

VODAFONE AIRTOUCH PLC  
PRELIMINARY ANNOUNCEMENT OF RESULTS - YEAR ENDED 31 MARCH 2000

FINANCIAL HIGHLIGHTS <sup>(1)</sup>	Year ended 31 March 2000	Year ended 31 March 1999	Percentage increase %
PRO FORMA BASIS <sup>(2) (3)</sup>			
Proportionate customers at year end	39,139,000	25,421,000	54
Proportionate turnover	£12,569m	£9,185m	37
Proportionate EBITDA - before exceptional items <sup>(4)</sup>	£3,948m	£3,046m	30
Proportionate total Group operating profit - before goodwill and exceptional items <sup>(4)</sup>	£2,708m	£2,055m	32
Non-proportionate profit on ordinary activities before taxation <sup>(5)</sup> - before goodwill and exceptional items <sup>(4)</sup>	£2,474m	£1,800m	37
STATUTORY BASIS <sup>(2)</sup> (Details on page 16)			
Total Group operating profit - before goodwill and exceptional items <sup>(4)</sup>	£2,538m	£972m	161
Profit on ordinary activities before taxation - before goodwill and exceptional items <sup>(4)</sup>	£2,154m	£878m	145
Basic earnings per share <sup>(6)</sup> - before goodwill and exceptional items <sup>(4)</sup> - after goodwill and exceptional items	4.71p 1.80p	3.77p 4.12p	25
Dividends per share <sup>(6)</sup>	1.335p	1.272p	5

(1) The acquisition of Mannesmann AG received clearance from the European Commission on 12 April 2000. Accordingly, the results of Mannesmann AG are not included in either the pro forma or statutory profit and loss accounts, or customer information, for the year ended 31 March 2000.

(2) The unaudited pro forma profit and loss accounts and customer information are calculated on the basis that the merger with AirTouch Communications, Inc. took place on 1 April in each year presented, which is further described in Note 2 to the preliminary announcement. The audited statutory financial information is calculated on the basis required by accounting standards and includes the results of AirTouch Communications, Inc. from 30 June 1999, the date of closure of the merger.

(3) Pro forma proportionate customer and financial information excludes E-Plus Mobilfunk GmbH.

(4) Exceptional items comprise the profit on disposal of fixed asset investments, reorganisation costs following the merger with AirTouch Communications, Inc. and exceptional finance costs incurred in restructuring the Group's borrowing facilities as a result of the Mannesmann acquisition.

(5) Non-proportionate pro forma profit on ordinary activities before taxation, goodwill and exceptional items is analysed in Note 3.

(6) Prior year earnings and dividends per share have been adjusted to give effect to the capitalisation issue on 30 September 1999.

Chris Gent, Chief Executive of Vodafone AirTouch Plc, commented:

“By any standard, the year ended 31 March 2000 has seen exceptional progress for Vodafone AirTouch. In the course of the year, we saw the closure of the AirTouch transaction and agreements with both Bell Atlantic and Mannesmann, which completed in April 2000. The effect of all of these transactions collectively is to more than quadruple the size of the business in a year when we achieved outstanding underlying growth on all measures.

With regard to the successful implementation of the Group’s strategy, the last financial year saw major advances on all fronts. Our strategy is aimed at pursuing growth in three different ways; accelerated customer growth, geographic expansion and the provision of new services to customers.

We expect to see mobile substitute for fixed in both voice and data services for the consumer and then be extended and enriched to provide services that have never before been available to users, increasing usage in every market. This will give enormous growth potential for Vodafone AirTouch, to the benefit of our customers and shareholders.”

Group highlights:

- Strong progress following completion of the merger with AirTouch Communications, Inc. on 30 June 1999, reflected in record improvements in turnover, operating profit, EBITDA and customer numbers.
- Worldwide customer base at 31 March 2000 of 39.1 million proportionate customers, up 54%. 86.1 million customers in ventures the Group invests in or controls.
- Pro forma proportionate EBITDA, before exceptional items, up 30% on the comparable period to £3,948m.
- Earnings per share growth of 25%, before goodwill and exceptional items.
- Creation of Verizon Wireless on 3 April 2000, a new US joint venture business with a national footprint, in which the Group will have a 45% interest.
- Mannesmann acquisition completed on 12 April 2000.
- VIZZAVI launched as the brand name for the Group’s multi-access Global Internet Portal in May 2000; based on a single global technology platform, VIZZAVI will maintain existing relationships with customers and capture new revenue streams in the emerging market for Internet services.

## Regional highlights:

### Europe, Middle East & Africa

- Pro forma proportionate customers increased by 71% in the year to 15.6 million.
- Pro forma total Group operating profit from EMEA operations, before goodwill, increased by 34% to £1,321m.
- Group interest in E-Plus disposed of at a profit of £939m.
- Commercial service launched in Hungary and increased ownership interests in the Group's investments in Italy, Poland and Romania.
- EMEA's pro forma proportionate mobile customers increased by 13.3 million to over 28.9 million customers (excluding Orange) through the Mannesmann acquisition, based on venture customers at 31 March 2000.
- New multi-access Internet portal company for Europe created on 17 May 2000 under a 50/50 joint venture agreement with VivendiNet (a joint venture between Vivendi and Canal+). The new venture, operating under the VIZZAVI global brand name, will become the default home page for Vodafone's, Vivendi's and Canal+'s national operating companies, giving access to more than 70 million customers.

### United Kingdom

- Market leader with 8.8 million customers and market share of 32%. 3.2 million net new customers connected in the year, 1.5 times the number achieved in the comparable period.
- UK Group operating profit before goodwill increased to £706m, up 10% on last year.
- Substantial growth in value added services. Nine-fold increase from March 1999 in the use of Short Message Service (SMS) to 141 million messages in March 2000.
- Successful launch of wireless portal in December 1999, with over 60,000 registered customers at the year end. Largest available UK 3G licence acquired in April 2000.

### United States & Asia Pacific

- Proportionate customers at year end of 14.7 million, a pro forma increase of 38%.
- Pro forma total Group operating profit of £915m from United States and Asia Pacific operations, before goodwill and exceptional reorganisation costs of £30m, an increase of 45%.
- Verizon Wireless created on 3 April 2000. This new US joint venture will serve more than 23 million customers following anticipated completion of Bell Atlantic – GTE merger.
- Ownership interests increased to over 20% in each of nine regional cellular networks operating in Japanese market.

## EUROPE, MIDDLE EAST & AFRICA

At 31 March 2000, the EMEA region had network operations in sixteen countries, operating through seven subsidiary network companies and nine associated undertakings. Pro forma customer and profit growth during the year, which exclude any impact from the acquisition of Mannesmann AG, for which EC clearance was received on 12 April 2000, were strong across the region.

EMEA's proportionate customers increased to 15,662,000 at 31 March 2000, which represents pro forma growth for the year of 6,492,000 customers (71%). Pro forma proportionate turnover increased by 38% to £4,437m for the year, whilst pro forma proportionate EBITDA increased from £1,127m to £1,492m, representing growth of 32%.

Pro forma consolidated turnover for the year to 31 March 2000 grew by 26% from £1,617m to £2,030m, with EMEA's contribution to pro forma total Group operating profit, before goodwill, increasing by 34% to £1,321m.

During the year, the Group increased its shareholdings in several of its associates. In August 1999, the Group exercised an option to increase its stake in Omnitel Pronto Italia, Italy's second GSM network, from 17.8% to 21.6% and, in November 1999, the Group increased its stake in MobiFon, Romania's third GSM operator, from 10.0% to 20.1%. In December and January, the Group exercised its pre-emption rights to increase its shareholding in Polkomtel, Poland's second GSM operator, from 19.25% to 19.61%.

With the further consolidation of the distribution chain in a number of EMEA markets, certain subsidiaries also made strategic acquisitions during the year. In Greece, Panafon acquired a 25% shareholding in a service provider, Mobitel, subject to regulatory approvals and, in Sweden, Europolitan acquired a dealer chain, Ocom.

