ii) the Controlling Party shall consult with the Non-Controlling Party before taking any significant action in connection with such Tax proceeding, (iii) the Controlling Party shall consult with the Non-Controlling Party and offer the Non-Controlling Party an opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax proceeding, (iv) the Controlling Party shall defend such Tax proceeding diligently and in good faith as if it were the only party in interest in connection with such Tax proceeding, (v) the Non-Controlling Party shall be entitled to participate in such Tax proceeding and attend any meetings or conferences with the relevant Taxing Authority, and (vi) the Controlling Party shall not settle, compromise or abandon any such Tax proceeding without obtaining the prior written
consent of the Non-Controlling Party (which consent shall not be unreasonably withheld). For purposes of this Agreement, “Controlling Party” shall mean Vodafone if Vodafone and its Affiliates are reasonably expected to bear the greater Tax liability in connection with such Tax proceeding, or Verizon if Verizon and its Affiliates are reasonably expected to bear the greater Tax liability in connection with such Tax proceeding (in each case, taking into account the provisions of Section 9.2(c) and Section 9.2(d)); and “Non-Controlling Party” shall mean whichever of Vodafone or Verizon is not the Controlling Party with respect to such Tax proceeding. Anything in this Section 6.2 to the contrary notwithstanding: (i) Verizon shall, at its sole cost and expense, have the sole right to control any issue arising in a Tax proceeding of or with respect to any of the Sold Entities for any taxable period ending on or prior to the Closing Date or a Straddle Period to the extent such issue relates solely to Taxes imposed on a Sold Entity with respect to any such period for which Vodafone is not responsible pursuant to the penultimate sentence of Section 9.2(c), provided that Verizon shall not settle, compromise or abandon any such Tax proceeding without the prior written consent of Vodafone (which consent shall not be unreasonably withheld) if such settlement, compromise or abandonment would reasonably be expected to have an adverse effect on Vodafone or any of its Subsidiaries that is material, including under Section 9.2(c); and (ii) Vodafone, at its sole cost and expense, have the sole right to control any issue arising in any Tax proceeding of or with respect to any of the Sold Entities for any taxable period ending on or prior to the Closing Date or a Straddle Period to the extent such issue relates to the Reorganization (and to make all decisions relating thereto) provided that Vodafone shall not settle, compromise or abandon any such Tax proceeding without the prior written consent of Verizon (which consent shall not be unreasonably withheld) if such settlement, compromise or abandonment would reasonably be expected to have an adverse effect on Verizon or any of its Subsidiaries (including, after the Closing, the Sold Entities) that is material.

6.3 Cooperation

(a) Vodafone, and Verizon shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and other Representatives to reasonably cooperate, in preparing and filing all Tax Returns and in connection with all disputes, audits and other proceedings relating to Taxes, including by maintaining and making available to each other all records reasonably requested in connection with Taxes and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder. Vodafone and Verizon shall further reasonably cooperate, and make their respective advisors available to each other, with respect to the Tax consequences of the Reorganization. Vodafone shall cause the Sold Entities to be in possession, at the Closing (or as soon as practicable thereafter, but in any event within 30 days following the Closing Date), of all Tax Returns, schedules, work papers and all other material records and documents relating to Tax matters of the Sold Entities for their respective Tax periods ending on or prior to, or including, the Closing Date. At Verizon’s written request, Vodafone shall use commercially reasonable efforts to provide Verizon at or prior to the Closing with a schedule setting forth (i) the material tax attributes of each of the Sold Entities, and (ii) any currently effective waivers of any U.S. federal, state, local or foreign statutes of limitation with respect to, or extensions of the period for assessment, of any material Taxes or Tax Returns of the Sold Entities.

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(b) Verizon shall determine, within ninety (90) days of the date hereof, whether or not Verizon will be able to deliver the certification provided for in Section 2.6(b)(vi) of this Agreement, and Verizon shall advise Vodafone as to its determination within such ninety (90) day period. Upon Vodafone’s request, Verizon shall provide Vodafone with any information relating to the Partnership and any of its Subsidiaries reasonably requested by Vodafone to deliver the certification provided for in Section 2.6(a)(vi) of this Agreement.

(c) If Vodafone determines between the date hereof and the Closing Date that there exist items that could give rise to an indemnification obligation pursuant to Section 9.2(c)(vi), Vodafone shall notify Verizon in writing on or prior to the Closing Date and shall provide Verizon with reasonable detail regarding such items. Prior to taking any action or consummating any transaction that would reasonably be expected to trigger any Taxes with respect to items identified by Vodafone pursuant to the preceding sentence, Verizon shall notify Vodafone and shall consider in good faith any comments or alternative proposals received from Vodafone within a reasonable period of time with respect to the taking of such action or structure of such transaction.

6.4 Omnitel Entity Classification. Vodafone shall take, or cause its controlled Affiliates to take, all actions and to do, or cause its controlled Affiliates to do, all things necessary, including calling board and shareholder meetings and taking other corporate actions, to (a) (i) convert (the “Omnitel Conversion”) Omnitel under the Laws of the Kingdom of the Netherlands from a naamloze vennootschap to a besloten vennootschap and (ii) to have the Omnitel Conversion comply with the applicable Laws of the Republic of Italy including through registration of the Omnitel Conversion with the appropriate Governmental Entities of the Republic of Italy, in each case effective prior to the earlier of (i) December 27, 2013, and (ii) five (5) days preceding the Closing Date, and (b) amend, effective upon the Omnitel Conversion, the organizational documents and shareholders agreement of Omnitel and other agreements among the shareholders of Omnitel relating thereto, and otherwise take all actions necessary, so as to preserve the relative rights and obligations of such shareholders thereunder. At Verizon’s written request, Vodafone shall cause Omnitel to elect, pursuant to Treasury Regulations Section 301.7701-3(a), to be classified as a partnership for U.S. federal income tax purposes with an effective date specified in writing by Verizon (the “Check-the-box election”). Vodafone and Verizon agree to treat such entity classification election, for U.S. federal income tax purposes, as a liquidation of Omnitel within the meaning of Sections 331 and 336 of the Code. Vodafone shall not take any action and shall not permit its Subsidiaries to take any action that would cause Omnitel to be classified, for U.S. federal income tax purposes, as other than a partnership during the twelve-month period following the Closing Date. Vodafone agrees to cause Vodafone Finance 1 to elect under Section 904(f)(1)(B) of the Code and Treasury Regulation 1.904(f)-2(c)(2) to treat up to 100% of any foreign source income received by the consolidated U.S. federal income tax return group of which Vodafone Finance 1 is the common parent during the year in which the Reorganization occurs as U.S. source income so as to reduce, to the greatest extent possible, any overall foreign loss. From and after the date hereof, Vodafone and Verizon and their respective advisors shall cooperate to determine the amount of the overall foreign loss, if any, remaining in the Sold Entities after the election described in the preceding sentence. In the event Verizon is not reasonably satisfied, acting in good faith, that the overall foreign loss of the Sold Entities will be eliminated or reduced to no more than a de minimis amount at the end of
the taxable year of the Sold Entities that ends on the Closing Date, Verizon may, if Verizon requests that Vodafone cause Omnitel to make a Check-the-box election with an effective date on or prior to December 31, 2013, deliver a written notice to Vodafone to the effect that, in the event the Omnitel Closing does not occur (other than by reason of a breach of Verizon), within ten (10) days of the termination of the Omnitel Agreement (whether in connection with a termination of this Agreement or otherwise), Verizon will request payment of the Verizon Indemnity Amount. Verizon shall, as promptly as reasonably practicable following the delivery of such notice, provide Vodafone with its calculation of the Verizon Indemnity Amount, including supporting detail. The “Verizon Indemnity Amount” shall equal the amount of all U.S. federal, state and local income Taxes payable with respect to the Check-the-box-election, determined on a “with and without” basis, provided, however, that the Verizon Indemnity Amount shall not exceed Three Hundred Million Dollars ($300,000,000).

6.5 Tax Sharing Agreements. Vodafone shall terminate (or cause to be terminated) on or before the Closing Date all Tax sharing agreements or arrangements (other than this Agreement), if any, to which any of the Sold Entities, on the one hand, and Vodafone or any Affiliate of Vodafone (other than the Sold Entities), on the other hand, are parties, and neither Vodafone nor any Affiliate of Vodafone, on the one hand, or any of the Sold Entities, on the other hand, shall have any rights or obligations thereunder after the Closing.

6.6 No 338 Election. Verizon shall not make an election under Section 338 of the Code with respect to its purchase of the Sold Entities pursuant to this Agreement.

6.7 Purchase and Sale of the Transferred Shares. Vodafone and Verizon agree to treat, for U.S. federal income tax purposes, the purchase and sale of the Transferred Shares pursuant to this Agreement as a sale or exchange transaction subject to Section 1001 of the Code (which also constitutes a qualified stock purchase) and not a “reorganization” under Section 368 of the Code or an “exchange” under Section 351 of the Code. Vodafone and Verizon shall report the purchase and sale of the Transferred Shares in accordance with the prior sentence for U.S. federal income tax purposes. Neither Vodafone nor Verizon shall take any action that would reasonably be expected to result in the transfer of the Transferred Shares by Seller pursuant to this Agreement being treated as an “exchange” under Section 351 of the Code, and for the two-year period beginning on the Closing Date, Verizon not shall cause Vodafone Americas Finance 1 to liquidate or to merge with any other entity (unless Vodafone Americas Finance 1 is the surviving corporation in such merger, provided that under no circumstances shall Verizon merge with Vodafone Americas Finance 1 during such two-year period).

6.8 Tax Refunds. Vodafone shall be entitled to any refund of Taxes (whether by way of payment or reduction in Taxes otherwise payable in cash) received by Verizon or any of the Sold Entities that are attributable to any Pre-Closing Tax Period (taking into account the allocation principles in Section 6.1(c)); provided, however, that Vodafone shall not be entitled to any refund of Taxes (i) to the extent that such refund is attributable to either (x) the carryback of a loss or other Tax attribute arising in a Post-Closing Tax Period or (y) an adjustment of any item of Partnership income, gain, loss, deduction or credit (or other items reported to its partners on Schedule K-1 (IRS Form 1065)) with respect to a Pre-Closing Tax Period, or (ii) for which Vodafone is not responsible pursuant to the penultimate sentence of Section 9.2(c). Except as provided in the foregoing sentence, Verizon shall be entitled to any other refund of Taxes with
respect to the Sold Entities. If any party receives a refund to which another party is entitled pursuant to this Section 6.8, such party shall pay over such refund (net of costs or Taxes to the party receiving such refund) to the party entitled to such refund no later than ten (10) Business Days following receipt of such refund.

6.9 Certain VAT Matters.

(a) The Parties intend that any payment of the Financing Failure Termination Fee, the Verizon Reverse Termination Fee, the Verizon Recommendation Change Fee or the Vodafone Termination Fee, being compensatory in nature, shall not be treated, in whole or in part, as consideration for a supply for the purposes of VAT and, accordingly, each of Verizon and Vodafone shall, and shall procure that the representative member of any VAT group of which it is a member will, treat the payment of any such fee as falling outside the scope of VAT and shall pay the full amount of it free and clear of any deduction or adjustment pursuant to Section 6.9(c)(ii) or Section 6.9(d)(iii).

