Vodafone Group Plc
Annual Report 2019

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We connect for a better future

vodafone

Welcome to our 2019 report

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This document is the Group's UK Annual Report and is not the Group's Annual Report on Form 20-F that will be filed separately with the US SEC at a later date.
All amounts marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. Organic growth is an alternative performance measure. See "Alternative performance measures" on page 231 for further details and reconciliations to the respective closest equivalent GAAP measure.

Contents

Overview

01 Our strategic framework
02 Chairman's statement
03 Our purpose
04 Highlights of the year

Strategic Report

06 Our business at a glance
08 Key trends shaping our industry
10 Our business model
12 Chief Executive's review
14 Our strategy
22 Key performance indicators
24 Chief Financial Officer's review
26 Our financial performance
34 Financial position and resources
36 Sustainable business
42 Our people and culture
44 Risk management

Governance

52 Chairman's governance statement
54 Board leadership and company purpose
55 Division of responsibilities
56 Board of Directors
58 Executive Committee
60 Board activities
62 Engaging with our stakeholders
65 Induction, development and evaluation
68 Nominations and Governance Committee
71 Audit and Risk Committee
77 Remuneration Committee
81 Remuneration Policy
87 Annual Report on Remuneration
97 Our US listing requirements
98 Directors' report

Financials

99 Reporting our financial performance
100 Directors' statement of responsibility
102 Audit report on the consolidated and Company financial statements
111 Consolidated financial statements and notes
200 Other unaudited financial information
206 Company financial statements and notes

Other information

214 Shareholder information
221 History and development
222 Regulation
231 Alternative performance measures
246 Form 20-F cross reference guide
249 Forward-looking statements
250 Definition of terms
253 Selected financial data

Overview
Strategic Report
Governance
Financials
Other information

Our strategic framework

Our purpose

We connect for a better future

Our aim is to improve one billion lives and halve our environmental impact

Our strategy

A converged communications technology leader, enabling the digital society

Our priorities

To extend our competitive advantage and improve returns by:

Deepening customer engagement

improving loyalty and driving revenue growth in all three customer segments

Europe Consumer | Vodafone Business | Emerging Consumer

Supported by our scaled platforms and partnership approach

- Europe's leading TV and content distribution platform
- MyVodafone app driving loyalty and customer engagement
- Leading global IoT platform
- M-Pesa: Africa's largest payment platform

Transforming our operating model

for greater efficiency and agility

- Digital 'First'
- Radically simpler
- Leverage Group scale

Improving asset utilisation

with sustained network leadership

- Capital smart infrastructure partnerships
- Leading Gigabit networks

All supported by our responsible approach to...

- Sustainable business
- Governance
- Risk management
- People and culture

...enabling us to create value for society and shareholders through...

A clear focus on operational excellence and organic growth

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Chairman's statement

Evolving our strategy to address industry headwinds

During the past year we have experienced a significant fall in our share price. Despite good performance in most markets, we faced increasing competition in Spain and Italy, as well as pressures in South Africa during the second half of the year. Although we met our financial guidance, our revenue growth slowed during the year and 5G spectrum auction costs were high, reducing our financial headroom and contributing to downward pressure on our share price. A decline in the value of our listed stake in Vodafone Idea was a further headwind.

Rebasing the dividend to support Vodafone's transformation and rebuild headroom

Vodafone is at a key point of transformation – deepening customer engagement, accelerating digital transformation, radically simplifying our operations, generating better returns from our infrastructure assets and continuing to optimise our portfolio. In order to support these goals and to rebuild headroom, the Board has made the decision to rebase the dividend to 9 eurocents per share. This will help us to reduce debt and move to the lower end of our targeted 2.5x-3.0x leverage range in the next few years. On pages 24 and 25, Margherita describes the comprehensive programme of further deleveraging actions that we are taking, including the sale of our business in New Zealand for €2.1 billion which we announced in May 2019.

The Board's decision to rebase the dividend was not taken lightly, but we believe it is a necessary step to ensure that we deliver on our ambition to improve returns on capital, grow free cash flow and drive shareholder value. Going forward we intend to maintain a progressive dividend policy.