Growth in prepaid services has continued and, at 31 March 2000, over 54% of the region's proportionate customers were connected to prepaid tariffs, compared with 30% a year earlier. As a result of the change in mix towards prepaid, and the general trend of lower tariffs across the region, ARPU (at constant exchange rates) declined from £354 last year to £318 in the year to 31 March 2000. Average network churn in the region remained low during the year at 20.5%, calculated on a pro forma basis.

Following the AirTouch merger on 30 June 1999, the Group's listed subsidiaries include Telecel and Europolitan. These are in addition to Panafon and Libertel, the latter being listed on the Amsterdam Stock Exchange in June 1999. The market capitalisation of these companies at the end of the year was as follows:

	Listed in	Market capitalisation 31 March 2000
Europolitan	Stockholm	£5.5bn
Libertel	Amsterdam	£4.2bn
Panafon	Athens	£4.7bn
Telecel	Lisbon	£2.6bn

On 4 February 2000, the Group completed the sale of its 17.24% interest in E-Plus Mobilfunk GmbH in accordance with an undertaking provided to the European Commission as part of the AirTouch merger, giving a profit on disposal of £939m.

On 30 November 1999, the Group's 50.1% subsidiary, Vodafone Hungary, commenced commercial service as the third cellular network operator in that country.

On 13 March 2000, Airtel Móvil in Spain was the first EMEA mobile operator to be awarded a third generation (UMTS) licence. The company is expected to build out its network during 2001, with service launch anticipated in late 2001, subject to infrastructure and handset availability.

## Acquisition of Mannesmann

Following the European Commission's approval of the acquisition of Mannesmann AG on 12 April 2000, the Group's effective interest in Mannesmann Mobilfunk and Omnitel Pronto Italia increased to approximately 99.1% and 76.0%, respectively. This resulted in an approximate 13.3 million increase in the region's total pro forma proportionate customers to over 28.9 million (excluding Mannesmann's interest in Orange), based on total venture customers of 51.1 million at 31 March 2000.

Discussions are underway to achieve the rapid integration of the former Mannesmann businesses into the existing Vodafone AirTouch portfolio. This will ensure that initiatives to realise the significant potential synergy benefits, both on cost (in areas such as infrastructure and handset procurement) and revenues (through improved product offerings across the enlarged European footprint), will start immediately.

In addition to the increased shareholdings in mobile operations, the Group also acquired Mannesmann's interests in the following fixed line businesses – Arcor in Germany, Infostrada in Italy, Cegetel in France and tele.ring in Austria. tele.ring also plans to launch a mobile service in Austria in June 2000, following its successful bid for a new licence, and will be the fourth mobile operator in the Austrian market.

## VIZZAVI joint venture

On 17 May 2000, the Group and VivendiNet (a joint venture between Vivendi and Canal+) announced that an agreement had been signed for the creation of a new joint venture company, VIZZAVI, to establish a multi-access Internet portal for Europe. The Group and VivendiNet will both have a 50% shareholding in VIZZAVI and anticipate making an Initial Public Offering within two years.

The new venture, operating under the VIZZAVI global brand name, will become the default home page for Vodafone's, Vivendi's and Canal+'s national operating companies throughout Europe, with access to more than 70 million customers. The multi-access Internet portal will provide services to customers in a consistent format across different platforms, including mobile handsets, personal computers, televisions and personal digital assistants. VIZZAVI will have its own technology team to develop the multi-access interfaces, working in close co-operation with the Group's global mobile platform technology team to ensure a seamless global service.

Vivendi has indicated its interest in purchasing the Group's entire 15% shareholding in Cegetel's capital stock.

## UNITED KINGDOM

The year saw continued rapid expansion in the UK mobile phone market, which grew by 12.4 million new customers compared with 5.8 million the previous year. There are now over 27 million mobile phone customers in the UK and market penetration is 46% compared with 26% at the beginning of the financial year.

Vodafone has maintained its clear leadership in this highly competitive market place with a record 3,216,000 net new customers, closing the year with a customer base of 8,791,000 and a market share of 32%, 5% or 1.4 million customers ahead of its nearest competitor.

Turnover in the UK increased by 39% from £2,088m to £2,901m. Operating profit, before goodwill, grew by £62m to £706m, an increase of 10%, whilst EBITDA increased by 14% to £934m. This growth in profits is after connection costs on record customer growth and continued tariff cuts.

## Network business

Pre-paid products have driven the growth in the UK mobile market during the year. Vodafone's Pay As You Talk (PAYT) product has operated very successfully in this market, achieving 3,233,000 net connections in the year ended 31 March 2000, compared with 1,648,000 net connections last year. PAYT customers totalled 5,079,000 at 31 March 2000 and represented almost 58% of Vodafone's UK customer base.

The success of PAYT is reflected in the average revenue per customer (ARPU) for the twelve months ended 31 March 2000 which, at £175 (£199 before trade discounts), was up by 10% from £159 (£178 before trade discounts) at 31 March 1999. PAYT cost to connect for the twelve months ended 31 March 2000 was held at £50 in a highly competitive marketplace, compared with £43 in the twelve months to 31 March 1999.

Following a 55,000 reduction in the contract customer base in the first half of the year, revised tariffs and other changes to commercial policy resulted in a net second half increase of 38,000, giving a closing contract customer base of 3,712,000. Cost to connect rose to £94 for the 12 months ended 31 March 2000 from £88 for the comparable period, reflecting competitive pressures. ARPU was stable at £421 (£554 before trade discounts) for the twelve months ended 31 March 2000 compared to £423 (£553 before trade discounts) at 31 March 1999. This reflects tariff reductions being balanced by increased usage.

Overall average revenue per customer (both contract and PAYT) has declined from £378 last year to £305 this year due to the effect of the increase in the PAYT base.

Network churn has fallen in the six months ended 31 March 2000 to 28.3% from 33.2% in the previous six months, reflecting management actions taken in the second half of the year. Overall churn in the 12 months ended 31 March 2000 rose to 29.8% from 26.0% the previous year.

Vodafone continues to have the widest roaming capability of the UK operators, with agreements in 107 countries and across 234 networks, giving over 170 million customers access to its network. Roaming revenues, both from Vodafone customers using their phones overseas and visitors using the UK network, represented 24% of contract digital outgoing airtime and access revenues, compared with 23% last year.

Vodafone continues to invest to improve network quality. £523m was spent on capital expenditure in the year, enabling the company to sustain, and in certain areas improve, overall network quality through a period of significantly increasing demand. During the year over 1,600 base stations were installed, with 6,700 in operation at 31 March 2000.

## Distribution business

The Group's distribution companies continued to drive the majority of Vodafone's growth, achieving net growth, excluding service provider acquisitions, of 198,000 contract customers and two thirds of the growth in PAYT. By the end of March 2000, the Group's distribution companies accounted for 63% of the Vodafone contract customer base, up from 48% at the end of March 1999.

The share of the contract customer base connected through the Group's distribution businesses was boosted by the acquisition of MC Mobile Services, UniqueAir, Scottish Telecommunications (Services) and 3@ Telecom during the year, for an aggregate cost of £84m.

Market leadership on PAYT has been sustained by continuing to increase availability through a wide range of retailers. Throughout the period, Vodafone has continued to work with traditional independent service providers and dealers to balance growth through these channels with that coming from new channels on PAYT.

Vodafone Retail has shown continued success and grew to 272 shops, with average connections per shop up by 57%. Vodafone Corporate increased its market share in the overall corporate market.

An option to dispose of the Group's 20% interest in the Martin Dawes service provider business was exercised in the year, resulting in a profit on disposal of £11m. The high level of churn through this service provider, following the disposal of our shareholding, was adequately compensated for by the strong performance of the wholly-owned distribution businesses.

During the year, Vodafone Paging improved its share of the highly competitive subscription paging market through securing several major corporate contracts. The new paging services recently launched have positioned the company to take the lead in the introduction of two-way messaging services into the traditional paging market.

