Regulation

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 regional level and in selected countries in which we have significant interests during the 12 months ended 31 March 2013. 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')

The European Commission (the 'Commission') is reviewing the future scope and nature of universal service provision in the EU. Current obligations generally involve the provision of a fixed connection allowing access to voice and simple data services. Vodafone operating companies contribute to funds to support universal service provisions in some markets.

Roaming

The current roaming regulation (the '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.

Call termination

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 mobile termination rates ('MTRs') to be set using a long run incremental cost methodology.

At March 2013 the MTRs effective for our subsidiaries within the EU, which differs from those in our Northern and Central Europe, and Southern Europe regions, ranged from 3.07 eurocents per minute (2.59 pence) to 1.27 eurocents per minute (1.07 pence), at the relevant March 2013 foreign exchange rates.

Fixed network regulation

In July 2012 the Commission announced proposals to adjust its approach to fixed network regulation and issued a draft recommendation in December 2012. The Commission expects prices for unbundled copper loops to converge towards the current European average of around €9 per month and will allow fibre wholesale prices to be unregulated provided certain conditions are met. These conditions include equivalent or non-discriminatory treatment of competitors, the effective application of margin squeeze tests and competitive constraints upon retail fibre prices from copper services or other competitors. The Body of European Communication Regulators ('BEREC') has suggested amendments to the Commission's draft recommendation and final adoption is expected in summer 2013.

Spectrum

In February 2012 the Commission adopted its radio spectrum policy programme ('RSPP'), following agreement with the European Parliament and Council. In September 2012 the Commission published proposals to promote the increased availability and use of "shared" spectrum, subject to certain safeguards for existing licensees.

Net neutrality

In November 2012 BEREC published guidelines on net neutrality, which focused on the need for transparency and quality of service. This follows a BEREC survey, published in May 2012, which found that voice over internet protocol ('VOIP') blocking was not widespread but was practised by some mobile operators in some circumstances. The Commission is expected to issue further guidance in the 2013 calendar year. Vodafone employs VOIP blocking in some circumstances.

Northern and Central Europe region

Germany

Our current MTR was reduced in December 2012 to 1.85 eurocents (1.56 pence) per minute, effective until November 2013. From December 2013 until November 2014 the rate will be 1.79 eurocents (1.51 pence) per minute. The decision of the national regulator is preliminary. It was notified to the European Commission who has launched an investigation under the Article 7 procedures. The national regulator will have to consider its decision in light of comments received from the Commission and BEREC.

United Kingdom

Our regulated MTR as at March 2013 was 1.50 pence per minute. This reduced to 0.85 pence (plus inflation adjustment) in April 2013. The national regulator set a glidepath with annual inflation adjustments. The rate from 1 April 2014 will be 0.67 pence per minute (plus inflation adjustment).

The national regulator agreed to a request from Everything Everywhere that it be allowed to use its existing 1800 MHz spectrum for long-term evolution ('LTE') services, which were launched at the end of October 2012.

In February 2013 we acquired 2x10 MHz of 800 MHz spectrum, 2x20 MHz of 2.6 GHz spectrum and 25 MHz of 2.6 GHz unpaired spectrum for a cost of £803 million. The licences are valid until 2033.

Regulation (continued)

Other Northern and Central Europe

Czech Republic

The auction of 800 MHz, 1800 MHz and 2.6 GHz spectrum which started in November 2012 was cancelled by the Czech regulator in March 2013. A consultation on the rules and timing of a new auction is currently underway.

Our regulated MTR as at March 2013 was CZK 0.55 (1.80 pence). The national regulator has set a glide path that will see a reduction to CZK 0.27 (0.88 pence) from July 2013. This decision has been appealed.

At the end of 2012 the national regulator issued a draft analysis of market for access and call origination in mobile networks finding collective dominance of all three mobile operators. We have commented, pointing out serious flaws in the analysis.

Hungary

We acquired an additional 2x2 MHz of 900 MHz for HUF 15.7 billion (£44 million) spectrum through an auction in January 2012. We and other operators challenged the award of spectrum to a new entrant. In September 2012 the court decided to repeal the result of the whole auction. This is likely to prevent the new entrant from launching services, but may also result in all bidders having to return the spectrum they acquired in the auction.

In October 2010 the Hungarian Parliament adopted a law which imposes a significant additional tax burden on the telecommunications, retail and energy sectors. The so-called "crisis tax law" came into force in December 2010 and was in force until January 2013.