Executing at pace on our new strategic priorities

Under the leadership of our new Chief Executive, Nick Read, the Board has evolved the Group's strategy to respond to ongoing industry headwinds. Nick and his team have executed at pace and made encouraging progress on improving the consistency of our commercial performance, particularly in Spain and Italy. Mobile contract churn fell to a record low level in the year, and we have already put in place actions which will deliver over half of our FY21 cost reduction targets. We are also making rapid progress in our efforts to improve capital efficiency through our 'smart capex' approach in combination with a number of important industry partnerships, particularly for 5G network sharing.

These sharing agreements also unlock potential tower monetisation options. Nick describes this revised strategy on pages 12 to 21.

On track to complete the Liberty Global deal in July

In May 2018, we announced the acquisition of Liberty Global's assets in Germany, the Czech Republic, Hungary and Romania. This acquisition positions Vodafone as Europe's largest next generation network ('NGN') infrastructure owner, the leading converged challenger to the incumbents in these markets and unlocks synergies with an NPV of over €7.5 billion. We have offered a package of remedies to the European Commission, including a broadband wholesale access agreement with Telefonica Deutschland, and we expect the acquisition to complete in July 2019.

Recapitalising Vodafone Idea in India

We completed the merger of Vodafone India and Idea Cellular in August 2018, creating a new leading player, Vodafone Idea. However, the competitive environment remained challenging during the year as industry prices remain below cash costs. In response, we have accelerated our integration efforts, targeting full realisation of cost synergies by FY21, two years earlier than originally planned. In addition, we decided to strengthen Vodafone Idea's balance sheet by raising €3.2 billion of new equity through a rights issue, which completed in May 2019. Vodafone contributed €1.4 billion (funded by a loan secured against our Indian assets), and our partner Aditya Birla Group committed €0.9 billion. These funds, together with the opportunity to monetise its tower and fibre assets, will enable Vodafone Idea to continue to invest and to participate fully in a potential industry recovery.

During the year we also made progress in securing regulatory and shareholder approvals for the merger of Indus Towers and Bharti Infratel, which will create India's leading listed tower company. The Group's stake in the combined business was worth approximately €3.2 billion at the end of March, as implied by the Bharti Infratel share price.

Good performance in most markets, with challenges in Spain and Italy

We maintained underlying organic growth with service revenues up 0.3%[1], EBITDA up 3.1%[1] and most importantly EBIT up 9.4%[1] in the year.

On a reported basis our business declined due to the sale of Qatar, a lower benefit from handset financing in the UK and a number of settlements in the prior year.

This performance reflected good revenue and profit growth in Germany, UK and Other Europe, offset by earnings declines in Spain and Italy. In Spain we took action to commercially reposition the business given increased price competition in the value segment, while in Italy we faced a new entrant in the mobile market. South Africa also slowed in the second half, impacted by a weak macroeconomic environment and new data regulation.

Delivering 'a better future' requires regulators to play their part

One of Nick's first decisions was to put the company's refreshed purpose – 'We connect for a better future' – at the core of our strategy. We have committed to improve one billion lives and halve our environmental impact by 2025, as we discuss on page 3 opposite. This ambition to enable the digital society, support inclusion for all and protect our planet is part of our broader commitment to operating responsibly, recognising that over the long-term the success of our business is inextricably linked to the success of the communities in which we operate.

However, policy makers and regulators also need to play their part by ensuring a competitive environment that provides an adequate return on the substantial investments that will be needed to meet these important societal goals. This is especially important in Europe, where returns on capital have fallen to unsustainably low levels.

Improving return on capital and driving commercial and operational performance will be the top priorities for your Board and for the company, aiming to make Vodafone the best value proposition in our industry for customers and for shareholders.

Gerard Kleisterlee
Chairman

Note:
1 Excluding UK handset financing and one-off settlements.

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Overview
Strategic Report
Governance
Financials
Other information

Our purpose

We connect for a better future

We are a communications technology company responsible for connecting over 650 million people, and organisations of all sizes, to the digital society. We are optimistic about how technology and connectivity can enhance the future and improve people's lives. Through our business, we aim to build a digital society that enhances socio-economic progress, embraces everyone and does not come at the cost of our planet. That is why we have committed to **improve one billion lives and halve our environmental impact by 2025**, by taking concrete action in three areas: digital society, inclusion for all and planet.

Digital society

We believe in a connected digital society, where data flows at speed, connecting people, communities and things to the internet like never before. Gigabit networks, the Internet of Things ('IoT') and mobile financial services enable incredible innovation and technologies to be developed to help make our lives easier, healthier, smarter and more fulfilling.