#### Value Added and Data Service business

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

#### Future Services

The UK's multi-media portal was launched in December 1999 and, by the end of the financial year, had over 60,000 registered customers. Additional services are being progressively launched and, by the end of May, the UK portal is expected to have over 90,000 customers. Migration to the new global service delivery platform and Internet brand is anticipated to take place in July 2000.

In April, Vodafone was successful in acquiring the largest UK 3G licence available to an existing operator, for £5.964 billion. This gives the maximum spectrum available to enable the full development of video, picture messaging, e-commerce and other data and mobile multi-media services. For the first time, Vodafone will have more capacity for its products and services than any of its UK competitors. In parallel with the development of the 3G network, Vodafone is testing and rolling out GPRS, which is expected to be in commercial service during the last quarter of the year ending March 2001.

#### UNITED STATES & ASIA PACIFIC

Proportionate customers for the United States and Asia Pacific region increased by 38%, on a pro forma basis, during the year ended 31 March 2000, to 14,686,000. Pro forma proportionate turnover increased from £3,807m for the year ended 31 March 1999 to £5,187m, an increase of 36%, and pro forma proportionate EBITDA, before exceptional items, increased by 38% to £1,522m.

Pro forma turnover in the twelve months to 31 March 2000 increased by 19% to £3,956m, with pro forma total Group operating profit increasing by 45% to £915m, before goodwill and exceptional reorganisation costs of £30m incurred in the US following the merger with AirTouch. The Group is seeing clear benefits from this expenditure, which is generating synergies in line with the plan developed before merger completion.

#### US Cellular & PCS Operations

The Group's mobile operations in the US increased total proportionate customers on a pro forma basis by 1,873,000 to 10,553,000 at the year end, an increase of 22%. This increase includes over 402,000 customers added through the acquisition of CommNet and 214,000 net customers connected by the CMT and PCS PrimeCo joint ventures.

Strong growth in the number of digital customers resulted from the continued rollout of the US digital network. 4,196,000 proportionate customers were connected to the digital network at 31 March 2000, representing 40% of the customer base at the end of the year, compared with 22% at 31 March 1999. The migration of customers from analogue to digital networks has been stimulated by incentives, an extensive advertising campaign and a new range of tariffs. On average, customers connected to the digital network generate higher revenues and a lower level of churn than those connected to the analogue network.

In the twelve months to 31 March 2000, average cost to connect decreased to £141 from £145 (at constant exchange rates) for the comparable period. The decline in the average cost to connect during the year has been achieved despite the growth in the digital customer base, where handset prices are considerably higher than those for analogue customers. This, together with the costs incurred in migrating existing customers from analogue to digital, has affected the level of profitability.

ARPU for the twelve months to 31 March 2000 on subsidiary US networks was £293, a decrease of 7% on the same period last year. However, in recent months, the average monthly revenue per customer has improved with some markets beginning to see an increase in ARPU, as higher usage, and the benefits of customer migration to the digital network, offset the effects of tariff reductions. Average monthly usage per customer increased during the year to 141 minutes, compared with 122 minutes for the comparable period.

Churn on wholly owned US networks during the year ended 31 March 2000 was 29% compared with 27% in the prior year. The effects of new retention initiatives, together with the increased number of customers on the digital network, are beginning to reduce the level of churn in US operations.

Positive measures have also been taken to reduce reliance on independent retailers to support customer growth. The opening of new retail shops has continued, improving the distribution of cellular services in the US market. During the year, the total number of retail outlets increased by 222 stores to 316 at 31 March 2000. Customers connected through wholly owned retail operations are less expensive to connect and, at the present time, churn is at a significantly lower rate.

On 6 January 2000, the outstanding share capital of CommNet was acquired. CommNet operates wireless services in the mid-west of the United States and had over 402,000 customers at acquisition.

On 15 March 2000, AirTouch pre-launched the Group's global platform for mobile data and Internet services in Michigan, Ohio, Oregon and Washington. By mid-May, 81,000 customers were connected to the service, with new activations being made at a rate of between 800 and 1,200 per day.

The US paging business had 3.5 million customers at 31 March 2000 and continued to trade profitably during the year.

#### Bell Atlantic Joint Venture

On 3 April 2000, Verizon Wireless was created by the combination of Vodafone AirTouch's and Bell Atlantic's US cellular, PCS and paging assets. Further businesses will be contributed to the joint venture following the anticipated completion of the merger between Bell Atlantic Corp. and GTE Corp., when Verizon Wireless will rank as the market leader in the US wireless industry serving more than 23 million customers and covering 96 of the top 100 US markets. The Group will have a 45% shareholding in this new venture and has nominated three of the seven board members and one executive officer.



Verizon Wireless will have the national scale and scope to realise revenue enhancements, cost savings and capital efficiencies. The company will achieve cost savings through reduced roaming costs and increased economies of scale in transport, billing volumes, handset purchases and advertising. Combining common CDMA technology platforms will also yield capital efficiencies, simplified integration and superior network quality.

Vodafone AirTouch and Bell Atlantic have announced that they are planning an Initial Public Offering for Verizon Wireless.

#### Australia/New Zealand/Fiji

The Group's interests in Australia, New Zealand and Fiji increased their proportionate customers by 726,000 to 1,795,000 at 31 March 2000, an increase of 68%. This increase in customers has driven strong growth in revenue and operating profit.

Vodafone Australia increased its customer base by 48% in the year ended 31 March 2000 to 1,440,000 customers, 18% of the total Australian digital market. From April 2000, Australian customers were among the first in the world to access an early release of the Group's global platform for mobile data and Internet services.

Strong growth continued in New Zealand and its customer base was 473,000 at 31 March 2000, an increase of more than 290,000 customers in the year. Since acquiring this operation on 30 October 1998, the customer base has grown by more than 263%. Vodafone Fiji, in which the Group has a 49% shareholding, increased its customer base by 200% during the year to 24,000 customers at 31 March 2000.

The Group is making necessary preparations to proceed with an Initial Public Offering of these interests through Vodafone Pacific and will continue to monitor market conditions in order to assess the optimal timing for the Offering.

#### Japan

During the year, the Group increased its equity interests to more than 20% in each of Japan's nine regional mobile telecommunications companies, becoming the second largest shareholder, behind Japan Telecom, in each venture. The total consideration paid for the increased ownership interests in the three Digital Phone and six Digital Tu-Ka companies was £342m. At 31 March 2000, the Group's proportionate customers amounted to 1,907,000, with overall customer growth in ventures in which the Group has an interest being 31% in the year.

The nationwide roll-out of the Digital Phone Group's "J-Phone" brand to each of the six former Digital Tu-Ka companies has been very successful. This will increase the ability of the renamed "J-Phone" companies to compete in the Japanese mobile telecommunications market.

"Sky Walker", the J-Phone short message service (SMS), is proving to be very popular and is currently used by as many as 80% of J-Phone customers in the Tokyo area. "J-Sky", J-Phone's Internet service, was introduced in December 1999 and there are approximately one million customers currently connected to this service across the J-Phone companies.

On 30 March 2000, the Group announced that, together with its partners, Japan Telecom and British Telecom, it had agreed to restructure its interests in Japan ahead of the third generation licence application in April 2000. The Group's ownership interests are substantially unchanged by the restructuring.

## Satellite Services

All major operational milestones were met for the Group's satellite services businesses in the US, Canada and Mexico in 1999, and commercial service has been launched throughout North America. Sales of services will be accomplished through a network of agents and resellers, including sales channels established through Verizon Wireless.

In March 2000, the Group launched Vodafone Globalstar in Australia, the country's first ever fully integrated GSM/satellite mobile service.

## FINANCIAL REVIEW

### Profit and loss account

Turnover increased to £7,873m from £3,360m last year. This increase includes £3,375m in respect of acquisitions and strong growth from continuing operations.