(b) In the event of a Tax proceeding in which a Tax Authority asserts that:

(i) VAT was chargeable with respect to the Vodafone Termination Fee and should have been accounted for by Vodafone under the reverse charge procedure; or

(ii) the Financing Failure Termination Fee, the Verizon Reverse Termination Fee or the Verizon Recommendation Change Fee was, in whole or part, consideration for a supply for the purposes of VAT and that VAT should have been accounted for by Vodafone in respect of that supply;

the provisions of Section 6.2 governing Tax proceedings of the Sold Entities for any Straddle Period shall apply, mutatis mutandis, treating Vodafone as the Controlling Party and Verizon as the Non-Controlling Party with respect to such Tax proceeding.

(c) In the event of a final determination with respect to such Tax proceeding to the effect that the Vodafone Termination Fee was, in whole or in part, consideration for a supply for the purposes of VAT and that should have been accounted for by Vodafone under the reverse charge procedure in respect of that supply:

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(i) Vodafone shall, and shall procure that the representative member of any VAT group of which Vodafone is a member will, (A) account for, under the reverse charge procedure, and pay to the relevant Tax Authority any VAT chargeable thereon, and (B) use its reasonable best efforts to recover (by refund, credit or otherwise) any such VAT; and

(ii) the amount of the Vodafone Termination Fee payable by Vodafone shall be reduced by an amount such that the sum payable by Vodafone, when aggregated with any irrecoverable VAT thereon, is equal to the amount of the Vodafone Termination Fee that would be payable but for this Section 6.9(c)(ii).

(d) In the event of a final determination with respect to any such Tax proceeding to the effect that the Financing Failure Termination Fee, the Verizon Reverse Termination Fee or the Verizon Recommendation Change Fee was, in whole or in part, consideration for a supply for the purposes of VAT and that VAT should have been accounted for by Vodafone in respect of that supply:

(i) Vodafone shall, and shall procure that the representative member of any VAT group of which Vodafone is a member will, (A) account for and pay to the relevant Tax Authority such VAT, and (B) issue a valid VAT invoice to Verizon;

(ii) Verizon shall, and shall procure that each of its Affiliates will, use its reasonable best efforts to recover (by refund, credit or otherwise) any amounts in respect of such VAT; and

(iii) the amount of the Financing Failure Termination Fee, the Verizon Reverse Termination Fee or the Verizon Recommendation Change Fee (as the case may be) payable by Verizon (inclusive of amounts in respect of VAT) shall be increased by an amount such that the amount payable by Verizon less any VAT that is actually recovered by Verizon or its Affiliates (net of costs or Taxes to Verizon or its Affiliates) is equal to the amount of such fees that would be payable by Verizon but for this Section 6.9(d)(iii).

(e) Any adjustment payment in respect of any reduction made pursuant to Section 6.9(c)(ii) shall be made on the date which is ten (10) Business Days following the date on which Vodafone (or the representative member of any VAT group of which Vodafone is a member) is required to account to any Tax Authority for any such irrecoverable VAT.

(f) Any payment in respect of any adjustment made pursuant to Section 6.9(d)(iii) shall be made on the date which is ten (10) Business Days following the date on which Verizon (or any of its Affiliates) recovers (by refund, credit or otherwise) any amounts in respect of such VAT.

(g) For the avoidance of doubt all payments of the Vodafone Termination Fee, the Financing Failure Termination Fee, the Verizon Reverse Termination Fee and the
Verizon Recommendation Change Fee shall be inclusive of any applicable VAT save as otherwise provided by this Section 6.9.

6.10 Post-Closing Restrictions. Verizon and its Affiliates (including the Sold Entities) shall not, on or after the Closing Date, (i) make or change any Tax election or accounting method of the Sold Entities with an effective date in any Pre-Closing Tax Period, (ii) file or cause to be filed any amended Tax Return for the Sold Entities (other than a state tax return reflecting changes necessitated by an agreed Federal tax adjustment or amended U.S. federal income tax return) for any Pre-Closing Tax Period, or (iii) extend or waive, or cause to be extended or waived, any statute of limitations or other period for the assessment of any Tax or deficiency with respect to any Sold Entity for any Pre-Closing Tax Period, in each case without Vodafone’s prior written consent (not to be unreasonably withheld).

ARTICLE VII
CONDITIONS TO CLOSING

The obligations of the parties to consummate the Transaction shall be subject to the fulfillment or satisfaction, at or prior to the Measurement Time, of each of the following conditions precedent (or, to the extent permitted by applicable Law, the waiver thereof in a writing signed by the party for whose benefit the condition exists); provided, however, that if the Transaction is to be implemented by way of the Vodafone Scheme, the conditions set forth in Sections 7.1(b)(ii) and 7.1(b)(iii) shall be satisfied on or prior to the Scheme Effective Date:

7.1 Mutual Conditions.

(a) Vodafone Shareholder Approval. The Vodafone Resolutions shall have been passed at the Vodafone Shareholders Meeting by the requisite majority in accordance with the articles of association of Vodafone and applicable Law; provided, that the condition set forth in this Section 7.1(a) shall be deemed satisfied for purposes of the Share Purchase Closing if the Vodafone Sale Resolutions shall have been passed at the Vodafone Shareholders Meeting by the requisite majority in accordance with the articles of association of Vodafone and applicable Law.

(b) Vodafone Scheme. Only with respect to the obligation to consummate the Vodafone Scheme:

(i) The Vodafone Scheme shall have been approved by the requisite majority at a court meeting of the shareholders of Vodafone convened in accordance with Part 26 of the Companies Act 2006 to consider, and, if thought fit, approve, the Vodafone Scheme (the “Court Meeting”); and

(ii) (x) The Vodafone Scheme shall have been sanctioned by the Court (the date of such sanction, the “Sanction Date”), and (y) the Vodafone Reduction of Capital confirmed by the Court.

(iii) (x) The relevant order of the Court sanctioning the Vodafone Scheme shall have been delivered to the UK Registrar of Companies in
accordance with applicable Law, and (y) the relevant order of the Court relating to the Vodafone Reduction of Capital shall have been delivered to, or, where the Court so orders, registered with, the UK Registrar of Companies in accordance with applicable Law.

(c) Admission of New Vodafone Shares. Only with respect to the obligation to consummate the Vodafone Scheme:

(i) All necessary documents in relation to the admission of the New Vodafone Shares to the Official List and to trading on the LSE’s Main Market for listed securities (“New Vodafone Shares Admission”) shall have been supplied to the UKLA and LSE and the admission hearing with the UKLA shall have been held.

(ii) The UKLA shall have acknowledged to Vodafone or its agent (and such acknowledgement shall not have been withdrawn) that the application for the New Vodafone Shares Admission has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA, and any such listing conditions shall have been satisfied.

(iii) The LSE shall have acknowledged to Vodafone or its agent (and such acknowledgement shall not have been withdrawn) that the New Vodafone Shares will be admitted to trading at the same time as the admission of the New Vodafone Shares to the Official List.

(d) Verizon Requisite Vote. The Verizon Requisite Vote shall have been obtained at the Verizon Stockholders Meeting.

(e) Reorganization. The Reorganization shall have been completed in accordance with Section 5.1.

(f) Legality. No Governmental Entity shall have enacted, issued, promulgated, or enforced any Law, statute, rule or regulation or entered or issued any order, writ, injunction or decree (whether temporary, preliminary or permanent) which is then in effect, in each case which has the effect of making the Transaction illegal, or otherwise preventing or prohibiting the Transaction.

(g) Regulatory and Other Approvals. All authorizations, consents, orders, permits or approvals of, or declarations or filings with, and all expirations of waiting periods imposed by, any Governmental Entity (all of the foregoing, “Consents”) which are set forth on Schedule 7.1(g) hereto, shall have been filed, have occurred or have been obtained (all such Consents being referred to as the “Requisite Regulatory Approvals”) and all such Requisite Regulatory Approvals shall be in full force and effect; provided, however, that a Requisite Regulatory Approval shall not be deemed to have been obtained if in connection with the grant thereof there shall have been an imposition by any Governmental Entity of any condition, requirement, restriction or change of
regulation, or any other action directly or indirectly related to such grant taken by such Governmental Entity which would reasonably be expected to have a Burdensome Effect.

(h) **Listing of Verizon Shares.** The Verizon Shares shall have been approved for listing on the NYSE and NASDAQ, subject only to official notice of issuance.

(i) **Verizon UK Admission.**

   (i) All necessary documents in relation to the Verizon UK Admission shall have been supplied to the UKLA and LSE and the Verizon UK Admission hearing with the UKLA shall have been held.

   (ii) The UKLA shall have acknowledged to Verizon or its agent (and such acknowledgement shall not have been withdrawn) that the application for the Verizon UK Admission has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA, and any such listing conditions shall have been satisfied.

   (iii) The LSE shall have acknowledged to Verizon or its agent (and such acknowledgement shall not have been withdrawn) that the Verizon Shares will be admitted to trading at the same time as the admission of the Verizon Shares to the Official List.

(j) **U.S. Registration Requirements.** (i) The Verizon Registration Statement shall have become effective under the Securities Act and (ii) the Verizon Registration Statement shall not be subject to any stop order or proceeding seeking a stop order and no proceedings for that purpose shall have been initiated by the SEC that have not been withdrawn.

7.2 **Additional Conditions to Obligations of Vodafone.**

(a) **Representations and Warranties True.** (i) The representations and warranties of Verizon contained in the second sentence of Section 4.6 shall be true and correct on the date hereof and on the Measurement Time and (ii) the other representations and warranties of Verizon contained in this Agreement shall be true and correct in all respects on the date hereof and on the Measurement Time (except to the extent any such representation and warranty expressly relates to an earlier date (in which case it will be true and correct on and as of such earlier date)) except, in the case of this clause (ii), where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to “materiality” or “Verizon Material Adverse Effect” set forth therein), individually or in the aggregate, does not have, and would not reasonably be expected to have, a Verizon Material Adverse Effect.

(b) **Compliance with this Agreement.** Verizon shall have performed in all material respects all of its obligations required to be performed under this Agreement and the Omnitel Purchase Agreement prior to or on the Measurement Time.
7.3 Additional Conditions to Obligations of Verizon.

(a) Representations and Warranties True. (i) The representations and warranties of Vodafone contained in Section 3.7(b) shall be true and correct in all respects on the date hereof and on the Measurement Time and (ii) the other representations of Vodafone contained in this Agreement shall be true and correct in all respects on the date hereof and on the Measurement Time (except to the extent any such representation and warranty expressly relates to an earlier date (in which case it will be true and correct on and as of such earlier date)), except, in the case of this clause (ii), where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to “materiality”, “Verizon Material Adverse Effect” or “Vodafone Material Adverse Effect” set forth therein), individually or in the aggregate, does not have, and would not reasonably be expected to have, a Verizon Material Adverse Effect (disregarding, for purposes of this Section 7.3(a), clause (i) of the definition of “Verizon Material Adverse Effect”).

