

Key performance indicators

Our performance over the year

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.

Organic service revenue growth

More work to do

Target:
To maximise service revenue growth.



Growth in the top line demonstrates our ability to grow our customer base and stabilise or increase ARPU. It also helps to maintain margins. As we anticipated at the start of the year, we missed our service revenue target because of ongoing macroeconomic and regulatory pressures in Europe.

EBITDA margin

On-track

Target:
EBITDA margin to stabilise by March 2014.



Trends in our EBITDA margin demonstrate whether our revenue growth is generating a good return and whether we can offset underlying cost pressures in our business with cost efficiencies. This year excluding M&A and restructuring costs, margins fell only 0.1* percentage point year-on-year.

Adjusted operating profit ('AOP')

Achieved

Target:
£11.1–£11.9 billion in 2013 financial year.



Due to the significant contribution made to our overall profitability by our US associate, VZW, AOP is a better indicator of overall profitability than EBITDA. We exceeded our target for the year due to a strong performance from VZW.

Free cash flow

Achieved

Target:
£5.3–£5.8 billion in 2013 financial year.

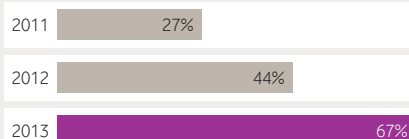


Our regular dividend is paid out of free cash flow, so maintaining a high level of cash generation (even after significant continued investment in capital expenditure) is key to delivering strong shareholder returns. Free cash flow of £5.6 billion was within our guidance range for the year.

% of consumer contract revenue from integrated plans (Europe)

Achieved

Target:
To increase significantly each year.

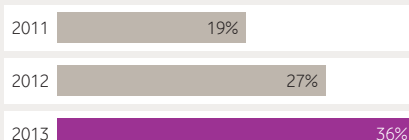


Our strategic push towards integrated plans allows us both to defend our revenue base from voice and SMS substitution, and to monetise future data demand growth.

Smartphone penetration (Europe)

On-track

Target:
To increase to over 50% by 2015.

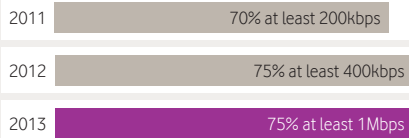


Smartphones are the key to giving our customers access to the mobile internet; the more our customers have them, the bigger our data opportunity becomes. In 2010, we set a target of at least 35% smartphone penetration by March 2013, which we achieved. We now have a new ambition of over 50% by March 2015.

Mobile network performance floor (Europe)

➔ On-track

Target:
75% of smartphone data sessions at least 3 Mbps in 2015.

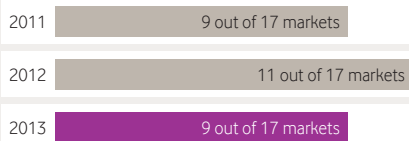


We continuously improve the speed of our European network to create the best data experience for our customers. This year we took our performance floor up to 1 Mbps or better for 75% of our European data footprint.

Relative market share performance

➔ On-track

Target:
Gain or hold revenue market share in most of our markets.



We track our relative performance by measuring the change in our revenue market share against our key competitors. This year we remained competitive, gaining or holding market share in most of our markets.

Returns to shareholders

⬆️ Achieved

Target:
Dividend per share growth of at least 7% per year to March 2013 (excluding special dividends).

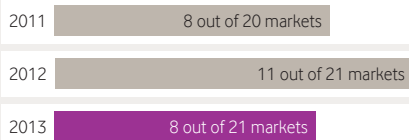


Consistent and balanced returns to shareholders demonstrate our commitment to capital discipline. This year we raised our dividend per share by 7% for the third year in a row, in line with our target.

Consumer net promoter score ("NPS")

⬇️ More work to do

Target:
To increase or maintain the number of markets where we are ranked number one by NPS.



To better understand how well we deliver quality service to our customers, we use NPS to measure the extent to which they recommend us to their friends and family. We also capture this for our competitors which provides us with a ranking of operators within any given market.

Employee engagement

⬆️ Achieved

Target:
Maintain top quartile.



The employee engagement score measures employees' level of engagement, a combination of pride, loyalty and motivation. We improved our employee engagement score again this year, remaining top quartile.

% of women in the senior leadership team

⬆️ Achieved

Target:
To improve each year.



This is one measure of the diversity in our business which brings us a more balanced range of skills and management styles. We increased the proportion during the year.