Profit on ordinary activities before tax increased to £1,349m from £935m primarily due to the profit on the sale of E-Plus, organic growth from continuing operations and contributions arising from the acquired AirTouch businesses, offset by goodwill amortisation.

Due to the significance of the merger with AirTouch Communications, Inc., unaudited pro forma consolidated profit and loss accounts have been presented for the years ended 31 March 2000 and 31 March 1999, calculated on the basis that the merger took place on 1 April in each financial year. The following discussion of Group turnover and operating profit is based on the pro forma consolidated profit and loss accounts, as this provides a direct comparison of operating performance.

Approval from the European Commission for the acquisition of Mannesmann AG was received on 12 April 2000. In addition, the transaction with Bell Atlantic Corp. to create Verizon Wireless was completed on 3 April 2000. Accordingly, the statutory and pro forma profit and loss accounts for the year ended 31 March 2000 do not include any amounts in relation to the acquisition of Mannesmann AG or the creation of the Verizon Wireless joint venture.

### Pro forma Group turnover

Pro forma Group turnover for the financial year increased by £1,869m to £8,887m, representing pro forma growth of 27%.

Pro forma turnover in EMEA increased by 26% to £2,030m, with strong turnover growth across the region as pro forma customers in controlled businesses increased by 52% during the year. The growth in pre-paid services has been an important feature of this result, with over 54% of the region's proportionate customers now being connected to pre-paid products.

Turnover in the UK increased by 39% to £2,901m, reflecting strong PAYT customer growth, the success of data services and increased minutes' usage, offset by the impact of tariff reductions.

Customer numbers in the Group's subsidiaries in the US, Australia and New Zealand increased by 26% to almost 12,000,000 customers at 31 March 2000, resulting in a £643m (19%) increase in pro forma turnover for the United States & Asia Pacific region to £3,956m.

Total pro forma proportionate turnover, which reflects the Group's ownership interests in its world-wide operations, increased during the year by 37% to £12,569m. The Group's total proportionate customers increased to 39,139,000 at 31 March 2000, representing pro forma growth of 54%.

## Total pro forma Group operating profit

Total pro forma Group operating profit increased by 30% from £2,260m to £2,942m, before goodwill and exceptional reorganisation costs.

Pro forma total Group operating profit for EMEA, before goodwill, and including the Group's share of associated undertakings, increased by 34% to £1,321m. This growth reflects strong trading throughout the region, in particular by subsidiaries in Egypt, the Netherlands and Sweden and by associated undertakings in Germany, Italy, South Africa and Spain. This was offset by a reduction in operating profit in France due to high connection costs incurred on customer growth in SFR.

In the UK, total operating profit before goodwill, increased by £62m to £706m. This growth in operating profit is after connection costs on record customer growth, 50% higher than last year, and tariff reductions.

The United States & Asia Pacific region reported a pro forma increase of 45% in total Group operating profit to £915m, before goodwill, and exceptional reorganisation costs of £30m incurred in the US following the merger with AirTouch. The increase in operating profit reflects strong organic growth in Australasia and Japan, the impact of stake increases in Japan and the first full year of results from New Zealand. These factors are offset by the cost of migrating US customers from analogue to digital, with 40% of customers now on digital tariffs compared to 22% last year.

Movements in exchange rates had an adverse impact of £21m on the increase in pro forma total Group operating profit. The adverse effect of exchange rate movements from the strength of sterling against the Euro was partially offset by compensating exchange rate movements against the US Dollar and Yen.

Pro forma proportionate EBITDA increased by 30% from £3,046m to £3,948m. Proportionate EBITDA is defined as operating profit before exceptional reorganisation costs, plus depreciation and amortisation of subsidiaries, joint ventures, associated undertakings and investments, proportionate to equity stakes.

## Profit on disposal of fixed asset investments and businesses

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

## Interest

Net interest costs in respect of the Group's net borrowings increased by £257m to £333m during the year, before charging £17m of exceptional finance costs incurred in restructuring the Group's borrowing facilities as a result of the Mannesmann acquisition. This increase reflects a £5,135m increase in net borrowings during the year, mainly due to the additional debt arising from the merger with AirTouch. Group interest, excluding the Group's share of interest payable by joint ventures and associated undertakings, is covered 7.3 times by Group EBITDA (before exceptional reorganisation costs). The Group's main interest exposures are sterling, Euro and US dollar interest rates.

## Taxation

The effective rate of taxation for the year, before goodwill and disposals, increased to 32.5% from 28.7% in the year ended 31 March 1999. The 3.8% increase in the effective tax rate is primarily the result of the higher tax rates attributable to the former AirTouch operations, whose results have been included for the nine month period following merger completion.

### Basic earnings per share

Basic earnings per share, before goodwill and exceptional items, increased by 25% from 3.77p to 4.71p, after adjusting the comparative figure for the capitalisation (bonus) issue on 30 September 1999.

Basic earnings per share, after goodwill and exceptional items, fell from 4.12p last year to 1.80p. This includes a reduction of 6.32p per share in relation to the amortisation of capitalised goodwill, arising primarily from the merger with AirTouch and other acquisitions completed during the year.

### Dividends

The proposed final dividend of 0.680p produces a total for the year of 1.335p, an increase of 5% over last year, and reflects the Group's continuing strong trading performance and cash generation. Dividend cover, before goodwill amortisation, increased to 3.5 times compared with 3.3 times in the year ended 31 March 1999.

### Employees

The Group employed approximately 40,700 people at 31 March 2000, compared with 13,300 at last year end. This increase includes approximately 20,700 employees who joined the Group following the merger with AirTouch and the completion of other acquisitions in the year. 69% of the Group's total employees work outside the United Kingdom.

### Balance sheet

#### Fixed assets

Total fixed assets have increased in the year from £2,851m to £150,851m at 31 March 2000.

£41,379m of this increase is in relation to goodwill, net of amortisation charges, arising on acquisitions and investments in new businesses completed during the year, which has been capitalised and amortised in accordance with the Group's accounting policies. During the year, £21,789m of goodwill (net of amortisation) has been capitalised within intangible fixed assets in relation to acquired subsidiaries, with a further £19,590m being allocated to investments in joint ventures and associated undertakings. Included in these amounts is goodwill arising on the merger with AirTouch, provisionally calculated as £41.0 billion. This is being amortised primarily by reference to the unexpired licence period and conditions for licence renewal of the underlying acquired network businesses, with the amortisation periods ranging between 8 and 40 years.

The Group's investments, which include equity investments and loans advanced to associated undertakings and other investments, increased by £121,966m in the year as shown in the table below.

	£m
At 1 April 1999	372
Acquisition of Mannesmann	101,246
New investments, including goodwill of £19,590m	20,999
Other movements	(279)
At 31 March 2000	<u><u>122,338</u></u>

The investment of £101,246m in respect of Mannesmann AG represents the ordinary shares issued to the shareholders and convertible bond holders of Mannesmann AG at 31 March 2000. This follows the receipt of valid acceptances representing approximately 98.62% of the issued share capital of the company and 99.72% of the convertible bond at 27 March 2000, the date that the Company's Offer closed. The Mannesmann acquisition completed on 12 April 2000, the date that clearance was received from the European Commission.

Tangible fixed assets increased by £4,157m during the year, primarily relating to the merger with AirTouch and continued capital investment in the Group's world-wide network operations.

#### Equity shareholders' funds

Total equity shareholders' funds at 31 March 2000 had increased to £140,833m, compared with £815m at 31 March 1999. The increase includes the issue of new share capital of £140,037m, primarily in relation to the merger with AirTouch and the acquisition of Mannesmann, unvested option consideration of £1,165m in respect of the merger with AirTouch, a profit for the financial year of £487m (after goodwill amortisation of £1,712m), offset by dividends paid and proposed of £620m and an adverse currency translation adjustment in reserves of £1,130m.