(b) Compliance with this Agreement. Vodafone shall have performed in all material respects all of its obligations required to be performed under this Agreement and the Omnitel Purchase Agreement prior to or on the Measurement Time.

(c) Certificate. Verizon shall have received a certificate as of the Measurement Time signed on behalf of Vodafone by an executive officer of Vodafone certifying that the conditions in clauses (a) and (b) above have been satisfied.

7.4 Frustration of the Closing Conditions. Neither Verizon nor Vodafone may rely, either as a basis for not consummating the Transaction or for terminating this Agreement and abandoning the Transaction on the failure of any condition set forth in Sections 7.1, 7.2 or 7.3, as the case may be, to be satisfied if such failure was caused by such party’s breach of any provision of this Agreement.

ARTICLE VIII
TERMINATION

8.1 Grounds for Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of Vodafone and Verizon;

(b) by either Vodafone or Verizon if the Closing shall not have been consummated on or before the date that is twelve (12) months after the date hereof (the “Termination Date”); provided, that the right to terminate this Agreement pursuant to this
Section 8.1(b) shall not be available to any party whose breach of any provision of this Agreement results in the failure of the Closing to be consummated by such time;

(c) by Vodafone, if there has been a material violation or breach by Verizon of any covenant, representation or warranty contained in this Agreement or the Omnitel Purchase Agreement which has caused, or would cause, any condition set forth in Sections 7.1 or 7.2 not to be satisfied and such violation or breach is incapable of being cured by Verizon, or, if capable of being cured by Verizon, has not been cured by Verizon within sixty (60) days after written notice thereof from Vodafone; provided, that Vodafone is not then in breach of this Agreement so as to cause any of the conditions in Section 7.3 not to be satisfied;

(d) by Verizon, if there has been a material violation or breach by Vodafone of any covenant, representation or warranty contained in this Agreement or the Omnitel Purchase Agreement which has caused, or would cause, any condition set forth in Sections 7.1 or 7.3 not to be satisfied and such violation or breach is incapable of being cured by Vodafone, or, if capable of being cured by Vodafone, has not been cured by Vodafone within sixty (60) days after written notice thereof from Verizon; provided, that Verizon is not then in breach of this Agreement so as to cause any of the conditions in Section 7.2 not to be satisfied;

(e) by Vodafone, if a Vodafone Material Adverse Financial Effect has occurred and is continuing as of the date that would otherwise have been the Sanction Date, if the Transaction is to be implemented by way of the Vodafone Scheme, or the date that would otherwise have been the Closing Date, if the Transaction is to be implemented by way of the Share Purchase;

(f) by either Vodafone or Verizon if (i) the Verizon Stockholders Meeting has concluded and the Verizon Requisite Vote has not been obtained or (ii) the Vodafone Shareholders Meeting has concluded and the Vodafone Requisite Share Purchase Vote has not been obtained;

(g) by either Vodafone or Verizon, if (i) a court of competent jurisdiction or other Governmental Entity shall have enacted, entered or pronounced or enforced any statute, rule, regulation, executive order, decree, injunction or administrative order or issued a non-appealable final order, decree or ruling or taken any other non-appealable final action, in each case, having the effect of permanently restraining, enjoining or otherwise prohibiting the Closing and the transactions contemplated hereby or (ii) the FCC shall have issued a final order disapproving the Transaction; provided, that the right to terminate this Agreement pursuant to this Section 8.1(g) shall not be available to any party whose breach of any provision of this Agreement results in such order, decree or ruling or other final action;

(h) by Vodafone, in the event of a Verizon Change of Recommendation; provided, that Vodafone’s right to terminate this Agreement pursuant to this Section 8.1(h) shall expire at 5:00 p.m. (New York City time) on the thirtieth (30th) calendar day following the date on which such Verizon Change of Recommendation occurs;
(i) by Verizon, in the event of a Vodafone Change of Recommendation; provided, that Verizon’s right to terminate this Agreement pursuant to this Section 8.1(i) shall expire at 5:00 p.m. (New York City time) on the thirtieth (30th) calendar day following the date on which such Vodafone Change of Recommendation occurs; and

(j) by Vodafone, in the event that:

(i) all of the conditions to the implementation of the Vodafone Scheme or the Share Purchase, as applicable, set forth in Sections 7.1 and 7.3 were satisfied (other than (1) if the Transaction is to be implemented by way of the Vodafone Scheme, (A) if the condition set forth in Section 7.1(b)ii(x) was not yet satisfied, any condition that by its nature would not have been satisfied until the Sanction Date (but each of which was capable of being satisfied on the date the Sanction Date should have occurred) and (B) any Post-Sanction Conditions that had not yet been satisfied or (2) if the Transaction is to be implemented by way of the Share Purchase, any condition thereto that by its nature would not have been satisfied until the Share Purchase Closing Date, but each of which was capable of being satisfied on the date the Share Purchase Closing Date should have occurred) and, if the Transaction is to be implemented by way of the Vodafone Scheme and the condition set forth in Section 7.1(b)ii(x) has not yet been satisfied, such condition was capable of being satisfied if the Court Hearing were held on the date of determination and Verizon gave the undertakings necessary to implement the Scheme that it is required to give pursuant to this Agreement;

(ii) the full proceeds to be provided to Verizon by the Financing or the Replacement Financing are not available (other than as a result of conditions to the funding of such Financing or Replacement Financing not yet having been satisfied, but which are capable of being satisfied by the date by which the Closing should occur) to Verizon on the terms thereof to consummate the Closing (this clause (ii) with clause (i) above, together, a “Financing Failure”);

(iii) Vodafone has irrevocably confirmed in writing (x) that all of the conditions set forth in Section 7.2 have been satisfied (other than (1) if the Transaction is to be implemented by way of the Vodafone Scheme, (A) if the condition set forth in Section 7.1(b)ii(x) was not yet satisfied, any condition that by its nature would not have been satisfied until the Sanction Date (but each of which was capable of being satisfied on the date the Sanction Date should have occurred) and (B) any Post-Sanction Conditions that have not yet been satisfied or (2) if the Transaction is to be implemented by way of the Share Purchase, any condition thereto that by its nature would not have been satisfied until the Share Purchase Closing Date, but each of which was capable of being satisfied on the date the Share Purchase Closing Date should have occurred) or (y) that it is willing to waive any unsatisfied conditions in Section 7.2, and, in either case, it is ready, willing and able to effect the Closing;
(iv) Verizon either fails to (1) appear at the Court Hearing or the hearing in respect of the confirmation by the Court of the Vodafone Reduction of Capital when required to do so pursuant to this Agreement or to give the undertakings necessary to implement the Vodafone Scheme that it is required to give pursuant to this Agreement or (2) effect the Closing pursuant to Section 2.3 or 2.5, as applicable, within three (3) Business Days after such appearance or undertakings were required or such Closing was required to have been consummated pursuant to Section 2.3 or 2.5, as applicable; and

(v) Vodafone was ready, willing and able to effect the Closing throughout such three Business Day period.

For purposes of this Agreement, “Vodafone Material Adverse Financial Effect” means either:

(i) the enactment after the date hereof of any change in the law of the United Kingdom, the United States or the Netherlands that is effective on or before the Closing Date;

(ii) the making of any public statement or announcement (including the publication of any document and, in the case of an oral statement or announcement, which is accompanied by a written statement or press release) after the date of this Agreement and before the Closing Date, by *(A) a United Kingdom government minister, H.M. Treasury or H.M. Revenue & Customs, in each case acting with the authority of the government of the United Kingdom, that contains a proposal to change the law of the United Kingdom with respect to Taxes or implements the same, which change of law, were it to be enacted in accordance with that statement or announcement after the Closing Date, would take effect on or before the Closing Date, or *(B) a Dutch minister or junior minister (Staatssecretaris), the Dutch Ministry of Finance (Ministerie van Financien) or senior officials of the Dutch Revenue Service (Belastingdienst) based at the Ministry of Finance, in each case under the authority of the government of the Netherlands, that contains a proposal to change the law of the Netherlands with respect to Taxes or implements the same, which change of law, were it to be enacted in accordance with that statement or announcement after the Closing Date, would take effect on or before the Closing Date; or

(iii) either (x) draft legislation reported, after the date hereof, out of the Committee on Ways and Means of the U.S. House of Representatives, or passage by one house of the U.S. Congress of legislation or (y) legislation proposed by the U.S. Executive Branch, or draft legislation reported, after the date hereof, out of the Finance Committee of the U.S. Senate, which, in the case of either clause (x) or (y), were such legislation to be enacted after the Closing Date, would take effect on or before the Closing Date, and with respect to which, in the case of a proposal or legislation referred to in clause (y) above, a determination has been made by a panel of three experts with experience in the executive and legislative process relating to the enactment of tax legislation in the US that it is reasonably likely that such legislation will become Law; where one expert is selected by each party and the third is selected by the two other experts, and the majority of the experts make their
and with respect to which Vodafone’s board of directors has made a reasonable good faith determination that (A) in the case of the events described in clauses (ii) and (iii)(x), such announcement or bill is reasonably likely to result in a change of law (which determination shall be made by Vodafone’s board of directors after considering advice as to the likelihood of enactment from nationally recognized experts in the relevant jurisdiction) and (B) in each case, would result in a liability for UK, U.S., or Netherlands Taxes on Vodafone or any of its Subsidiaries (or the Sold Entities for which Vodafone is responsible pursuant to Section 9.2(c)) with respect to the transactions specifically contemplated by this Agreement (including the Reorganization) that would, individually or in the aggregate, impose an additional cost on Vodafone and/or any of its Subsidiaries (and/or the Sold Entities for which Vodafone is responsible pursuant to Section 9.2(c)); that the parties considered material in this context; provided, that no enactment, announcement, statement or passage of legislation that would effect an increase in generally applicable Tax rates in any of the United Kingdom, the United States or the Netherlands shall be taken into account.

8.2 Effect of Termination. If this Agreement is terminated as permitted by Section 8.1, this Agreement shall forthwith become null and void and there shall be no Liability of any party to this Agreement or their respective Affiliates; provided, that, except as set forth in Section 8.3, no party hereto shall be relieved of any Liability for any willful and material failure to perform a covenant of this Agreement occurring prior to such termination. Notwithstanding anything to the contrary in this Agreement, nothing herein shall relieve any party from any Liability for fraud by such party. The provisions of this Section 8.2 and Sections 8.3 and Article X (other than Sections 10.6 and 10.7) shall survive any termination hereof pursuant to Section 8.1.