- **By connecting over 350 million people to our Gigabit networks by 2025**, citizens will access an ever-growing range of services in real-time and businesses can develop new products and services to meet the needs of future generations
- **By connecting over 150 million vehicles to the IoT by 2025**, we will create more efficient, safer and smarter transport
- **By connecting over 50 million people and their families to mobile money services by 2025**, we will reduce poverty and enable access to essential services like healthcare and education

Inclusion for All

We believe that the opportunities and promise of a better digital future should be accessible to all and are committed to ensuring that the more vulnerable are not left behind on the journey towards that future. Through our technology, we will work to bridge the divides that exist and help people to contribute equally and fully to society.

- **By connecting an additional 50 million women in emerging markets to mobile by 2025**, through specially designed products and services, we will help to improve health and wellbeing, create financial inclusion and increase safety and security, so women can reach their full potential
- **By becoming the world's best employer for women by 2025**, we will help thousands of women to progress their careers, stimulating lost economic activity for the benefit of all
- **By supporting 10 million young people to access digital skills, learning and employment opportunities by 2022**, we will help to upskill the next generation and support them to succeed in the digital economy
- **By improving the lives of 400 million people through our Foundation programmes by 2025**, we aim to support the most vulnerable people in society, enabling free access to healthcare and educational resources and creating opportunities for them to improve their lives and livelihoods

Planet

We believe that urgent and sustained action is required to address climate change and that business success should not come at a cost to the environment. Through our commitment to halve our environmental impact, we will help to ensure a sustainable future for all. Our focus on energy efficiency, renewable energy supply and network waste will help us to mitigate the growth of our business and our customer's increasing demand for data.

- **By reducing our greenhouse gas emissions by 50% by 2025**[1], we will significantly reduce our impact on the environment, while ensuring we can continue to grow profitably
- **By purchasing 100% of our electricity from renewable sources by 2025**, we will reduce our reliance on fossil fuels, future-proof our energy supply and help to create a healthier planet for everyone
- **By reusing, reselling or recycling 100% of our redundant network equipment**[2], we will reduce the amount of electronic waste produced by our business and will support the move towards a more circular economy

Notes:
1 Against a 2017 baseline.
2 Excluding hazardous waste.

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Highlights of the year

Statutory figures

		2019 IFRS 15	2018 IAS 18	2017 IAS 18	2016 IAS 18
Group revenue	€m	**43,666**	46,571	47,631	49,810
Operating (loss)/profit	€m	**(951)**	4,299	3,725	1,320
(Loss)/profit for the financial year	€m	**(7,644)**	2,788	(6,079)	(5,122)
Closing net debt[1]	€m	**(27,033)**	(29,631)	(29,338)	(26,993)
Weighted average number of shares	m	**27,607**	27,770	27,971	26,692
Total dividends per share	€c	**9.00**	15.07	14.77	14.48

26 **Read more** on our financial performance

Alternative performance measures[2]

		2019 IAS 18	2018 IAS 18	2017 IAS 18	2016 IAS 18
Group service revenue	€m	**39,220**	41,066	42,987	44,618
Adjusted EBITDA	€m	**14,139**	14,737	14,149	14,155
Adjusted EBIT	€m	**4,474**	4,827	3,970	3,769
Adjusted earnings per share	€c	**5.26**	11.59	8.04	6.87
Free cash flow pre-spectrum	€m	**5,443**	5,417	4,056	1,271
Free cash flow	€m	**4,411**	4,044	3,316	(2,163)

231 **Read more** on our alternative performance measures

Key financial metrics

		2019 IAS 18	2018 IAS 18	2017 IAS 18	2016 IAS 18
Organic service revenue growth	%	**0.3[4]**	2.0[4]	1.9	1.1
European net operating expenses reduction[5]	€bn	**0.4**	0.3	–	–
Adjusted EBITDA margin	%	**31.1[4]**	30.6[4]	29.7	28.4
Organic adjusted EBITDA growth	%	**3.1[4]**	6.5[4]	5.8	2.3
Organic adjusted EBIT growth	%	**9.4[4]**	25.4[4]	7.0	(7.3)
Capex intensity	%	**16.0**	15.7	16.1	21.2
Net cost of debt	%	**2.5**	2.5	2.5	1.7
Average maturity of debt	years	**10.5**	9.4	9.6	7.5
Adjusted effective tax rate	%	**24.4[3]**	20.6	25.4	26.6
Leverage (net debt/adjusted EBITDA)	ratio	**1.9**	2.0	2.1	1.9