#### Cash flows and net borrowings

Cash generated from operating activities increased by £1,465m to £2,510m due primarily to the growth in the Group's operations and the inclusion of the operating cash flows of the former AirTouch businesses following the merger. The principal cash outflows during the period related to cash consideration for investment purchases of £4,801m, net capital expenditure of £1,739m and net interest and other finance charges of £406m, including dividends paid to minority interests of £93m. Net capital expenditure of £1,739m is after deducting £279m of cash receipts in relation to the sub-leasing of certain US communications towers.

An analysis of net payments made in respect of investments is set out in the table below.

	£m
AirTouch Communications, Inc.	3,534
CommNet Cellular, Inc.	459
J-Phone Group	342
Omnitel	112
Other	354
	<u>4,801</u>

These cash outflows were offset by cash inflows of £236m in respect of dividends from associated undertakings, £1,028m from the disposal of fixed asset investments and loan repayments, and proceeds of £362m on the exercise of share options by employees.

As a result of these cash flows, and acquired indebtedness of £2,133m, net debt at the year end was £6,643m, an increase of £5,135m from 31 March 1999. A maturity analysis of net debt at 31 March 2000 is shown below.

Analysed by repayment year:	£m
Less than 1 year	605
Between 1-2 years	481
Between 2-5 years	1,681
More than 5 years	3,876
	<u>6,643</u>

Debt repayable within one year in the above analysis is net of cash and other liquid investments amounting to £189m at 31 March 2000. £700m of the gross debt maturing within one year was commercial paper, issued under the Group's US\$5 billion commercial paper programme. This programme is supported by bank facilities with more than one year to maturity.

The Group launched a Euro1.5 billion eurobond issue in October 1999 and a US\$5.25 billion bond in February 2000, with maturities of between 5 and 30 years, the proceeds from which were used to refinance short term borrowings.

#### Funding and liquidity

The Group has a strong financial position demonstrated by credit ratings of P-1/F1/A2 short term and A/A/A- long term from Moody's, Fitch IBCA Duff & Phelps and Standard and Poor's, respectively, which reflect the amended ratings of the Group following the acquisition of Mannesmann and the UK 3G licence auction. This enables the Group to access a wide range of debt finance including bonds, commercial paper and committed bank facilities.

The maturity of the undrawn committed facility available to the Group at 31 March 2000 is shown below:

Analysed by year of expiry:	Euro (million)
Within 1 year	9,500
Between 2-5 years	7,500
	<hr/>
	17,000
	<hr/>

The committed facility comprises a syndicated senior credit facility of Euro30 billion, which was subsequently reduced to Euro17 billion on 11 March 2000. The portion of the facility maturing within one year may be extended, at the option of the Group, for a further period of between 6 and 12 months.

In May 2000, the Group issued US\$3.75 billion of Floating Rate Notes, of which US\$0.75 billion is due in June 2001 and US\$3.0 billion in December 2001.

On 26 May 2000, the Group signed an additional US\$5 billion 364 day bank facility, extendable at the option of the Group by a further 9 months.

#### Subsequent events

On 3 April 2000, a new US joint venture wireless business with a national footprint, Verizon Wireless, was created by the combination of Vodafone AirTouch's and Bell Atlantic's US cellular, PCS and paging assets. Following the anticipated completion of the merger between Bell Atlantic Corp. and GTE Corp., the Group will have a 45% shareholding in the new venture.

On 12 April 2000, the acquisition of Mannesmann AG received clearance from the European Commission. The acquisition has resulted in increased shareholdings in certain mobile operations, with a pro forma increase in the proportionate customer base of the Europe, Middle East & Africa region to over 28.9 million, based on customer numbers at 31 March 2000. Mannesmann's interests also include fixed line businesses in Germany, Italy, France and Austria as well as non-telecommunications businesses, primarily Atecs Mannesmann, its engineering and automotive business.

On 17 April 2000, the Group announced that Mannesmann AG had reached an agreement with Siemens AG and Robert Bosch AG on the disposal of a 50% plus two shares stake in Atecs Mannesmann, with an option arrangement over Mannesmann AG's remaining stake. The transaction values Atecs Mannesmann at approximately Euro 9.6 billion, consisting of a payment of Euro 3.116 billion to be paid on completion of the sale of the stake of 50% plus two shares, or on 30 September 2000 if sooner, Euro 3.657 billion to Euro 3.807 billion to be paid upon the exercise of certain options between closing and 31 December 2003, and Euro 2.827 billion of pension and non-trading financial liabilities to be assumed by Siemens AG and Robert Bosch AG. The proceeds from the sale will be used to reduce Group net debt.

On 27 April 2000, the UK business was successful in acquiring the largest 3G licence available to an existing operator at a cost of £5.964 billion.

On 17 May 2000, the Group and VivendiNet (a joint venture between Vivendi and Canal+) announced that an agreement had been signed for the creation of a new joint venture company, VIZZAVI, to establish a multi-access Internet portal for Europe. The Group and VivendiNet will both have a 50% shareholding in the new company. Vivendi has indicated its interest in purchasing the Group's entire 15% shareholding in Cegetel's capital stock.

## Outlook

Vodafone AirTouch is very well positioned technically, financially and managerially not only to enjoy the rapid growth still to come in mobile telephony but also to lead the way in multi-access Internet service development, in the best markets in the world.

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2000

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Turnover		
- Continuing operations	4,498	3,360
- Acquisitions	3,375	-
	<u>7,873</u>	<u>3,360</u>
Operating profit		
- Continuing operations	980	847
- Acquisitions	1	-
	<u>981</u>	<u>847</u>
Share of operating profit/(loss) in joint ventures and associated undertakings		
- Continuing operations	104	116
- Acquisitions	(289)	-
	<u>796</u>	<u>963</u>
Total Group operating profit		
Disposal of fixed asset investments	954	66
	<u>1,750</u>	<u>1,029</u>
Profit on ordinary activities before interest		
Net interest payable		
- Group	(350)	(76)
- Joint ventures and associated undertakings	(51)	(18)
	<u>1,349</u>	<u>935</u>
Profit on ordinary activities before taxation		
Tax on profit on ordinary activities	(685)	(252)
	<u>664</u>	<u>683</u>
Profit on ordinary activities after taxation		
Equity minority interests	(137)	(46)
Non-equity minority interests	(40)	-
	<u>487</u>	<u>637</u>
Profit for the financial year		
Equity dividends	(620)	(197)
	<u>(133)</u>	<u>440</u>
Retained (loss)/profit for Group and its share of joint ventures and associated undertakings		
Basic earnings per share	1.80p	4.12p
Diluted earnings per share	1.78p	4.11p
Adjusted basic earnings per share	4.71p	3.77p



UNAUDITED PRO FORMA\* CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2000

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Turnover	<u>8,887</u>	<u>7,018</u>
Operating profit	1,013	762
Share of operating loss in joint ventures and associated undertakings	<u>(376)</u>	<u>(760)</u>
Total Group operating profit	637	2
Total Group operating profit before goodwill and exceptional items:		
- Subsidiary undertakings	1,886	1,624
- Joint ventures and associated undertakings	1,056	636
	<u>2,942</u>	<u>2,260</u>
Amortisation of goodwill	(2,275)	(2,258)
Exceptional reorganisation costs	(30)	-
Total Group operating profit	<u>637</u>	<u>2</u>
Disposal of fixed asset investments	975	116
Profit on ordinary activities before interest	<u>1,612</u>	<u>118</u>
Net interest payable	(485)	(460)
Profit/(loss) on ordinary activities before taxation	<u>1,127</u>	<u>(342)</u>
Tax on profit/(loss) on ordinary activities	(810)	(584)
Profit/(loss) on ordinary activities after taxation	<u>317</u>	<u>(926)</u>
Equity minority interests	(162)	(129)
Non-equity minority interests	(51)	(51)
Profit/(loss) for the financial year	<u>104</u>	<u>(1,106)</u>
Basic earnings/(loss) per share	0.34p	(3.64)p
Adjusted basic earnings per share	4.64p	3.47p