8.3 Termination Fees.

(a) In the event that:

(i) this Agreement is terminated pursuant to Section 8.1(f)(i), then Verizon shall, by way of compensation, pay to Vodafone the Verizon Reverse Termination Fee by wire transfer (to an account designated by Vodafone) of immediately available funds no later than the fifth (5th) Business Day following such termination;

(ii) this Agreement is terminated pursuant to Section 8.1(h), then Verizon shall, by way of compensation, pay to Vodafone the Verizon Recommendation Change Fee by wire transfer (to an account designated by Vodafone) of immediately available funds no later than the fifth (5th) Business Day following such termination; or

(iii) this Agreement is terminated pursuant to Section 8.1(i), then Verizon shall, by way of compensation, pay to Vodafone the Financing Failure
Termination Fee by wire transfer (to an account designated by Vodafone) of immediately available funds no later than the fifth (5th) Business Day following such termination.

In no event shall Verizon be required to pay more than one of the foregoing fees or to pay any such fees on more than one occasion (each of the fees set forth in this Section 8.3(a), a “Verizon Termination Fee”).

(b) In the event that this Agreement is terminated pursuant to Section 8.1(f)(i) or 8.1(i), then Vodafone shall, by way of compensation, pay to Verizon the Vodafone Termination Fee by wire transfer (to an account designated by Verizon) of immediately available funds no later than the fifth (5th) Business Day following such termination. In no event shall Vodafone be required to pay the Vodafone Termination Fee on more than one occasion.

(c) In the event that this Agreement is terminated pursuant to Section 8.1(e), then Vodafone shall, by way of compensation, pay to Verizon the Vodafone Termination Fee by wire transfer (to an account designated by Verizon) of immediately available funds no later than the fifth (5th) Business Day following such termination. In no event shall Vodafone be required to pay the Vodafone Termination Fee on more than one occasion.

(d) In the event that this Agreement is terminated pursuant to Section 8.1(d), then Vodafone shall pay to Verizon within five (5) Business Days following the date of such termination, the documented, out of pocket expenses (including expenses related to the Financing) of Verizon, not to exceed One Billion Five Hundred Fifty Million Dollars ($1,550,000,000) in the aggregate, payable by wire transfer of same day funds to an account designated in writing by Verizon.

(e) In the event that this Agreement is terminated pursuant to Section 8.1(c), then Verizon shall pay to Vodafone within five (5) Business Days following the date of such termination, the documented, out of pocket expenses of Vodafone, not to exceed One Billion Five Hundred Fifty Million Dollars ($1,550,000,000) in the aggregate, payable by wire transfer of same day funds to an account designated in writing by Vodafone.

(f) If either party fails to timely pay an amount due pursuant to this Section 8.3, the defaulting party shall pay the non-defaulting party interest on such amount at the prime rate as published in the Wall Street Journal in effect on the date such payment was required to be made through the date such payment is actually received.

(g) In the event of a Financing Failure that does not result from the willful and material breach by Verizon of any of its covenants in Section 5.9, the sole and exclusive remedy (whether at law, in equity, in contract, in tort or otherwise) of Vodafone or any of its Affiliates against the Financing Sources, the Replacement Financing Sources, if any, and the respective Affiliates, assignees, directors and officers of such Financing Sources and, if any, Replacement Financing Sources (collectively, the “Financing Related Parties”) and the Verizon Related Parties, in respect of this Agreement (including Section 4.14), the Ancillary Documents and the transactions contemplated hereby and thereby
shall be to terminate this Agreement in accordance with Section 8.1(i) (if such termination is permitted pursuant thereto) and collect the Financing Failure Termination Fee, if due, and any interest payable thereon pursuant to Section 8.3(f), and upon payment of such amounts in full, no Verizon Related Party or Financing Related Party shall have any further Liability or obligation relating to or arising out of this Agreement, the Ancillary Documents or any of the transactions contemplated hereby or thereby.

(h) Without limiting the obligations of the Financing Sources or the Replacement Financing Sources pursuant to the Financing Documents or the Replacement Financing Documents, respectively, Vodafone acknowledges and agrees that no Financing Related Party shall have any liability or obligation to Vodafone or any of its Affiliates in connection with this Agreement if such Financing Related Party breaches or fails to perform (whether willfully, intentionally, unintentionally or otherwise) any of its obligations under the Financing Documents or the Replacement Financing Documents, as applicable.

ARTICLE IX
SURVIVAL; INDEMNIFICATION

9.1 Survival; Effect of Materiality Qualifiers.

(a) The representations and warranties of Vodafone under this Agreement shall terminate on the Closing Date, except that (x) the representations and warranties in Sections 3.1, 3.2 and 3.12 shall survive the Closing until the date that is twelve (12) months after the Closing Date, at which time they will terminate and (y) the representations and warranties in Sections 3.7 (b), 3.8 and 3.9 shall survive the Closing until thirty (30) days after the expiration of the applicable statute of limitations, at which time they will terminate. The representations and warranties of Verizon under this Agreement shall terminate on the Closing Date, except that the representations and warranties in Sections 4.1, 4.3 and 4.16 shall survive the Closing until the date that is twelve (12) months after the Closing Date, at which time they will terminate. The covenants and other agreements of the parties under this Agreement or in any instrument delivered pursuant to this Agreement that specify performance prior to the Closing Date (other than Sections 5.1, 5.17 and 5.18, which shall terminate on the Closing Date, provided that the covenants contained in Section 5.1 and 5.18(f) shall, for purposes of indemnification pursuant to Section 9.2(c), survive until thirty (30) days after the expiration of the applicable statute of limitations) shall survive the Closing until the expiration of twelve (12) months after the Closing Date, at which time they will terminate. The covenants and other agreements of the parties under this Agreement or in any instrument delivered pursuant to this Agreement that specify performance following the Closing Date shall survive the Closing in accordance with their terms. Notwithstanding the preceding sentences, any breach or inaccuracy of any representation or warranty or any breach of any covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if written notice of the inaccuracy or
breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

(b) Following the Closing, in determining whether any representation or warranty in this Agreement was true and correct as of any particular date and the amount of any Damages in respect of the failure of any such representation or warranty to be true and correct as of any particular date, any qualification or limitation as to materiality (whether by reference to “Vodafone Material Adverse Effect”, “Verizon Material Adverse Effect” or otherwise) or knowledge contained in such representation or warranty shall be disregarded.

9.2 Indemnification.

(a) Effective after the Closing, subject to the terms and conditions of this Article IX, Vodafone shall indemnify Verizon, its Affiliates (including, following the Closing, the Sold Entities) and their respective Representatives (collectively, the “Verizon Indemnitees”) against and shall hold each of them harmless from any claims, losses, costs, Taxes, Liabilities, obligations, and expenses (whether or not arising out of third-party claims), including interest, penalties, attorneys’ fees and all amounts paid in investigation, defense or settlement of any of the foregoing (“Damages”) actually incurred or suffered by any such Verizon Indemnitee in connection with, arising out of or resulting from (i) any breach of any of the representations and warranties of Vodafone contained in this Agreement which survive the Closing, (ii) any breach of a covenant or agreement made or to be performed by Vodafone pursuant to this Agreement (other than (x) a covenant or agreement made or to be performed pursuant to Article VI which shall be governed by Section 9.2(c) and (y) a covenant or agreement made or to be performed pursuant to Sections 5.1 and 5.18, for which there will be no indemnification pursuant to this Section 9.2(a)(ii)), (iii) the Excluded Assets, (iv) the Excluded Liabilities, (v) the Reorganization (except to the extent governed by Section 9.2(c)), or (vi) any litigation which is commenced or threatened against such Verizon Indemnitee asserting claims (A) regarding any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to (x) information contained in the Vodafone Circular, which information was not provided in writing by Verizon or any of its Affiliates or any of their respective Representatives specifically for inclusion in the Vodafone Circular and (y) information contained in any Verizon Disclosure Document, which information was provided in writing by Vodafone or any of its Affiliates or any of their respective Representatives in connection with this Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby specifically for inclusion in such Verizon Disclosure Document or (B) otherwise alleging that the Vodafone Circular did not comply with any applicable legal or regulatory requirement.

(b) Effective after the Closing, subject to the terms and conditions of this Article IX, Verizon shall indemnify Vodafone, its Affiliates and their respective Representatives (collectively, the “Vodafone Indemnitees”) against and shall hold each of them harmless from any Damages actually incurred or suffered by any such Vodafone Indemnitee in connection with, arising out of or resulting from (i) any breach of any of
the representations and warranties of Verizon contained in this Agreement which survive the Closing, (ii) any breach of any covenant or agreement made or to be performed by Verizon pursuant to this Agreement (other than (x) a covenant or agreement made or to be performed pursuant to Section 5.17, for which there will be no indemnification pursuant to this Section 9.2(b)(i) or (y) a covenant or agreement to be performed pursuant to Section 5.20(a) or Article VI which shall be governed by Section 9.2(d)), (iii) any litigation which is commenced or threatened against such Vodafone Indemnitee asserting claims (A) regarding any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to (x) information contained in any Verizon Disclosure Document, which information was not provided in writing by Verizon or any of its Affiliates or any of their respective Representatives in connection with this Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby specifically for inclusion in such Verizon Disclosure Document and (y) information contained in the Vodafone Circular, which information was provided in writing by Verizon or any of its Affiliates or any of their respective Representatives specifically for inclusion in the Vodafone Circular or (B) otherwise alleging that any Verizon Disclosure Document did not comply with any applicable legal or regulatory requirement, or (iv) except as otherwise provided in Section 9.2(c), the Partnership and its Subsidiaries and the business, assets and liabilities thereof to the extent incurred or suffered at any time following the Closing in respect of any period prior to or following the Closing.