In July 2012 the Hungarian government introduced a new tax on telecommunications in order to replace the "crisis tax". The new tax levies HUF2 for all voice minutes and SMS (with an upper cap on every subscription). Unlike the crisis tax, the telecommunications tax is not intended to be temporary and has been in force since July 2012. The upper cap was raised in January 2013. We paid HUF 7.2 billion (£20 million) for the crisis tax and HUF 5.4 billion (£15 million) for the telecommunications tax for the 2013 financial year.

The Commission has sent a formal letter to Hungary stating that it believes the tax on calls and SMS services introduced in 2012 conflicts with EU telecoms rules.

Ireland

In November 2012 we acquired 2x10 MHz of 800 MHz spectrum, 2x10 MHz of 900 MHz spectrum and 2x25 MHz of 1800 MHz spectrum for a cost of €161 million (£130 million). The licences are valid until 2030. With respect to the 1800 MHz spectrum, Vodafone obtained 2x15 MHz of spectrum in the auction for the period to July 2015 and the full 2x25 MHz of spectrum after that date until July 2030.

Our regulated MTR as at March 2013 was 2.6 eurocents (2.19 pence). The national regulator has set a rate of 1.04 eurocents (0.88 pence) from July 2013. This decision has been appealed.

Netherlands

In December 2012 we acquired 2x10 MHz of 800 MHz spectrum, 2x10 MHz of 900 MHz spectrum, 2x20 MHz of 1800 MHz spectrum and 2x5 MHz of 2.1 GHz spectrum for a cost of €1.4 billion (£1.1 billion). The licences are valid until 2030, except the 2.1 GHz spectrum which is aligned with the rest of our 2.1 GHz spectrum and expires in 2016.

Our regulated MTR as at March 2013 was 2.4 eurocents (2.02 pence). This rate was set by the court who overturned the decision of the national regulator. The national regulator is currently updating its market analysis and is required to set a new rate from when the current regulatory period expires. The national regulator has launched a consultation in which it proposes a rate of 1.02 eurocents (0.86 pence).

In May 2012 the Dutch Parliament adopted amendments to the Telecommunications Act which are intended to limit the circumstances in which operators are able to engage in network management and to prevent operators from varying the charges to end users by reference to the type of internet service or application they wish to use. The cumulative effect of these measures is to prevent operators from blocking or otherwise charging specifically for voice over internet protocol ('VOIP') and other internet services. These measures are applied from January 2013 for new contracts and will apply a year later for existing contracts.

Vodafone Netherlands, along with other mobile operators in the Netherlands, has been the subject of an investigation by the Dutch Competition Authority following a dawn raid in December 2011. The focus of the Authority's interest is still unclear and there has been no statement of objections issued. Vodafone is cooperating with the Competition Authority.

Romania

In September 2012 we acquired 2x10 MHz of 800 MHz spectrum, 2x10 MHz of 900 MHz spectrum, 2x30 MHz of 1800 MHz spectrum and 15 MHz of unpaired 2.6 GHz spectrum for a cost of €228.5 million (£192.8 million). The licences are valid until 2029.

Our regulated MTR in March 2013 was 3.07 eurocents (2.59 pence). This rate will be in place until the national regulator completes its review of the mobile termination market.

Turkey

The regulatory authority is in the process of gathering data from the industry to examine whether MTRs should be reduced. MTRs are expected to be revised by the regulatory authority from July 2013. The current rate has been stable for three years at 0.032 lira per minute (1.16 pence per minute).

The Ministry of Transport, Maritime and Communications is planning to release previously unallocated 900 MHz spectrum and allow 3G services in the band. We are expecting further details from the regulator soon.

Southern Europe region

Italy

Our regulated MTR in March 2013 was 1.5 eurocents (1.27 pence). The national regulator has set a rate of 0.98 eurocents (0.83 pence) from July 2013. This decision has been appealed.

Vodafone Italy, along with other mobile operators in Italy, has been 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 still at an early stage and Vodafone is cooperating with the Antitrust Authority.

Spain

Our regulated MTR in March 2013 was 2.76 eurocents (2.33 pence). The national regulator has set a rate of 1.09 eurocents (0.92 pence) from July 2013.