\* See basis of pro forma financial information described in Note 2

CONSOLIDATED BALANCE SHEET  
31 MARCH 2000

	31 March 2000 £m	31 March 1999 £m
Fixed assets		
Intangible assets	22,206	329
Tangible assets	6,307	2,150
Investments	122,338	372
Investments in joint ventures:		
- Share of gross assets	2,912	-
- Share of gross liabilities	(241)	-
	<u>2,671</u>	<u>-</u>
Investments in associated undertakings	17,979	275
Other investments	101,688	97
	<u>150,851</u>	<u>2,851</u>
Current assets		
Stocks	190	45
Debtors	2,138	741
Liquid investments	30	-
Cash at bank and in hand	159	6
	<u>2,517</u>	<u>792</u>
Creditors: amounts falling due within one year	4,441	1,530
Net current liabilities	<u>(1,924)</u>	<u>(738)</u>
Total assets less current liabilities	148,927	2,113
Creditors: amounts falling due after more than one year	6,374	1,179
Provisions for liabilities and charges	193	10
	<u>142,360</u>	<u>924</u>
Capital and reserves		
Called up share capital	3,797	155
Share premium account	39,577	96
Merger reserve	96,914	-
Other reserve	1,120	-
Profit and loss account	(575)	564
Total equity shareholders' funds	<u>140,833</u>	<u>815</u>
Equity minority interests	523	105
Non-equity minority interests	1,004	4
	<u>142,360</u>	<u>924</u>

CONSOLIDATED CASH FLOW  
FOR THE YEAR ENDED 31 MARCH 2000

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Net cash inflow from operating activities	2,510	1,045
Dividends received from associated undertakings	236	3
Net cash outflow for returns on investments and servicing of finance	(406)	(90)
Taxation	(325)	(195)
Net cash outflow for capital expenditure and financial investment	(756)	(688)
Net cash outflow for acquisitions and disposals	(4,756)	(317)
Equity dividends paid	(221)	(118)
	<hr/>	<hr/>
Cash outflow before management of liquid resources and financing	(3,718)	(360)
Management of liquid resources	(33)	-
Net cash inflow from financing	3,867	353
Increase/(decrease) in cash in the year	<hr/> <u>116</u>	<hr/> <u>(7)</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the year	116	(7)
Cash inflow from increase in debt	(3,468)	(360)
Cash outflow from increase in liquid resources	33	-
	<hr/>	<hr/>
Increase in net debt resulting from cash flows	(3,319)	(367)
Debt acquired on acquisition of subsidiaries	(2,133)	-
Other movements	1	(5)
Translation difference	316	(19)
	<hr/>	<hr/>
Increase in net debt in the year	(5,135)	(391)
Opening net debt	(1,508)	(1,117)
	<hr/>	<hr/>
Closing net debt	<u>(6,643)</u>	<u>(1,508)</u>

CONSOLIDATED STATEMENT OF  
TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2000

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Profit for the financial year	487	637
Currency translation	(1,130)	6
Total recognised gains and losses for the year	<u>(643)</u>	<u>643</u>

MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2000

Profit for the financial year	487	637
Equity dividends	(620)	(197)
	<u>(133)</u>	<u>440</u>
Currency translation	(1,130)	6
New share capital subscribed	140,037	19
Unvested option consideration	1,165	-
Goodwill transferred to the profit and loss account in respect of business disposals	18	11
Scrip dividends	81	64
Other	(20)	(8)
Net movement in equity shareholders' funds	<u>140,018</u>	<u>532</u>
Opening equity shareholders' funds	815	283
Closing equity shareholders' funds	<u>140,833</u>	<u>815</u>

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

1 Basis of preparation

The preliminary results for the year ended 31 March 2000 are an abridged statement of the full Group accounts which were approved by the Board of Directors on 29 May 2000. The Auditors' Report on these accounts was unqualified. The preliminary results do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The non-pro forma information relating to the year ended 31 March 1999, except where restated for the capitalisation (bonus) issue in the year, is an extract from the published accounts for that year, which have been delivered to the Registrar of Companies, and on which the Auditors' Report was unqualified.

On 29 June 1999, Vodafone Group Plc ("Vodafone Group") was renamed Vodafone AirTouch Plc ("Vodafone AirTouch"). On 30 June 1999, the merger of Vodafone AirTouch and AirTouch Communications, Inc. ("AirTouch") was completed. Vodafone AirTouch has accounted for the merger as an acquisition under UK GAAP in accordance with Financial Reporting Standard ("FRS") 6, "Acquisitions and Mergers". The unaudited pro forma consolidated financial information is also prepared on this basis.

Vodafone AirTouch's offer for Mannesmann closed on 27 March 2000, with valid acceptances for approximately 98.62% of the ordinary shares of Mannesmann AG having been received by that date. European Commission approval of the acquisition was received on 12 April 2000. Accordingly, the Group's consolidated profit and loss account prepared for the year ended 31 March 2000, and the unaudited pro forma consolidated profit and loss account, do not include the impact of the acquisition of Mannesmann AG. Additionally, the Group's consolidated profit and loss account for the year ended 31 March 2000 and the pro forma consolidated profit and loss accounts do not include any adjustments arising from the creation, on 3 April 2000, of Verizon Wireless under a joint venture arrangement with Bell Atlantic.

The Group has adopted FRS 15 – "Tangible Fixed Assets" and FRS 16 – "Current Tax" in the year. Compliance with these standards has not required any changes to prior year comparatives.

2 Basis of pro forma financial information

The unaudited pro forma consolidated profit and loss account and accompanying notes of Vodafone AirTouch for the year ended 31 March 2000 have been derived from its consolidated financial results for that period, and the unaudited financial results of AirTouch for the three month period ended 30 June 1999. The unaudited pro forma consolidated profit and loss account and accompanying notes of Vodafone AirTouch for the year ended 31 March 1999 are derived from the audited consolidated financial statements of Vodafone Group, and the unaudited consolidated financial statements of AirTouch, prepared for the corresponding period. The financial statements of AirTouch, which were previously prepared under US GAAP, have been adjusted to conform materially to Vodafone AirTouch's accounting policies under UK GAAP following the merger.

The pro forma results for the year ended 31 March 2000 and the year ended 31 March 1999 have been determined as if the merger took place on 1 April 1999 and 1 April 1998, respectively, the first day of the financial accounting period presented in the unaudited pro forma consolidated profit and loss accounts for those periods.

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

## 2 Basis of pro forma financial information (continued)

The pro forma merger adjustments reflected in the unaudited pro forma consolidated profit and loss accounts include assumptions made by Vodafone AirTouch's management that it believes to be reasonable. The unaudited pro forma consolidated profit and loss accounts do not take into account any synergies, including cost savings, or any severance and restructuring costs, which may or are expected to occur as a result of the merger, except in so far as such costs and savings have been included in the financial statements of Vodafone AirTouch for the year ended 31 March 2000.

## 3 Segmental analysis

The Group operates substantially in one class of business, the supply of mobile telecommunications services and products. Analysis of total Group operating profit, net assets, pro forma turnover and pro forma total Group operating profit by geographical region is set out below. Total Group operating profit is stated after the inclusion of the Group's share of operating profit in joint ventures and associated undertakings.