(c) Effective after the Closing, notwithstanding any provision of this Agreement to the contrary, Vodafone shall indemnify and hold harmless the Verizon Indemnitees from any and all liability for: (i) Taxes imposed on or payable by any Sold Entity for any Pre-Closing Tax Period; (ii) Taxes incurred with respect to, or arising from, the Reorganization for any Pre-Closing Tax Period; (iii) amounts payable by a Sold Entity pursuant to any Tax sharing, allocation or indemnification agreement entered into before the Closing to indemnify any other Person in respect of or relating to Taxes of such other Person to the extent such amount relates to or arises from a Pre-Closing Tax Period; (iv) transfer, recording, documentary, sales, use, stamp, registration and similar Taxes (including any real estate transfer or similar Tax arising from any indirect transfer of property as a result of the transactions contemplated by this Agreement) and related fees incurred with respect to or arising from (A) the purchase and sale of the Transferred Shares pursuant to this Agreement, (B) the indirect transfer of the shares in and assets of the Sold Entities, or (C) the Reorganization; (v) Taxes for which any Sold Entity is liable (or that may be collected from any Sold Entity by way of offset against a refund of Tax otherwise due to the Sold Entities) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a successor or transferee or as a result of having been a member of any group (other than a group consisting solely of one or more of the Sold Entities) prior to Closing; (vi) Taxes attributable to the inclusion of any item of income in taxable income for any Post-Closing Tax Period as a result of any (x) adjustment required with respect to a Sold Entity by reason of a change in method of accounting for a Pre-Closing Tax Period under Section 481(c) of the Code (or any corresponding or similar provision of state, local or foreign Tax Law), (y) “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar
provision of state, local or foreign Tax Law) entered into by a Sold Entity prior to the Closing, or (z) installment sale by, or intercompany transaction (within the meaning of Treasury Regulation Section 1.1502-19) and California State income Taxes attributable to any Deferred Intercompany Stock Account of a Sold Entity), except, in each case of clauses (x) through (z), for any such items arising from any such change in method of accounting, closing agreement, installment sale or intercompany transaction by the Partnership; (vii) Taxes of Vodafone and its Affiliates (other than the Sold Entities) for any period; (viii) Taxes arising out of or resulting from any breach of a covenant or agreement made or to be performed by Vodafone pursuant to Sections 5.1 or 5.18(f) or Article VI; (ix) provided Verizon has provided notice thereof in accordance with Section 6.4, the Verizon Indemnity Amount; and (x) any out-of-pocket costs and expenses, including legal fees and expenses, attributable to any item described in clauses (i) to (x). Notwithstanding the foregoing, Vodafone shall not be liable for, and shall have no obligation to indemnify the Verizon Indemnitees for: (A) any Taxes that are attributable to (i) any adjustments made after the Closing (determined on a "with and without" basis) to items of Partnership income, gain, loss, deduction or credit (or other items reported to its partners on Schedule K-1 (IRS Form 1065)), whether by reason of audit, assessment, amended return or otherwise, for a Pre-Closing Tax Period, (ii) actions not in the ordinary course of business and not contemplated by this Agreement taken by Verizon or any of its Affiliates (including any of the Sold Entities) on the Closing Date after the Closing, (iii) an election made by Verizon under Section 338 of the Code with respect to the Sold Entities, or (iv) items described in clause (vi) of the preceding sentence, which Taxes, in the aggregate, do not exceed Five Million Dollars ($5,000,000); and (B) the excess, if any, of (i) the amount of Taxes imposed on the Sold Entities’ distributive share of items of Partnership income, gain, loss, deduction or credit (or other items reported to its partners on Schedule K-1 (IRS Form 1065)) for the taxable periods of the Sold Entities beginning on or after April 1, 2013 and ending on the Closing Date, taking into account Section 6.1(d), (determined on a hypothetical basis without regard to any other item of income, gain, loss, deduction or credit of the Sold Entities), over (ii) the sum of (x) the Tax Distributions received by the Sold Entities from the Partnership with respect to such taxable periods and (y) any payments made by Verizon pursuant to Section 5.21 that are measured by reference to Tax Distributions (other than Supplemental Tax Distributions). Any indemnity payment required to be made pursuant to this Section 9.2(c) shall be made by wire transfer or intrabank transfer of immediately available funds to an account designated by Verizon within ten (10) days after any of the Verizon Indemnitees makes written demand upon Vodafone, but in no case earlier than five (5) days prior to the date on which the relevant Taxes or other amounts are required to be paid to the applicable Taxing Authority.

(d) Verizon shall indemnify and hold harmless the Vodafone Indemnitees from any and all liability for: (i) Taxes imposed on or payable by any Sold Entity for any Post-Closing Tax Period except to the extent that Vodafone is responsible for such Taxes pursuant to Section 9.2(c), (ii) Taxes for which Verizon is responsible under Section 9.2(c), and (iii) Taxes arising out of or resulting from any breach of a covenant or agreement made or to be performed by Verizon pursuant to Section 5.20(a) or Article VI.
Any indemnity payment required to be made pursuant to this Section 9.2(c) shall be made by wire transfer or intrabank transfer of immediately available funds to an account designated by Vodafone within ten (10) days after any of the Vodafone Indemnitees makes written demand upon Verizon, but in no case earlier than five (5) days prior to the date on which the relevant Taxes or other amounts are required to be paid to the applicable Taxing Authority.

(e) Vodafone shall indemnify the Verizon Indemnitees against any Liabilities which are incurred by the Verizon Indemnitees (such Liabilities being determined to have the same economic effect as if they had been incurred directly by Verizon) in relation to any Vodafone UK Pension Plan pursuant to the exercise by the UK Pension Regulator of any of its powers under the UK Pensions Act 2004. Vodafone shall further indemnify the Verizon Indemnitees against any Liabilities incurred after the Closing by or in respect of any of the Sold Entities, which Liabilities are in respect of any (i) persons who were employed by the Sold Entities on or prior to the Closing, (ii) Employee Benefit Plans that were sponsored, maintained, contributed to or required to be contributed to by the Sold Entities on or prior to the Closing, and (iii) Employee Benefit Plans with respect to which the Sold Entities had any current, future or contingent Liability on or prior to the Closing.

(f) The parties to this Agreement agree that any indemnification payment made pursuant to this Agreement shall be treated for Tax purposes as an adjustment to the aggregate consideration being delivered to Seller pursuant to Section 2.2 in the form of the Cash Consideration, the Verizon Shares, the Verizon Notes and the Settlement Note, except to the extent otherwise required by applicable Law.

9.3 Third-Party Claim Procedures

(a) The Person seeking indemnification under Section 9.2 (the “Indemnified Party”) agrees to give prompt notice in writing to the party against whom indemnity is to be sought (the “Indemnifying Party”) of the assertion of any claim or the commencement of any suit, action or proceeding by any third party (“Third-Party Claim”) in respect of which indemnity may be sought under Section 9.2. Such notice shall set forth in reasonable detail such Third-Party Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations or Liability hereunder, except to the extent such failure shall have actually prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Third-Party Claim and, subject to the limitations set forth in this Section 9.3, shall be entitled to assume the defense thereof at its sole expense with lead counsel appointed by the Indemnifying Party and reasonably acceptable to the Indemnified Party; provided, that if the Indemnified Party has concluded that there may be one or more legal defenses or defense strategies available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party or that there exists or is reasonably likely to exist a conflict of interest, such Indemnified Party shall be entitled, at the
Indemnifying Party’s reasonable expense, to separate counsel (provided that such counsel is reasonably acceptable to the Indemnifying Party).

(c) If the Indemnifying Party elects to assume the defense of any such Third-Party Claim, all the parties hereto will cooperate in the defense or prosecution of such Third-Party Claim. Such cooperation will include the provision of reasonable access during business hours to the Indemnifying Party of records and information which are reasonably relevant to such Third-Party Claim, and making employees and other Representatives and advisors available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the Indemnifying Party assumes the control of the defense of any Third-Party Claim in accordance with the provisions of this Section 9.3, (i) the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld, conditioned or delayed) before entering into any settlement or compromise of such Third-Party Claim, if (A) the settlement or compromise does not release the Indemnified Party and its Affiliates from all Liabilities and obligations with respect to such Third-Party Claim or (B) the settlement or compromise imposes injunctive or other equitable relief against the Indemnified Party or any of its Affiliates, and (ii) the Indemnified Party shall be entitled to participate in the defense of any such Third-Party Claim and to employ, at its expense, separate counsel of its choice for such purpose.

(d) The provisions of this Section 9.3 shall not apply with respect to Tax Claims, which shall be governed by Article VI.

9.4 Direct Claim Procedures. If the Indemnified Party has a claim for indemnity under Section 9.2 against the Indemnifying Party that does not involve a Third-Party Claim, the Indemnified Party agrees to give prompt notice in writing of such claim to the Indemnifying Party. Such notice shall set forth in reasonable detail such claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have prejudiced the Indemnifying Party.

9.5 Limitations on Indemnification.

(a) Vodafone shall have no Liability for any claim for indemnification pursuant to Section 9.2(a) if the Damages for which the Indemnifying Party would be responsible for such claim and all related claims are less than the Applicable De Minimis Amount.

(b) Verizon shall have no Liability for any claim for indemnification pursuant to Section 9.2(b) if the Damages for which the Indemnifying Party would be responsible for such claim and all related claims are less than the Applicable De Minimis Amount.

9.6 Calculation of Damages.

(a) The amount of any Damages or Taxes payable under Section 9.2 by the Indemnifying Party shall be reduced by any amounts recovered by the Indemnified Party under applicable insurance policies or from any other Person alleged to be responsible.
therefor, and shall be (i) net of any Tax benefits actually realized by the Indemnified Party and (ii) increased by any Tax
costs incurred by the Indemnified Party (in each case, determined on a “with and without basis”). If the Indemnified Party
receives any amounts under applicable insurance policies, or from any other Person alleged to be responsible for any
Damages, subsequent to an indemnification payment by the Indemnifying Party, then the Indemnified Party shall promptly
reimburse the Indemnifying Party for any payment made or expense incurred by the Indemnifying Party in connection with
providing such indemnification payment up to the amount actually received by the Indemnified Party, net of any expenses
incurred by the Indemnified Party in collecting such amount. The Indemnified Party shall use commercially reasonable
efforts to collect any amounts available under insurance coverage, or from any other Person alleged to be responsible, for
any Damages payable under Section 9.2.

(b) The Indemnifying Party shall not be liable under Section 9.2 for any punitive, exemplary or special Damages, or
any other Damages that are not reasonably foreseeable; provided, that nothing herein shall prevent any Indemnified Party
from recovering for all components of awards against them in Third-Party Claims for which recovery is provided under
this Article IX.

9.7 Exclusive Remedy. From and after the Closing and except for the continuing availability of specific performance pursuant to
Section 10.6 with respect to covenants that specify performance following the Closing Date, Section 9.2 will (in the absence of fraud)
provide the sole and exclusive remedy for each of the parties hereto for any misrepresentation or inaccuracy or breach of any
representation and warranty or any breach of covenant or other agreement occurring at or prior to the Closing or other claim arising
directly or indirectly out of this Agreement or the transactions contemplated hereby with respect to matters occurring or
circumstances existing at or prior to the Closing (other than procedures for the conduct of proceedings relating to Tax Claims, which
shall be governed by Section 6.2).

ARTICLE X
MISCELLANEOUS

10.1 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be
effective (a) when personally delivered or transmitted by telecopier on a business day during normal business hours where such notice
is to be received at the address or number designated below or (b) on the business day following the date of mailing by overnight
courier, fully prepaid, addressed to such address, whichever shall first occur. The addresses for such communications shall be:
If to Vodafone, to:

Vodafone Group Plc
Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN
Telecopier: +44 1635 238080
Attention: Company Secretary

If to Seller, to:

Vodafone 4 Limited
Rivium Quadrant 173
2909 LC Capelle aan den IJssel
The Netherlands
Telecopier: +31 10 498 77 22
Attention: Erik de Rijk, Managing Director

And, in each case, with copies, which shall not constitute notice, to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Telecopier: (212) 455-2502
Attention: William E. Curbow and Eric M. Swedenburg

and

Slaughter and May
One Bunhill Row
London EC1Y 8YY
Telecopier: +44 (0)20 7090 5000
Attention: Craig Cleaver and Roland Turnill

If to Verizon, to:

Verizon Communications Inc.
One Verizon Way
Basking Ridge, NJ 07928
Telecopier: (908) 766-3813
Attention: William L. Horton, Jr., Senior Vice President, Deputy
General Counsel and Corporate Secretary
10.2 Interpretation. When a reference is made in this Agreement to Sections, Schedules or Exhibits, such reference shall be to a Section of, Schedule to or Exhibit to this Agreement unless otherwise indicated. The table of contents, glossary of defined terms and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The term “parties” shall mean Vodafone, Seller and Verizon, and the term “party” shall be deemed to refer to either Vodafone, Seller or Verizon, as the case may be. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The phrases “the date of this Agreement” and “the date hereof” shall be deemed to refer to September 2, 2013. No provision of this Agreement shall be construed to require Vodafone, Seller, Verizon or any of their respective Affiliates to take any action that would violate any Law, rule or regulation.