Operational metrics

		2019	2018	2017	2016
European mobile contract customers[6]	millions	**63.2**	62.4	61.7	60.4
European fixed broadband customers[6]	millions	**18.8**	17.8	13.4	12.3
European Consumer converged customers[6]	millions	**6.6**	5.3	3.7	3.0
European mobile contract churn	%	**15.5**	15.9	15.6	15.9
European NGN homes passed (on-net)[6]	millions	**36.7**	36.1	36.1	27.1
Emerging market mobile customers[7]	millions	**526**	410	387	364
Emerging market data users[7]	millions	**243**	169	151	141
M-Pesa customers[8]	millions	**37.1**	33.0	29.5	24.0
IoT connections	millions	**85**	68	52	37
Group data traffic	exabytes	**5.4**	3.6	2.2	1.4
Average number of employees	thousands	**92**	92	92	91

Sustainable business metrics

		2019	2018	2017	2016
Women in management and leadership roles[9]	%	**31**	30	29	28
Estimated additional female customers in emerging markets[7]	millions	**6.1**	3.9	9.4	–
Greenhouse gas emissions (Scope 1 and 2)[9]	m tonnes CO_2e	**2.00**	2.06	2.02	2.04

36 **Read more** on our sustainable business metrics

Notes:
1 Prior year amounts have been revised to exclude €1.8 billion of liabilities for payments due to holders of equity shares in Kabel Deutschland AG, see page 159.
2 Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management.
3 On an IFRS 15 basis.
4 Excluding UK handset financing and one-off settlements. 2018 figures revised for comparability purposes.
5 Europe and common function operating costs.
6 Including VodafoneZiggo.
7 Including Vodafone Idea in 2019 (Vodafone India in prior years), JVs and associates.
8 Excludes India in all periods.
9 Excludes joint ventures and associates. Historical data has been revised to exclude Vodafone India and Qatar.

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Overview
Strategic Report
Governance
Financials
Other information

For personal use only

Strategic update

"The acquisition of Liberty Global's assets will complete Vodafone's strategic transformation into a converged leader. I believe that success in the next phase of Vodafone's transformation requires a renewed focus on operational excellence and more consistent commercial performance across the Group."

Nick Read
Chief Executive

12 Read more

Financial priorities

"As Group CFO I am focused on three key objectives for the business. First, to drive better returns on capital in Europe. Second, to transform our cost base by leveraging new digital technologies. And third, deleveraging the balance sheet with the aim to move to the lower end of our targeted 2.5x-3.0x range in the next few years."

Margherita Della Valle
Chief Financial Officer

24 Read more

Driving consistent commercial performance

Europe Consumer

+819k
Mobile contract net adds

+719k
Broadband net adds

+1.1m
Converged consumer customers
Supporting a record low mobile contract churn

Vodafone Business

+3.8%
Fixed service revenue growth

+24.1%
IoT SIM growth

Emerging Consumer

+2.7m
Mobile data users

Accelerating digital transformation

28%
European fixed line sales from digital channels
Improving customers' experience at lower cost

12%
Reduction in frequency of customer contact
Improving efficiency in customer service by rolling out chatbots and digital applications

vodafone bit

New digital only plans launched
Simplifying our customer offering

€0.4bn
European net opex saving achieved
Targeting >€1.2 billion over three years

Improving asset utilisation

Network sharing agreements
Announcements in the UK, Italy and Spain – unlocking industrial synergies

Partnerships announced with: ARM and AT&T for IoT, and IBM for Cloud
Lowering our capital intensity and unlocking new potential revenue streams

Accelerated M&A synergy targets

- VodafoneZiggo one year ahead of plan
- Vodafone Idea two years ahead of plan

Portfolio management

India

- Vodafone Idea merger completed
- Indus Towers merger awaiting approval

New Zealand sale announced, €2.1bn

unitymedia upc

Acquisition of Liberty Global's assets
In Germany, Czech Republic, Hungary and Romania expected to complete by July 2019. Targeting €535 million of annual cost and capex synergies

Our business at a glance

What we offer

We offer a range of communication services to both consumers and businesses in multiple regions.