	Statutory basis	
	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Total Group operating profit (before goodwill and exceptional items)		
Europe, Middle East & Africa	1,103	314
United Kingdom	706	644
United States & Asia Pacific	729	14
	<u>2,538</u>	<u>972</u>
Amortisation of goodwill	(1,712)	(9)
Exceptional reorganisation costs	(30)	-
	<u>796</u>	<u>963</u>
	At	At
	31 March	31 March
	2000	1999
	£m	£m
Net assets		
Europe, Middle East & Africa	119,511	900
United Kingdom	729	779
United States & Asia Pacific	28,763	753
Net borrowings	(6,643)	(1,508)
	<u>142,360</u>	<u>924</u>

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

## 3 Segmental analysis (continued)

	Pro forma basis*	
	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Turnover		
Europe, Middle East & Africa	2,030	1,617
United Kingdom	2,901	2,088
United States & Asia Pacific	3,956	3,313
	<u>8,887</u>	<u>7,018</u>
Total Group operating profit (before goodwill and exceptional items)		
Europe, Middle East & Africa	1,321	983
United Kingdom	706	644
United States & Asia Pacific	915	633
	<u>2,942</u>	<u>2,260</u>
Amortisation of goodwill	(2,275)	(2,258)
Exceptional reorganisation costs	(30)	-
	<u>637</u>	<u>2</u>
Profit on ordinary activities before taxation, goodwill and exceptional items		
Total Group operating profit (before goodwill and exceptional reorganisation costs)	2,942	2,260
Net interest payable (before exceptional finance costs)	(468)	(460)
	<u>2,474</u>	<u>1,800</u>

\* See basis of pro forma financial information described in Note 2.

Exceptional reorganisation costs are in respect of the merger with AirTouch and have been incurred in the United States. Exceptional finance costs of £17m have been incurred in restructuring the Group's borrowing facilities as a result of the acquisition of Mannesmann.

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

## 4 Taxation

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
United Kingdom taxation	128	169
International taxation:		
Subsidiary undertakings	366	73
Joint ventures and associated undertakings	191	10
	<u>557</u>	<u>83</u>
	<u>685</u>	<u>252</u>

## 5 Equity dividends

The directors propose a final dividend of 0.680p per share for the year ended 31 March 2000, making a total of 1.335p (1999 – 1.272p) for the year. The record date for the final dividend is 9 June 2000 and the dividend is payable on 11 August 2000.

Shareholders may take a scrip dividend alternative to the cash dividend in accordance with the rules of Vodafone AirTouch Plc's Scrip Dividend Scheme. The ex-dividend date is 5 June 2000 and the last date for elections or variations to mandates under the Scrip Dividend Scheme is 12 July 2000.

## 6 Earnings per share

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Statutory basis		
Earnings for basic and diluted earnings per share	487	637
Amortisation of goodwill	1,712	9
Exceptional reorganisation costs, net of attributable taxation	19	-
Disposals of fixed asset investments, net of attributable taxation	(954)	(64)
Exceptional finance costs, net of attributable taxation	12	-
Earnings for adjusted earnings per share	<u>1,276</u>	<u>582</u>
Weighted average number of shares (millions):		
Basic and adjusted	27,100	15,445

Earnings per share have been restated for prior periods to give effect to the capitalisation issue on 30 September 1999.



NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

## 6 Earnings per share (continued)

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Pro forma basis*		
Earnings/(loss) for the financial year for basic earnings/(loss) per share	104	(1,106)
Amortisation of goodwill	2,275	2,258
Exceptional reorganisation costs, net of attributable taxation	19	-
Disposals of fixed asset investments, net of attributable taxation	(975)	(98)
Exceptional finance costs, net of attributable taxation	12	-
Earnings for adjusted earnings per share	<u>1,435</u>	<u>1,054</u>
Weighted average number of shares (millions): Basic and adjusted	30,908	30,381

\* See basis of pro forma financial information described in Note 2.

## 7 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Operating profit	981	847
Depreciation and amortisation	1,432	297
Increase in stocks	(65)	(15)
Increase in debtors	(271)	(213)
Increase in creditors	433	129
	<u>2,510</u>	<u>1,045</u>

## 8 Net cash outflow for capital expenditure and financial investment

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Purchase of intangible fixed assets	(185)	(18)
Purchase of tangible fixed assets	(1,848)	(737)
Purchase of trade investments	(17)	(4)
Disposal of interests in tangible fixed assets	294	54
Disposal of trade investments	991	14
Loans repaid by associated undertakings	9	3
	<u>(756)</u>	<u>(688)</u>

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

## 9 Net cash outflow for acquisitions and disposals

	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Purchase of subsidiary undertakings	(4,062)	(255)
Net cash acquired with subsidiary undertakings	4	-
Disposal of interest in subsidiary undertaking	-	19
Purchase of interests in associated undertakings	(717)	(75)
Purchase of customer bases	(9)	(10)
Disposal of interests in associated undertakings	28	4
	<u>(4,756)</u>	<u>(317)</u>

## 10 Analysis of net debt

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

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

11 Summary of differences between UK and US GAAP

The preliminary results have been prepared in accordance with UK generally accepted accounting principles ("UK GAAP"), which differ in certain significant respects from US GAAP. A description of the relevant accounting principles which differ materially is provided within Vodafone AirTouch Plc's Annual Report & Accounts for the year ended 31 March 2000. The effects of these differing accounting principles are as follows:

	Statutory basis	
	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
UK GAAP net income	487	637
Items (decreasing)/increasing net income:		
Goodwill amortisation	(425)	(99)
Reorganisation costs	25	-
Profit on disposal of fixed asset investments	1	4
Income taxes	439	(28)
Minority interests	35	-
Other	(9)	(4)
Net income in accordance with US GAAP	<u>553</u>	<u>510</u>
US GAAP basic earnings per ordinary share	2.04p	3.30p
	Pro forma basis *	
	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
UK GAAP pro forma net income/(loss)	104	(1,106)
Items (decreasing)/increasing net income/(loss):		
Goodwill amortisation	(534)	(535)
Reorganisation costs	25	-
Profit on disposal of fixed asset investments	1	4
Income taxes	625	637
Minority interests	46	45
Other	(9)	4
Pro forma net income/(loss) in accordance with US GAAP	<u>258</u>	<u>(951)</u>
US GAAP pro forma basic earnings/(loss) per ordinary share	0.83p	(3.13)p

\* See basis of pro forma financial information described in Note 2.

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

12 Unaudited pro forma proportionate information

The following tables of pro forma customer and financial information are presented on a proportionate basis. Proportionate presentation is not required by UK GAAP and is not intended to replace the consolidated financial statements prepared in accordance with UK GAAP. However, since significant entities in which the Group has an interest are not consolidated, proportionate information is provided as supplemental data to facilitate a more detailed understanding and assessment of the consolidated financial statements prepared in accordance with UK GAAP.

UK GAAP requires consolidation of entities controlled by the Group and the equity method of accounting for entities in which the Group has significant influence but not a controlling interest. Joint ventures are consolidated using the gross equity method. Proportionate presentation is a pro rata consolidation, which reflects the Group's share of turnover and expenses in both its consolidated and unconsolidated entities. Proportionate results are calculated by multiplying the Group's ownership interest in each entity by each entity's results.

Proportionate information includes results from the Group's equity accounted investments and investments held at cost. The Group does not have control over the turnover, expenses or cash flow of these investments and is only entitled to cash from dividends received from these entities. The Group does not own the underlying assets of these investments.

As a condition to the European Commission's approval of the merger with AirTouch Communications, Inc. the Group entered into an undertaking to dispose of its interest in E-Plus Mobilfunk GmbH following merger completion. As a result, pro forma proportionate customer and financial information excludes E-Plus for the years presented.

	Pro forma basis	
	At 31 March 2000	At 31 March 1999
Proportionate customer information (thousands)		
Europe, Middle East & Africa	15,662	9,170
United Kingdom	8,791	5,575
United States & Asia Pacific	14,686	10,676
Proportionate number of customers	<u>39,139</u>	<u>25,421</u>

NOTES TO THE PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 MARCH 2000

## 12 Unaudited pro forma proportionate information (continued)

	Pro forma basis*	
	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Proportionate financial information		
Europe, Middle East & Africa	4,437	3,208
United Kingdom	2,945	2,170
United States & Asia Pacific	5,187	3,807
Proportionate turnover	<u>12,569</u>	<u>9,185</u>
Europe, Middle East & Africa	1,492	1,127
United Kingdom	934	816
United States & Asia Pacific	1,522	1,103
Proportionate EBITDA **	<u>3,948</u>	<u>3,046</u>
Less: Depreciation and amortisation, excluding goodwill	(1,240)	(991)
Proportionate total Group operating profit before goodwill and exceptional costs	<u>2,708</u>	<u>2,055</u>

\* See basis of pro forma financial information described in Note 2.