10.3 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto, in whole or in part (whether by operation of Law or otherwise), without the prior written consent of (i) Vodafone and Seller, if the assigning party is Verizon or (ii) Verizon, if the assigning party is Vodafone or Seller, and any attempt to make any such assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

10.4 Entire Agreement; Amendments. Except to the extent that other agreements are specifically referred to herein, this Agreement among Vodafone, Seller and Verizon contains the entire understanding of the parties with respect to the matters covered hereby and, except as specifically set forth herein, none of Vodafone, Seller or Verizon makes any representation, warranty, covenant or undertaking with respect to such matters. This Agreement may be amended only by an agreement in writing executed by the parties hereto. The parties hereto may amend this Agreement without notice to or the consent of any third party; provided, however, that after receipt of the Verizon Requisite Vote or the Vodafone Requisite Share Purchase Vote, there shall not be made any amendment that by Law requires further approval by the holders of...
the Verizon Common Stock or the Vodafone Ordinary Shares without the further approval of such shareholders.

10.5 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

10.6 Specific Enforcement.

(a) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that unless this Agreement has been terminated in accordance with Article VIII, the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they may be entitled at law or in equity.

(b) Notwithstanding anything in this Agreement to the contrary, including Section 10.6(a), the parties hereby acknowledge and agree that, in the event of a Financing Failure, Vodafone shall not be entitled to specific performance (i) if the Transaction is to be implemented by way of the Vodafone Scheme, to cause Verizon to appear at the Court Hearing or the hearing in respect of the confirmation by the Court of the Vodafone Reduction of Capital, to give any undertakings in connection with the Vodafone Scheme, or to effect the Scheme Closing in accordance with Section 2.3, or (ii) if the Transaction is to be implemented by way of the Share Purchase, to effect the Share Purchase Closing in accordance with Section 2.5. Nothing in this Section 10.6(b) is intended to limit the right and entitlement of Vodafone to specific performance in accordance with Section 10.6(a) with respect to any failure to perform or breach by Verizon of any covenant in this Agreement other than the failure of Verizon, in the event of a Financing Failure, to (x) appear at the Court Hearing or the hearing in respect of the confirmation by the Court of the Vodafone Reduction of Capital, to give any undertakings in connection with the Vodafone Scheme, or to effect the Scheme Closing in accordance with Section 2.3, or (y) effect the Share Purchase Closing in accordance with Section 2.5, if the Transaction is to be implemented by way of the Share Purchase.

(c) Each party further agrees that, subject to Section 10.6(b), (i) such party will not oppose the granting of an injunction, specific performance and other equitable relief as provided herein on the basis that the other party has an adequate remedy at law or an award of specific performance is not an appropriate remedy for any reason at law or equity and (ii) no other party or any other Person shall be required to obtain, furnish or
post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 10.6, and each party irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

10.7 Further Assurances. Subject to the terms and provisions of this Agreement, each party hereto shall do and perform all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby.

10.8 Waiver of Jury Trial. Each of the parties hereto irrevocably and unconditionally waives trial by jury in any legal action or proceeding relating to this Agreement or the transactions contemplated hereby and for any counterclaim therein.

10.9 Submission to Jurisdiction; Waivers.

(a) Each of Vodafone, Seller and Verizon irrevocably agrees that any legal action or proceeding with respect to this Agreement or for recognition and enforcement of any judgment in respect hereof brought by another party hereto or its successors or assigns shall be brought and determined in the United States District Court for the Southern District of New York (or, to the extent such court does not have subject matter jurisdiction, the Supreme Court of the State of New York in New York County), and each of Vodafone, Seller and Verizon hereby irrevocably submits with regard to any such action or proceeding for itself and in respect to its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid courts. Each of Vodafone, Seller and Verizon hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to serve process in accordance with this Section 10.9. (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (c) to the fullest extent permitted by Law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper and (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

(b) Notwithstanding anything herein to the contrary, each of the parties hereto expressly agrees (i) that it will not bring or support any lawsuit, claim, complaint, action, formal investigation or proceeding before any Governmental Entity (each, an “Action”), whether in law or in equity, whether in contract or in tort or otherwise, against any Financing Related Party arising out of or relating to the transactions contemplated hereby in any forum other than any state or federal court sitting in the borough of Manhattan, New York, New York, and any appellate court thereof, (ii) to waive and hereby waives any right to trial by jury in respect of any such Action and (iii) that any such Action shall
be governed by, and construed in accordance with, the Laws of the State of New York, without regard to the conflicts of Law rules of such state that would result in the application of the Laws of any other jurisdiction.

10.10 No Third Party Beneficiaries. Except as set forth in (i) Article IX and Sections 5.15, 8.2 and 8.3(f) and, with respect to the Financing Related Parties (in their capacities as such), Sections 8.3(g), 8.3(h) and 10.9(b), this Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision of this Agreement be enforced by, any other person. For the avoidance of doubt, no provision of this Agreement is intended to provide any Vodafone Shareholder (or any party acting on its behalf) the ability to assert or enforce any right (whether in its capacity as a Vodafone Shareholder or derivatively or otherwise on behalf of Vodafone) or seek any remedies pursuant to this Agreement. For the avoidance of doubt, the Financing Related Parties are express third party beneficiaries of Sections 8.3(g), 8.3(h) and 10.9(b).

10.11 Governing Law. This Agreement shall be governed and construed in accordance with the Laws of the State of New York, without regard to the conflicts of Law rules of such state that would result in the application of the Laws of any other jurisdiction.

10.12 Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

10.13 Counterparts. This Agreement may be executed in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. Each of the parties hereto (i) has agreed to permit the use, from time to time, of faxed or otherwise electronically transmitted signatures in order to expedite the consummation of the transactions contemplated hereby, (ii) intends to be bound by its respective faxed or otherwise electronically transmitted signature, (iii) is aware that the other parties hereto will rely on the faxed or otherwise electronically transmitted signature, and (iv) acknowledges such reliance and waives any defenses to the enforcement of the documents effecting the transaction contemplated by this Agreement based on the fact that a signature was sent by fax or otherwise electronically transmitted.

10.14 Extension; Waivers. At any time prior to the Closing, Verizon and Vodafone by action taken or authorized by or on behalf of their respective boards of directors may, to the extent legally allowed, (i) extend the time for or waive the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained here; provided, however, that after receipt of the Verizon Requisite Vote or the Vodafone Requisite Share Purchase Vote, there shall not be made any waiver that by Law requires further approval by the holders of the Verizon Common Stock or the Vodafone Ordinary Shares without the further approval of such shareholders. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

[Signature Page Follows] 88
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized
officers as of the date hereof.

VODAFONE GROUP PLC

By /s/ VITTORIO COLAO
Name: VITTORIO COLAO
Title: CHIEF EXECUTIVE

VODAFONE 4 LIMITED

By
Name:
Title:

By
Name:
Title:

[Signature Page – Stock Purchase Agreement]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date hereof.

VODAFONE GROUP PLC

By
Name: 
Title: 

VODAFONE 4 LIMITED

By /s/ Erik de Rijk
Name: Erik de Rijk
Title: Director

By /s/ L.R.M. KRAAN
Name: L.R.M. KRAAN
Title: Company Secretary

I, Birgit Snijder-Kuipers, kandidaat-notaris (candidate civil law notary), acting as a substitute for Johannes Daniël Maria Schoonbrood, notaris (civil law notary) practising in Amsterdam, the Netherlands, confirm that the signature placed on this document is signed in my presence and corresponds with the signature placed on the passport in the name of Erik Antonius Jacobus de Rijk, born in The Hague, the Netherlands on 5 March 1960, however, without any statement as to the authority of Erik Antonius Jacobus de Rijk to represent the limited partnership: Vodafone 4 Limited.

Signed in Capelle aan den IJssel on 2 September 2013.

I, Birgit Snijder-Kuipers, kandidaat-notaris (candidate civil law notary), acting as a substitute for Johannes Daniël Maria Schoonbrood, notaris (civil law notary) practising in Amsterdam, the Netherlands, confirm that the signature placed on this document is signed in my presence and corresponds with the signature placed on the passport in the name of Lamberdina Regina Maria Kraan, born in Gouda, the Netherlands, on 23 September 1963, however, without any statement as to the authority of Lamberdina Regina Maria Kraan to represent the limited partnership: Vodafone 4 Limited.

Signed in Capelle aan den IJssel on 2 September 2013.
VERIZON COMMUNICATIONS INC.

By /s/ Lowell C. McAdam
Name: Lowell C. McAdam
Title: Chairman and Chief Executive Officer

[Signature Page – Stock Purchase Agreement]
FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT

This FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT, dated as of December 5, 2013 (this “Amendment”), is hereby entered into among Vodafone Group Plc, an English public limited company (“Vodafone”), Vodafone 4 Limited, an indirect wholly owned Subsidiary of Vodafone (“Seller”), and Verizon Communications Inc., a Delaware corporation (“Verizon”).

WHEREAS, the parties hereto are parties to that certain Stock Purchase Agreement, dated as of September 2, 2013 (the “Agreement”);

WHEREAS, Section 10.4 of the Agreement provides, among other things, that the Purchase Agreement may be amended by an agreement in writing executed by Vodafone, Seller and Verizon; and

WHEREAS, the parties hereto desire to amend the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereby agree to amend the Agreement in the following manner:

ARTICLE I
DEFINITIONS

1.1 Defined Terms. All capitalized terms used and not defined herein shall have the meanings given to such terms in the Agreement.

ARTICLE II
AMENDMENTS TO THE AGREEMENT

2.1 Definitions. Article I of the Agreement is hereby amended as follows:

(i) The defined term “New Vodafone Shares Admission” is hereby deleted.

(ii) The defined term “Scheme Closing” is hereby restated to read as follows:

“Scheme Closing” has the meaning set forth in Section 2.3.”

(iii) The defined term “Scheme Effective Date” is hereby restated to read as follows:

“Scheme Effective Date” means the date of the Scheme Closing.”

(iv) The defined term “Settlement Note” is hereby amended by (a) the addition of the word “substantially” immediately prior to the phrase “in the form appended as Exhibit B” and (b) the addition of the words “, with such changes as mutually agreed among the parties hereto” immediately after the phrase “in the form appended as Exhibit B”. 
(v) The defined term “Vodafone B.V. Inc. Note” is hereby amended by (a) the addition of the word “substantially” immediately prior to the phrase “in the form appended as Exhibit E” and (b) the addition of the words “, with such changes as mutually agreed among the parties hereto” immediately after the phrase “in the form appended as Exhibit E”.