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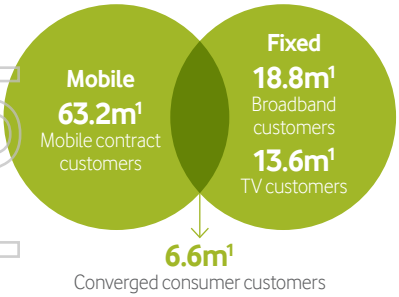
Our wide range of products and services

49%
of service revenue

Mobile
We provide a range of mobile services, enabling customers to call, text and access data whether at home or travelling abroad. As Europe moves towards 5G, our ambition is to build Europe's largest 5G network, which will allow us to continue to co-lead in each market.

Fixed broadband, TV and voice
Our fixed line services include broadband, TV offerings and voice. We offer high-speed connectivity through our next-generation network ('NGN').

Convergence
Our converged offers, which combine mobile, fixed and content services, provide simplicity and better value for customers. They also increase customer loyalty and lower churn. We market these converged bundles as "GigaKombi" in Germany and "Vodafone One" in Spain and Italy.



Other value added services
These include our Consumer IoT proposition "V by Vodafone" (which launched last year), as well as security and insurance products.

30%
of service revenue

We offer mobile, fixed and a suite of converged communication services to support the growing needs of our business customers who range from small home offices to large multi-national companies.

Internet of Things ('IoT')
IoT connections bring objects to life by allowing them to communicate securely through our network. We offer a diverse range of services including managed IoT connectivity, automotive and insurance services, smart metering and health solutions.

Cloud & Security
Our Cloud & Security portfolio includes both public and private cloud services, as well as cloud-based applications and products for securing networks and devices.

Carrier services
We sell capacity on our global submarine and terrestrial cable systems. The services we offer include international voice, IP transit and messaging.

16%
of service revenue

Mobile
We provide a range of mobile services, enabling customers to call, text and access data. The demand for mobile data is growing rapidly driven by the lack of fixed broadband access and by increased smartphone penetration.

M-Pesa
M-Pesa is our African payment platform, which has moved beyond its origins as a money transfer service and now provides financial services, and business and merchant payment services.

5%
of service revenue

We rent capacity to mobile virtual network operators ('MVNOs') who use this to provide mobile services. We also offer a variety of services to operators outside our footprint through our partner market agreements.

Note:
1 Including VodafoneZiggo.

Overview
Strategic Report
Governance
Financials
Other information

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Where we operate

We manage our business across two geographic regions – Europe, and Rest of the World ('RoW')

Operations in 25 countries

We are the number one or two mobile operator in most of our operations and we are Europe's largest NGN provider.

Europe

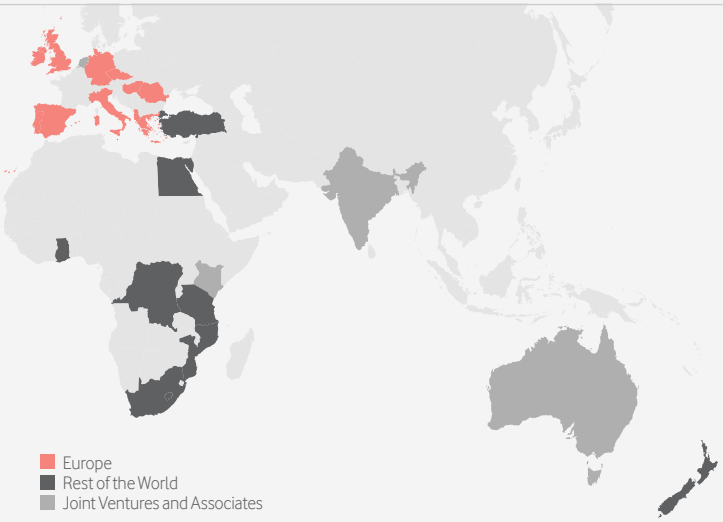
Fixed and mobile in 11 out of 13 markets.

Albania[1], Czech Republic, Germany, Greece, Hungary[1], Ireland, Italy, Malta, Netherlands (joint venture). Portugal, Romania, Spain, UK.

Rest of the world

4G in all markets, M-Pesa in 8 out of 12 markets.

Emerging: Egypt[2], Ghana[2], Turkey, Vodacom Group (South Africa, Tanzania[2], Democratic Republic of Congo[2], Mozambique[2], Lesotho[2]).
Other: New Zealand, Australia (joint venture), India[2] (joint venture), Kenya[2] (associate).



Notes:
1 Mobile services only. 2 M-Pesa services available.