\*\* Proportionate EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as operating profit before exceptional reorganisation costs plus depreciation and amortisation of subsidiary undertakings, joint ventures, associated undertakings and investments, proportionate to equity stakes. Proportionate EBITDA represents the Group's ownership interests in the respective entities' EBITDA. As such, proportionate EBITDA does not represent EBITDA available to the Group.

## 13 Rates of dividends

	2000	1999
Final proposed (1999 – second interim) (% of nominal value)	10.8%	10.2%
Amount absorbed (to shareholders on the Register at close of business on 9 June 2000)	£417m	£100m
Interim already paid (% of nominal value)	10.8%	9.9%
Amount absorbed	£203m	£97m
TOTAL (% of nominal value)	21.6%	20.1%
TOTAL AMOUNT ABSORBED	£620m	£197m

The rates of dividends for the year ended 31 March 1999 have been restated.

Statements in this document relating to future status or circumstances, including statements regarding future performance, costs, revenues, cash flows, earnings, divestments, growth, market share and other trend projections and the synergistic benefits of transactions, are forward-looking statements. These statements may generally, but not always, be identified by the use of words such as "anticipates", "should", "expects", "estimates", "believes" or similar expressions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside Vodafone AirTouch's control, including the ability to obtain regulatory approvals (including new licences) without onerous conditions, the risk of negative impacts on Vodafone AirTouch's credit ratings, the potential costs, including tax costs, of divesting Orange and Mannesmann's industrial businesses, general economic conditions, competition, technical difficulties and the need for increased capital expenditure (such as that resulting from increased demand for usage, new business opportunities, new licences and deployment of new technologies) and the ability to release benefits from entering into partnerships for developing data and internet services.

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APPENDIX 1: SUMMARY OF WORLDWIDE CELLULAR AND PCS OPERATIONS

Country	Service name	Percentage ownership <sup>(1)</sup>	Venture customers March 2000 (thousands)	Venture customer growth (percent)	Proportionate customers March 2000 (thousands)	Proportion prepay (percent)	Market penetration (percent)	Market population (millions)
<b>EUROPE, MIDDLE EAST AND AFRICA</b>								
Belgium	Proximus	25.0	2,307	64	576	32	36	10.2
Egypt	Click GSM	60.0	405	314	243	87	2	67.3
France <sup>(2)</sup>	SFR	20.0	7,910	71	1,582	37	39	59.0
Germany <sup>(2)</sup>	D2	34.8	11,107	70	3,862	32	33	82.1
Greece	Panafon	55.0	1,773	49	975	62	40	10.7
Hungary	Vodafone	50.1	47	n/a	24	70	16	10.2
Italy <sup>(2)</sup>	Omnitel	21.6	11,222	60	2,426	87	58	56.7
Malta	Vodafone	80.0	45	88	36	58	12	0.3
Netherlands	Libertel	70.0	2,450	71	1,715	66	49	15.8
Poland	Plus GSM	19.6	1,692	79	332	26	11	38.6
Portugal	Telecel	50.9	1,795	24	913	72	52	9.9
Romania	Connex GSM	20.1	765	112	154	33	7	22.3
South Africa	Vodacom	31.5	3,069	53	967	68	11	43.4
Spain	Airtel	21.7	5,624	113	1,220	59	45	39.2
Sweden	Europolitan	71.1	885	33	629	19	61	8.9
Uganda	Celtel	36.8	23	44	8	87	0.3	22.8
Total			51,119	68	15,662	54		497.4
<b>UNITED KINGDOM</b>								
UK <sup>(3)</sup>	Vodafone	100.0	8,791	58	8,791	58	46	59.1
<b>UNITED STATES AND ASIA PACIFIC</b>								
US <sup>(4)</sup>	AirTouch Cellular	Various	10,082	21	9,354	10	32	99.8
	CMT	46.9	936	(3)	440	1		
	PrimeCo	49.8	1,526	43	759	52		
Australia	Vodafone	91.0	1,440	48	1,310	21	42	18.8
Fiji	Vodafone	49.0	24	200	12	67	3	0.8
India	RPG Cellular	20.6 - 49.0	45	15	13	-	0.2	79.4
Japan <sup>(5)</sup>	J-Phone	20.2 - 28.8	8,107	31	1,907	1	40	126.2
New Zealand	Vodafone	100.0	473	161	473	67	39	3.7
South Korea	Shinsegi	11.7	3,579	40	418	-	55	46.9
Total			26,212	30	14,686	10		375.6
<b>GROUP TOTAL</b>			<b>86,122</b>	<b>53</b>	<b>39,139</b>	<b>41</b>		<b>932.1</b>

<sup>(1)</sup> All ownership percentages are stated as of 31 March 2000, and exclude options, warrants or other rights of Vodafone AirTouch to increase ownership. Ownership interests have been rounded to the nearest tenth of one percent.

<sup>(2)</sup> Following EC approval of the acquisition on 12 April 2000, a proportion of the Group's ownership interests in these ventures is now held through Mannesmann AG. The Group owns 98.62% of Mannesmann AG, based on valid acceptances from its shareholders, and this has increased the Group's percentage ownerships in Mannesmann Mobilfunk (Germany) to 99.1% and in Omnitel (Italy) to 76.0%. Proportionate customers for the EMEA region have increased to over 28.9 million following these changes, based on venture customers at 31 March 2000.

<sup>(3)</sup> The Group's interest in Orange, held through Mannesmann AG, has been excluded on the basis that it will be divested.

<sup>(4)</sup> Verizon Wireless was created under an agreement completed on 3 April 2000, resulting in the combination of Vodafone AirTouch's and Bell Atlantic's US cellular, PCS and paging assets. After the close of the Bell Atlantic/GTE Corporation merger, and the contribution of GTE's US wireless assets, Bell Atlantic/GTE will own 55% of Verizon Wireless and Vodafone AirTouch will own 45%.

<sup>(5)</sup> Following a restructuring in May 2000, the Group's percentage ownership in each of Japan's nine regional wireless telecommunications companies, which varies according to region, has remained broadly unchanged and ranges between 23% and 27%.

APPENDIX 2: FURTHER INFORMATION FOR SUBSIDIARY NETWORK OPERATORS

Country	Service name	Churn %	ARPU (local currency)
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EUROPE, MIDDLE EAST AND AFRICA			
Egypt <sup>(3)</sup>	Click GSM	0.1	2,067 EGP
Germany <sup>(1)</sup>	D2	14.8	1,092 DEM
Greece	Panafon	*	* GRD
Hungary	Vodafone	0.3	105,018 HUF
Italy <sup>(1)</sup>	Omnitel	13.1	734,824 ITL
Malta	Vodafone	40.5	479 MTL
Netherlands	Libertel	*	* NLG
Portugal <sup>(3)</sup>	Telecel	*	* PTE
Sweden <sup>(3)</sup>	Europolitan	*	5,748 SEK

UNITED KINGDOM			
UK <sup>(2)</sup>	Vodafone	29.8	305 GBP

UNITED STATES AND ASIA PACIFIC			
US <sup>(3)</sup>	AirTouch Cellular	29.2	472 USD
Australia	Vodafone	32.8	731 AUD
New Zealand	Vodafone	19.5	1,047 NZD

- (1) Following EC approval of the acquisition of Mannesmann AG on 12 April 2000, Mannesmann Mobilfunk (D2) and Omnitel became subsidiaries of the Group.
- (2) The Group's interest in Orange, held through Mannesmann AG, has been excluded on the basis that it will be divested.
- (3) Click GSM, Telecel, Europolitan and AirTouch Cellular became subsidiaries on 30 June 1999 as a result of the merger with AirTouch Communications, Inc.
- (4) \* Listed subsidiaries still to report.