(vi) The defined term “Vodafone Reduction of Capital” is hereby restated to read as follows:

“Vodafone Reduction of Capital” means the following proposed reductions of capital of Vodafone under Chapter 10 of Part 17 of the Companies Act to be undertaken pursuant to the Vodafone Scheme, being (i) the reduction or cancellation of Vodafone’s share premium account; (ii) the cancellation of Vodafone’s capital redemption reserve; and (iii) the cancellation of the Vodafone Class B Shares, but subject always to Section 5.4(b).”

2.2 Scheme Closing. Section 2.3 of the Agreement is hereby restated to read as follows:

“Scheme Closing. Subject to the terms and conditions of this Agreement, (a) the closing (the “Scheme Closing”) of the Transaction in accordance with Section 2.4 shall occur immediately following (and on the date of) the satisfaction of the condition set forth in Section 7.1(b)(ii)(v) and (b) Vodafone shall use commercially reasonable efforts to cause to be satisfied the condition set forth in Section 7.1(b)(ii)(iii) on the date that the condition set forth in Section 7.1(b)(ii)(x) is satisfied (and, for the avoidance of doubt, Vodafone shall cause the condition set forth in Section 7.1(b)(ii)(iii) to be satisfied before the condition set forth in Section 7.1(b)(ii)(y) is satisfied), or, in the case of (a) or (b), at such other time as Verizon and Vodafone may agree in writing. For the avoidance of doubt, the Court Hearing shall not be held until all of the conditions set forth in Article VII have been satisfied (or, to the extent permitted by applicable Law, waived in a writing signed by the party for whose benefit the condition exists) other than the conditions set forth in Sections 7.1(b)(ii) and 7.1(b)(iii). The purchase and sale of the Transferred Shares in connection with the Scheme Closing shall take place immediately following (and on the date of) the satisfaction of the conditions set forth in Section 7.1(b)(ii)(y) at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, NY, or at such other place as Verizon and Vodafone may agree in writing. Upon the earlier of (i) the Scheme Longstop Date and (ii) the date on which the Vodafone Scheme lapses in accordance with its terms or is withdrawn, or as Verizon and Vodafone may otherwise agree in writing, this Section 2.3 shall be of no further force and effect.”

2.3 Vodafone Scheme Closing Deliverables. Section 2.4 of the Agreement is hereby amended by:

(i) Restating Section 2.4(a) to read as follows:

“(a) Distribution of Verizon Shares. At or promptly following the delivery (or, where the Court has so ordered, registration) of the order of the Court confirming the Vodafone Reduction of Capital to (or with) the UK Registrar of Companies, pursuant to and in accordance with the terms of the Vodafone Scheme, the Verizon Shares shall be distributed by or on behalf of Verizon to the Vodafone Shareholders in respect of their Vodafone Class B Shares or Vodafone Class C Shares, as applicable.”
(ii) Restating Section 2.4(b) to read as follows:

“(b) Payment of Cash Consideration. Payment of the Cash Consideration will be made at the Scheme Closing by wire transfer or intrabank transfer of immediately available funds to Seller or such other Person as Vodafone may direct to an account or accounts designated by Vodafone in writing, such designation to be made no later than the close of business on the third (3rd) Business Day prior to the Closing Date.”

(iii) Re-lettering Section 2.4(d) as Section 2.4(e) and replacing the reference therein to “Section 2.4(d)” with “Section 2.4(e)”.

(iv) Inserting a new Section 2.4(d), which is set forth in its entirety below:

“(d) Delivery of Reduction Order. At the Scheme Closing, Vodafone shall cause the order of the Court confirming the Vodafone Reduction of Capital to be delivered to the UK Registrar of Companies.”

2.4 Mix and Match and Free Dealing Facility.

(i) Verizon and Vodafone acknowledge and agree that they have discussed the possibility of offering a “mix and match” facility in accordance with the first sentence of Section 5.2(e) of the Agreement and have determined not to offer such a facility.

(ii) The second and third sentences of Section 5.2(e) of the Agreement are hereby deleted in their entirety and replaced as follows:

“Verizon shall (i) implement a free share dealing facility through one or more appropriate service providers, to enable individual Vodafone Shareholders resident in, or with a resident address in, the European Economic Area (other than Croatia) holding fewer than 50,000 Vodafone Ordinary Shares in certificated form to elect to cause the Verizon CDIs to which they are entitled to be sold on a stock exchange and to receive their cash proceeds in their default currency (EUR or GBP, in accordance with their current standing dividend mandate instructions) or, at their election, in USD, EUR or GBP (provided that, where such Vodafone Shareholder has previously made an election (through the relevant form of election) to receive his Cash Entitlement in one of such currencies, the proceeds of sales of Verizon CDIs under the dealing facility shall be paid in that same currency), such free share dealing facility to be provided for a period of six weeks from the Closing Date; provided, that Vodafone shall pay on demand to Verizon fifty percent (50%) of all costs and expenses incurred by Verizon in connection with the implementation of the free share dealing facility pursuant to this clause (i); and (ii) for a period of at least two (2) years following the Closing, implement such arrangements with one or more appropriate service providers (A) as may be reasonably necessary to enable uncertificated Vodafone Shareholders to hold Crest Depository Interests representing underlying Verizon Shares (“Verizon CDIs”) and (B) pursuant to which such appropriate service provider(s) will act as a corporate sponsored nominee and hold Verizon CDIs for the benefit of individual certificated Vodafone Shareholders resident in, or with a registered address in, the European Economic Area (other than Croatia) holding Vodafone Ordinary Shares in certificated form who receive Verizon Shares pursuant to this Agreement. Verizon will consult with Vodafone (each acting reasonably and in good faith) with a view to providing that the terms on which the
Verizon CDIs, corporate sponsored nominee service and free share dealing facility are provided are consistent with market practice for similar facilities in the UK-listed market, and the final terms will be described in the Vodafone Circular (and, where relevant, accompanying materials) and the Verizon UK Prospectus.”

2.5 Date of the Court Hearings. Section 5.3(a)(ix) is hereby amended by deleting the second proviso thereto in its entirety and replacing it as follows:

“provided, further, that without limiting any other provision of this Agreement, the hearing in respect of the confirmation by the Court of the Vodafone Reduction of Capital shall not be held on a Friday unless the Court Hearing also occurs on such Friday; and”

2.6 Restriction on Reorganization of Significant Subsidiaries. Section 5.17(b) of the Agreement is hereby deleted in its entirety and replaced as follows:

“(b) (i) merge or consolidate Verizon with any other Person or (ii) restructure, reorganize or completely or partially liquidate any of the Significant Subsidiaries of Verizon except, in the case of Significant Subsidiaries other than the Partnership or any Subsidiary of the Partnership that is a Significant Subsidiary (if any), in the ordinary course of business, it being understood that this clause (ii) shall not restrict the transfer or issuance of any equity or debt of a wholly owned Significant Subsidiary of Verizon to Verizon or any of its wholly owned Subsidiaries;”

2.7 Vodafone B.V. Inc. Section 5.20(a) of the Agreement is hereby deleted in its entirety and replaced as follows:

“(a) Verizon shall maintain the corporate existence of Vodafone B.V. Inc. for at least the two-year period beginning on the Closing Date and during such period shall (i) cause Vodafone B.V. Inc. to employ at least one individual to manage its finance operations, (ii) not prepay the principal balance of, or cause or permit Vodafone B.V. Inc. to transfer, the Settlement Note (which Verizon shall cause to be serviced in accordance with its terms) other than any prepayments permitted pursuant to the terms thereof, and (iii) cause Vodafone B.V. Inc. to maintain a balance of at least Two Hundred Fifty Million Dollars ($250,000,000) in cash, cash equivalents or third party investments.”

2.8 Tax Cooperation. Section 6.3(b) of the Agreement is hereby amended by replacing the references therein to “Section 2.6(b)(vi)” with “Section 2.6(b)(vii)”.

2.9 Mutual Conditions. Section 7.1 of the Agreement is hereby amended by:

(i) Restating Section 7.1(b)(iii) to read as follows:

“(iii) The relevant order of the Court sanctioning the Vodafone Scheme shall have been delivered to the UK Registrar of Companies in accordance with applicable Law.”

(ii) Restating Section 7.1(c) to read as follows:

4
Amendment to the Official List in Respect of New Vodafone Shares. Only with respect to the obligation to consummate the Vodafone Scheme:"

(iii) Restating Section 7.1(c)(i) to read as follows:

“(i) All necessary documents in relation to the amendment to the Official List for the New Vodafone Shares to trade on the LSE’s Main Market for listed securities shall have been supplied to the UKLA and the LSE.”

(iv) Restating Section 7.1(c)(ii) to read as follows:

“(ii) The UKLA shall have acknowledged to Vodafone or its agent (and such acknowledgement shall not have been withdrawn) that the application to amend the Official List in respect of the New Vodafone Shares has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as any such listing conditions shall have been satisfied.”

(v) Restating Section 7.1(c)(iii) to read as follows:

“(iii) The LSE shall have acknowledged to Vodafone or its agent (and such acknowledgement shall not have been withdrawn) that the New Vodafone Shares will be enabled to trade on the LSE’s Main Market for listed securities at the same time as the amendment to the Official List in respect of the New Vodafone Shares becomes effective.”

2.10 Omnitel Consideration. The parties hereto agree, on their own behalf and on behalf of VBIH and Vodafone Europe, that if the transactions contemplated by the Omnitel Purchase Agreement are consummated on the Closing Date, the obligations under Section 2.2(c)(i) of the Agreement and Section 3.2(c) of the Omnitel Purchase Agreement shall be satisfied in accordance with Schedule I hereto.

ARTICLE III
MISCELLANEOUS

3.1 Counterparts. This Amendment may be executed in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

3.2 Continuing Effect of the Agreement. This Amendment shall not constitute an amendment of any other provision of the Agreement not expressly referred to herein. The Agreement shall remain in full force and effect, and this Amendment shall be effective and binding upon Vodafone, Seller and Verizon upon execution and delivery by Vodafone, Seller and Verizon. From and after the date hereof, all references to the term “Agreement” in the Agreement shall be deemed to refer to the Agreement, as amended hereby.

3.3 Headings. The headings contained in this Amendment are for reference purposes only and shall not affect in any way the meaning or interpretation of this Amendment.
3.4 **Governing Law.** This Amendment shall be governed and construed in accordance with the Laws of the State of New York, without regard to the conflicts of Law rules of such state that would result in the application of the Laws of any other jurisdiction.
IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date hereof.