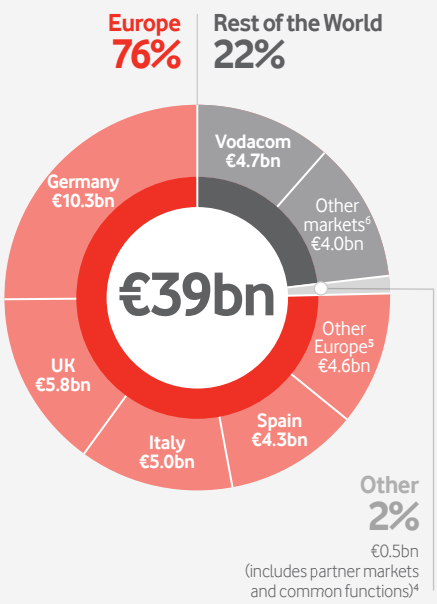
Worldwide service reach

41
partner markets
To extend our reach beyond the companies we own, we have partnership agreements with local operators in 41 countries.

74
countries with IP-VPN
We are among the top five internet providers globally and one of the largest operators of submarine cables.

168
countries with 4G roaming coverage
Our leading global 4G roaming footprint serves twice as many destinations as the next best local competitor in most of our markets.

Group service revenues (IAS 18 basis)



Notes:
4 Common functions includes revenue from services provided centrally or offered outside our operating company footprint, including some markets where we have a licensed network operation, for example offering IP-VPN services in Singapore.
5 Other Europe including eliminations.
6 Other markets including eliminations.

Our main markets and joint ventures (IAS 18 basis)

	Mobile customers (m)	Mobile revenue market share (%)[8]	Fixed broadband customers (m)	Fixed revenue market share (%)[8]	Consumer converged customers (m)	Convergence penetration (%)[9]
Germany	29.5	33.6	6.9	21.4	1.5	20.2
UK	17.2	21.3	0.6	6.8	0.3	57.0
Italy	21.0	31.1	2.8	9.3	1.0	41.4
Spain	13.7	17.4[7]	3.2	17.4[7]	2.3	91.4
South Africa	52.7	46.3[10]	0.03	–	–	–
Joint ventures						
Vodafone Idea	334.1	31.5	0.3	–	–	–
VodafoneZiggo	5.0	27.6	3.3	40.5	1.1	31.9

Notes:
7 Due to the converged nature of the Spanish market only total communications market shares are reported.
8 As at December 2018.
9 % of consumer broadband customer base that is converged.
10 On an IFRS15 basis.

Key trends shaping our industry

We operate in a rapidly changing industry where innovation and scale are key

Rising global smartphone penetration, ubiquitous superfast internet access, increasingly converged solutions and remarkable new technologies are rapidly transforming the way that we live and work, while simultaneously creating a range of new commercial, regulatory and societal challenges. These long-term opportunities and risks are reflected in our strategy.

Growing demand for mobile data, high speed broadband and converged solutions

14 See pages 14 to 17 of this report for further insights

Europe Consumer

In Europe the demand for mobile data continues to grow rapidly. Over the last 5 years, mobile data traffic per user increased by 60%[1] per annum and growth over the next three years is expected to remain strong. The challenge for operators is how to monetise this strong volume growth. European total mobile service revenues grew by only 0.2%[1] in 2018, due to substantial unitary price deflation, driven by technological improvements, regulation and a high level of competition. The evolution to 5G, with services launching in 2019, will allow operators to significantly reduce the cost of carrying data on their network. 5G will also enable a range of new revenue opportunities over the medium term such as Quality of Service ('QoS'), e-gaming, Internet of Things ('IoT') services and niche Fixed Wireless Access ('FWA') solutions, as well as other new business cases.

In fixed, demand for NGN high-speed broadband services over cable or fibre continues to grow rapidly. Over the next five years, Analysys Mason estimate that over 40 million households in Europe will move to NGN services within Vodafone's European footprint. This represents a significant window of opportunity for operators with access to high quality NGN infrastructure. Fixed revenues in Europe grew by 1.0%[1] over the last year, supported by the shift to NGN.

Today, consumers are increasingly taking converged bundles of mobile, landline, broadband and TV services. For the consumer this provides the benefit of simplicity – one provider of multiple services – and better value. For operators this provides higher customer loyalty as well as operational efficiencies. This growing demand for converged services is forecast to continue across all markets in Europe, albeit the pace of adoption will vary by market.