In July 2012 the European Court of Justice found that charges levied on mobile telecoms operators by Spanish local authorities were unlawful. In December 2012 Vodafone stopped providing audiovisual and publicity services to avoid payment of the so-called TV tax (0.9% of telecommunication revenue).

Telefónica, Orange and Vodafone Spain were fined €46.5 million, €30.0 million and €43.5 million respectively by the National Competition Authority for abuse of dominant position by imposing excessive pricing of SMS and MMS wholesale termination services and wholesale SMS/MMS access services to MVNOs. All three operators appealed the decision which was awarded in December 2012. Vodafone filed its appeal in February 2013 asking for the suspension of the payment of the fine until the National Court adopts a final judgement. The suspension was granted in March 2013.

In January 2013 Vodafone Spain received the national competition authorities statement of objections ('SO') following a price squeeze complaint from an MVNO. The SO alleges that Vodafone (and also Telefónica and Orange) have infringed national and EC competition law as they have abused their dominant position by applying a price squeeze strategy between the retail prices offered in the market to customers and the corresponding wholesale prices applied to MVNOs. Vodafone submitted its response in February 2013.

Other Southern Europe

Albania

The law on electronic communications was amended in December 2012 to achieve approximation with EU telecoms package of 2009. The government has said it intends to auction the 800 MHz band for mobile services in 2015.

A 3G licence (at 2.1 GHz) was awarded in October 2012 to Eagle Mobile.

Following a preliminary investigation into the retail telephony market, the Albanian competition authority has initiated an in-depth investigation into potential abuse of dominance by Vodafone Albania for the period from January 2011 to December 2012.

Greece

Our regulated MTR as at March 2013 was 1.27 eurocents (1.07 pence). The national regulator has set a long-term glide path which will see the rate reduce to 1.17 eurocents (0.99) pence) plus inflation from January 2014 and 1.10 eurocent (0.93) pence) plus inflation from January 2015.

The government has sent a letter to the Commission asking for the assignment of 800 MHz to mobile operators to be delayed until June 2014. The Commission's answer is still pending.

Portugal

The national regulator reduced MTRs to 1.27 eurocents (1.07 pence) effective from December 2012. This rate will apply until the next round of market analyses.

Africa, Middle East and Asia Pacific region

India

For information on litigation in India, please see page 123.

In May 2012 the government published a new national telecom policy, which includes new unified licences, broadband deployment objectives, the implementation of national mobile number portability and free pan-India roaming. The Department of Telecommunications and the national regulator will commence the process to consult on the decisions and regulations to implement this policy.

A spectrum auction was held in November 2012 to sell the 1800 MHz spectrum released as a result of the cancellation of 122 2G licenses by the Supreme Court of India. Vodafone India acquired 2x1.25 MHz or 2x2.5 MHz of spectrum in 14 service areas for a total of INR 11.28 billion (£138 million). Spectrum remained unsold in many areas.

The current MTR is maintained at INR 0.2 (0.002 pence).

South Africa

The Ministry of Communications and the national regulator have decided to postpone the process of licensing "high demand spectrum" (2.6 GHz and 800 MHz) while the Ministry reviews its long-term policy approach to the information and communications technology ('ICT') sector. The Minister initiated a policy review process in April 2012 at the National ICT Colloquium. This process is expected to be completed in 2014.

MTRs from March 2013 are ZAR 0.40 (0.03 pence). The NRA is currently considering the appropriate regime to put in place from March 2014.

The ICT sector charter for the implementation and measurement of Broad-Based Black Economic Empowerment ('BBBEE') came into force in June 2012. The government is in the process of consultation on various other elements of the BBBEE regulatory regime including revisions to the Department: Trade and Industry Codes and amendment of the BBBEE Act.

Other Africa, Middle East and Asia Pacific

Australia

The MTR was reduced to AUS$0.048 (3.29 pence) in January 2013, and is due to reduce to AUS$0.036 (2.47 pence) in January 2014.

An auction for 700 MHz and 2.6 GHz spectrum started in April 2013.

New Zealand

The MTR reduced from NZ$0.0397 (2.19 pence) to NZ$0.0372 (2.05 pence) in April 2013.

The government is now preparing to auction 700 MHz spectrum in the second half of the 2013 calendar year.

Australia/New Zealand

The Australian and New Zealand governments published the final report of their inquiry into "Trans-Tasman" roaming in February 2013. The report recommended that the national regulators in both countries be given additional powers to collect price information and potentially to impose additional regulation.