VODAFONE GROUP PLC

By /s/ Rosemary E.S. Martin
Name: Rosemary E.S. Martin
Title: Group General Counsel & Company Secretary

VODAFONE 4 LIMITED

By /s/ Erik de Rijk
Name: Erik de Rijk
Title: Director

By /s/ L.R.M. Kraan
Name: L.R.M. Kraan
Title: Company Secretary

[Signature Page – First Amendment to Stock Purchase Agreement]
SCHEDULE I

Omnitel Consideration Mechanics

If the transactions contemplated by the Omnitel Purchase Agreement are consummated on the Closing Date:

1. Verizon’s obligation to pay the Omnitel Consideration Amount to Seller on the Closing Date pursuant to Section 2.4(e)(i)(A) of the Agreement shall be satisfied by issuance of a note by Verizon to Seller in the amount of the Omnitel Consideration Amount, having the terms set forth in Exhibit A hereto; and

2. Vodafone Europe’s obligation to pay the Purchase Price (as defined in the Omnitel Purchase Agreement) to VBIH on the Closing Date pursuant to Section 3.2(c) of the Omnitel Purchase Agreement shall be satisfied by issuance of a note by Vodafone Europe to VBIH in the amount of the Omnitel Consideration Amount, having the terms set forth in Exhibit B hereto.
EXHIBIT A

Form of VCI Note

[Attached.]
THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EXEMPTION THEREFROM UNLESS MADE PURSUANT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

[•], 20[•] (the “Execution Date”)  
New York, New York

PROMISSORY NOTE

For value received Verizon Communications Inc., a Delaware corporation ("Payor"), promises to pay to Vodafone 4 Limited ("Payee"), an indirect wholly owned subsidiary of Vodafone Group Plc ("Vodafone"), on or before the date that is one Business Day after the Execution Date (the “Maturity Date”) the amount of Three Billion Five Hundred Million Dollars ($3,500,000,000) (the “Principal Amount”) in accordance with the terms set forth below.

This Promissory Note is the note referred to in Paragraph 1 of Schedule I to the First Amendment to the Stock Purchase Agreement, dated as of December 5, 2013, among Vodafone, Payee and Payor.

As used in this Promissory Note, the term “Business Day” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York, Amsterdam, the Netherlands or London, United Kingdom are authorized or required by applicable law to close.

All payments under this Promissory Note due upon the Maturity Date shall be made in lawful money of the United States of America and in immediately available funds.

For the avoidance of doubt, no interest shall be payable on the Principal Amount under this Promissory Note, and the Principal Amount may be paid at any time prior to the Maturity Date without penalty.

Payor waives presentment, notice of dishonor, protest and any other formality with respect to this Promissory Note, to the fullest extent permitted by applicable law.

This Promissory Note shall be binding on Payor and its successors and permitted assigns and shall inure to the benefit of Payee and its successors and permitted assigns; provided that Payor may not delegate any obligations hereunder without the prior written consent of Payee and Payee may not assign or otherwise transfer all or any portion of this Promissory Note without the prior written consent of Payor.

This Promissory Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflicts of law rules of such state that would result in the application of the laws of any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
IN WITNESS HEREOF, THE UNDERSIGNED HAS CAUSED THIS PROMISSORY NOTE TO BE DULY EXECUTED AS
OF THE DATE FIRST WRITTEN ABOVE:

VERIZON COMMUNICATIONS INC.

By: ________________________________
Title: ______________________________
Date: ______________________________
EXHIBIT B

Form of VEBV Note

[Attached.]
THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (“THE SECURITIES ACT”), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EXEMPTION THEREFROM UNLESS MADE PURSUANT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

[•], 20[•] (the “Execution Date”)

New York, New York

PROMISSORY NOTE

For value received Vodafone Europe B.V., a private company with limited liability incorporated under the laws of the Netherlands (“Payor”) and an indirect wholly owned subsidiary of Vodafone Group Plc (“Vodafone”), promises to pay to Verizon Business International Holding B.V., a private company with limited liability incorporated under the laws of the Netherlands (“Payee”) and a wholly owned subsidiary of Verizon Communications Inc. (“Verizon”), on or before the date that is one Business Day after the Execution Date (the “Maturity Date”) the amount of Three Billion Five Hundred Million Dollars ($3,500,000,000) (the “Principal Amount”) in accordance with the terms set forth below.

This Promissory Note is the note referred to in Paragraph 2 of Schedule I to the First Amendment to the Stock Purchase Agreement, dated as of December 5, 2013, among Verizon, Vodafone, and Vodafone 4 Limited, an indirect wholly owned subsidiary of Vodafone.

As used in this Promissory Note, the term “Business Day” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York, Amsterdam, the Netherlands or London, United Kingdom are authorized or required by applicable law to close.

All payments under this Promissory Note due upon the Maturity Date shall be made in lawful money of the United States of America and in immediately available funds.

For the avoidance of doubt, no interest shall be payable on the Principal Amount under this Promissory Note, and the Principal Amount may be paid at any time prior to the Maturity Date without penalty.

Payor waives presentment, notice of dishonor, protest and any other formality with respect to this Promissory Note, to the fullest extent permitted by applicable law.

This Promissory Note shall be binding on Payor and its successors and permitted assigns and shall inure to the benefit of Payee and its successors and permitted assigns, provided that Payor may not delegate any obligations hereunder without the prior written consent of Payee and Payee may not assign or otherwise transfer all or any portion of this Promissory Note without the prior written consent of Payor.

This Promissory Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflicts of law rules of such state that would result in the application of the laws of any other jurisdiction.
IN WITNESS HEREOF, THE UNDERSIGNED HAS CAUSED THIS PROMISSORY NOTE TO BE DULY EXECUTED AS OF THE DATE FIRST WRITTEN ABOVE:

VODAFONE EUROPE B.V.

By: _____________________________
Title: ___________________________
Date: ___________________________
## UNAUDITED COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)

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<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>Restated(2) 2012 £m</th>
<th>2011 £m</th>
<th>2010 £m</th>
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<td>Financing costs per consolidated income statement(3)</td>
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<td>1,596</td>
<td>1,768</td>
<td>359</td>
<td>1,448</td>
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<td>Financing costs – discontinued operations</td>
<td>—</td>
<td>56</td>
<td>23</td>
<td>70</td>
<td>64</td>
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<tr>
<td>One third of rental expense</td>
<td>718</td>
<td>601</td>
<td>585</td>
<td>629</td>
<td>553</td>
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<tr>
<td>Interest capitalized</td>
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<td>8</td>
<td>25</td>
<td>138</td>
<td>—</td>
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<tr>
<td><strong>Fixed charges</strong></td>
<td>2,275</td>
<td>2,261</td>
<td>2,401</td>
<td>1,196</td>
<td>2,065</td>
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<td>Profit/(loss) before taxation from continuing operations</td>
<td>(5,270)</td>
<td>(3,483)</td>
<td>4,144</td>
<td>5,057</td>
<td>4,626</td>
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<td>Share of profit in associates</td>
<td>(278)</td>
<td>(575)</td>
<td>(1,129)</td>
<td>(548)</td>
<td>(630)</td>
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<tr>
<td>Fixed charges</td>
<td>2,275</td>
<td>2,261</td>
<td>2,401</td>
<td>1,196</td>
<td>2,065</td>
</tr>
<tr>
<td>Dividends received from associates</td>
<td>4,897</td>
<td>5,539</td>
<td>4,916</td>
<td>1,424</td>
<td>1,436</td>
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<td>Preference dividend requirements of a consolidated subsidiary</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(89)</td>
<td>(86)</td>
</tr>
<tr>
<td>Interest capitalized</td>
<td>(3)</td>
<td>(8)</td>
<td>(25)</td>
<td>(138)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td>1,621</td>
<td>3,734</td>
<td>10,307</td>
<td>6,902</td>
<td>7,411</td>
</tr>
<tr>
<td><strong>Ratio of earnings to fixed charges</strong></td>
<td>—</td>
<td>1.7</td>
<td>4.3</td>
<td>5.8</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Deficiency between fixed charges and earnings</strong></td>
<td>654</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Notes:

1. All of the financial information presented in this exhibit is unaudited.
2. The ratios for the years ended 31 March 2013 and 2012 have been restated to reflect the Group’s adoption of IFRS 11 “Joint Arrangements” and the revisions to IAS 19 “Employee benefits”, and includes the Group’s joint ventures using the equity accounting basis. The ratios for the years ended 31 March 2011 and 2010 have not been restated as it would involve unreasonable effort and expense. The ratios for the years ended 31 March 2011 and 2010 therefore include the Group’s joint ventures on a proportionate consolidation basis, rather than on an equity accounting basis.
3. Fixed charges include (1) interest expensed (2) interest capitalized (3) amortised premiums, discounts and capitalised expenses related to indebtedness, (4) an estimate of the interest within rental expense, and (5) preference security dividend requirements of a consolidated subsidiary. These include the financing costs of subsidiaries. Fixed charges include foreign exchange losses arising from net foreign exchange movements on certain intercompany loans of £nil for the year ended 31 March 2014 (2013: £91 million, 2012: £nil, 2011: £nil, 2010: £78 million) and interest credit on settlement of tax issues of £15 million for the year ended 31 March 2014 (2013: £91 million credit, 2012: £23 million expense, 2011: £826 million credit, 2010: £178 million credit).
RULE 13a-14(a) CERTIFICATION

I, Vittorio Colao, certify that:

1. I have reviewed this annual report on Form 20-F of Vodafone Group Plc (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

10 June 2014 /s/ Vittorio Colao
Date Vittorio Colao
Chief Executive
RULE 13a-14(a) CERTIFICATION

1. Nick Read, certify that:

1. I have reviewed this annual report on Form 20-F of Vodafone Group Plc (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

10 June 2014
Date

/s/ Nick Read

Nick Read
Chief Financial Officer
RULE 13a-14(b) CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Vodafone Group Plc, a company incorporated under the laws of England and Wales (the “Company”), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended 31 March 2014 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

10 June 2014
/s/ Vittorio Colao
Date
Vittorio Colao
Chief Executive

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

RULE 13a-14(b) CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Vodafone Group Plc, a company incorporated under the laws of England and Wales (the “Company”), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended 31 March 2014 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

10 June 2014
/s/ Nick Read
Date
Nick Read
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-81825 and 333-149634 on Form S-8 and Registration Statement No. 333-190307 on Form F-3 of our reports dated 20 May 2014, relating to the consolidated financial statements of Vodafone Group Plc and subsidiaries (the “Group”) (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Group’s adoption of International Financial Reporting Standard 11, Joint Arrangements and amendments to International Accounting Standard 19, Employee Benefits) and the effectiveness of the Group’s internal control over financial reporting, appearing in this Annual Report on Form 20-F of Vodafone Group Plc for the year ended 31 March 2014.

/s/ Deloitte LLP
Deloitte LLP
London, United Kingdom
10 June 2014
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-81825 and 333-149634 on Form S-8 and Registration Statement No. 333-190307 on Form F-3 of Vodafone Group Plc of our report dated February 27, 2014 relating to the consolidated financial statements of Celco Partnership d/b/a Verizon Wireless appearing in this Annual Report on Form 20-F of Vodafone Group Plc for the year ended March 31, 2014.

/s/ Deloitte & Touche LLP

New York, New York
June 10, 2014