Egypt

The national regulator set MTRs at 65% of each operator's average on-net retail revenue per minute in September 2008 and issued a similar decree in 2010. Mobinil obtained interim relief against this regulation and a final order is awaited. Vodafone Egypt has filed a similar case in the Administrative Court challenging the regulator's decisions regarding the applicable MTRs as well as the calculation formula. In December 2011 the Commissioner's Committee of the Administrative Court issued a non-binding opinion recommending the annulment of the regulator's decision. A final decision has not yet been made. A series of arbitrations concerning interconnection payments have been launched by Mobinil and Telecom Egypt, leading to a claim by Telecom Egypt against Vodafone Egypt relating to historic termination charges.

Egyptian MTRs are currently EGP 0.11 (1.06 pence) (Etisalat), EGP 0.10 (0.97 pence) (Vodafone) and EGP 0.085 (0.82 pence) (Mobinil).

Regulation (continued)

Licences

The table below summarises the most significant mobile licences held by our operating subsidiaries and our joint venture in Italy at 31 March 2013. We present the licences by frequency band since in many markets, including the majority of Northern and Central Europe, and Southern Europe, they can be used for a variety of technologies including 2G, 3G and LTE. Since 2011 we have successfully renewed licences close to expiry in Australia, Malta and Greece on reasonable terms, and have secured short-term extensions prior to auctions in Romania and the Netherlands. In all cases where some of our existing spectrum has been re-auctioned (Greece, Romania, Ireland and the Netherlands) we have acquired new licences through the auction.

Mobile licences

Country by region	800 MHz expiry date	900 MHz expiry date	1800 MHz expiry date	2.1 GHz expiry date	2.6 GHz expiry date
Northern and Central Europe					
Germany	December 2025	December 2016	December 2016	December 2020[1]	December 2025
UK	March 2033	See note[2]	See note[2]	December 2021	March 2033
Czech Republic	n/a	January 2021	January 2021	February 2025	n/a
Hungary	n/a	July 2014[3]	July 2014[3]	December 2019[3]	n/a
Ireland	July 2030	July 2030	July 2030	October 2022	n/a
Netherlands	December 2029	February 2030	February 2030	December 2016	May 2030
Romania	April 2029	April 2029	April 2029	March 2020	April 2029
Turkey	n/a	April 2023	–	April 2029	n/a
Southern Europe					
Italy	December 2029	February 2015	February 2015[4]	December 2021	December 2029
Spain	December 2030	February 2020	December 2030	April 2020	December 2030
Albania	n/a	June 2016	June 2016	December 2025	n/a
Greece	n/a	September 2027[5]	December 2026[5]	August 2021	n/a
Malta	n/a	August 2026	August 2026	August 2020	n/a
Portugal	March 2027	October 2021[6]	October 2021[6]	January 2016	March 2027
Africa, Middle East and Asia Pacific					
India[7]	n/a	November 2014 – December 2026	November 2014 – December 2026	September 2030	n/a
Vodacom: South Africa	n/a	See note[8]	See note[8]	See note[8]	n/a
Egypt	n/a	January 2022	January 2022	January 2022	n/a
Ghana	n/a	December 2019	December 2019	December 2023[9]	n/a
New Zealand	n/a	November 2031	March 2021	March 2021	December 2028
Qatar	n/a	June 2028	June 2028	June 2028	n/a

Notes:
1. 2x5 MHz (out of 2x15 MHz) of 2.1 GHz spectrum will expire in December 2025.
2. Indefinite licence with a five year notice of revocation.
3. Options to extend these licences.
4. 2x5 MHz of 1800 MHz spectrum will expire in 2029.
5. 2x15 MHz of the 1800 MHz spectrum will expire in August 2016.
6. 2x3 MHz of 900 MHz must be released by December 2015 and 2x14 MHz of 1800 MHz spectrum does not expire until March 2027.
7. India is comprised of 22 separate service area licences with a variety of expiry dates.
8. Vodacom's South African spectrum licences are renewed annually. As part of the migration to a new licensing regime the national regulator has issued Vodacom a service licence and a network licence which will permit Vodacom to offer mobile and fixed services. The service and network licences have a 20 year duration and will expire in 2028. Vodacom also holds licences to provide 2G and/or 3G services in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.
9. The national regulator has issued provisional licences with the intention of converting these to full licences once the national regulator board has been reconvened.