Business

In fixed, businesses are currently transitioning from traditional Wide Area Networks ('WAN') to Software Defined Networks ('SDN') in order to simplify their operations, increase their speed of execution, automate their networks and save costs. This represents a significant opportunity for operators who have the expertise to take advantage of this.

The Internet of Things is also growing at a rapid pace, with a vast array of use cases from sensors used to control industrial machinery and count stock levels to automated self-driving vehicles. Analysys Mason estimate that the number of IoT connections is expected to grow from less than 600 million in 2018 to around 2.7 billion by 2023.

The demand for converged services, similar to the Consumer segment is also growing with operators bringing together communication tools for businesses that work across all fixed and mobile end points.

Emerging Consumer

In emerging markets, mobile data is growing rapidly, with data traffic increasing on average by over 100%[1] per annum over the last five years. This trend is expected to continue, driven by a lack of fixed line infrastructure and by the rapid adoption of smartphones. The GSMA estimates that smartphone penetration will rise from 55% to 78% in emerging markets between 2017 and 2025.

This growth in smartphone penetration provides operators with the opportunity to not only offer connectivity but also a range of digital services, such as banking, to consumers for the first time.

Note:
1 Source: Analysys Mason.

Rapid technological change

21 See page 21 of this report for further insights

Over the last 30 years, mobile and fixed networks have evolved significantly. In the 1990s, second generation ('2G') mobile networks primarily carried voice calls and SMS data traffic (i.e. texts). Today, mobile phone users can experience 4G+ download speeds in excess of 800Mbps (>4,000 times faster than 2G) supported by the latest technological advancements, such as carrier aggregation and massive MIMO (multiple input and multiple output) antennae.

The next technological evolution of mobile networks will be to deploy 5G, supported largely by the infrastructure deployed for 4G, combined with new 5G radio spectrum and antennae. This will eventually enable download speeds in excess of 1Gbps combined with extremely low latency.

The evolution of fixed networks has been equally rapid, with legacy copper technology being superseded by NGN infrastructure such as cable and fibre-to-the-home ('FTTH'). Broadband download speeds have evolved quickly from sub-64Kbps via a dialup modem in the late 1990s to download speeds of 1Gbps today, through high speed NGN services. Further technological advancements, such as DOCSIS 3.1 for cable and deeper fibre penetration, will deliver even faster speeds of up to 10Gbps in the future.

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Digital transformation opportunity

18 See page 18 of this report for further insights

The world is undergoing a rapid digital transformation. New technologies including smartphones, cloud computing, artificial intelligence and robotic process automation, are enabling companies to connect with customers directly, proactively offering personalised solutions, while simplifying and automating operational processes and improving the efficiency of all commercial and technological decisions.

Digitalisation is a key operational theme for the telecoms industry, which has a significant proportion of activities that can be automated, while also having unrivalled insight into customer usage trends. By using advanced digital technologies, operators will be able to enhance their customers' experience, generate incremental revenue opportunities, and reduce costs.

The cost cutting opportunity alone for European telecoms has been estimated to be as much as €60 billion[2].

Speed of execution will be key in order for operators to further differentiate their services and retain the benefits from digitalisation.

Note:
2 Goldman Sachs.

Regulatory intervention

The remit of regulators is extensive, including wholesale charges between operators, spectrum allocation, and obligations in relation to consumer rights. Regulators are also responsible for topics relating to data protection and cyber security. The decision to regulate or not has material consequences.

Within the broad remit of ensuring sustainably competitive markets, regulators are tasked with striking the right balance between short-term consumer welfare through measures such as regulated prices and longer-term consumer welfare by incentivising investment.

In 2018 the European Electronic Communications Code was finalised and will be transposed into national law by the end of 2020. The Code overhauled the existing telecoms rules and sought to tip the balance towards longer-term consumer welfare through measures to incentivise the roll-out and take-up of NGN high capacity networks. It also includes a broader set of services in its remit, including over-the-top communication services for the first time.

However, the Code also introduces new regulation in relation to international calls within the EU. We await the implementation of the Code at national level.

Overall, Governments and policy makers have recognised that Gigabit networks will underpin the digital competitiveness of the entire economy. We therefore expect an enabling policy environment to ensure that investors in networks are able to earn a reasonable return on their investments, ensuring that societies realise their full potential for economic growth.

Highly competitive markets

The European telecommunications industry is highly competitive, with many alternative providers giving customers a wide choice of suppliers. In each of the countries in which we operate, there are typically three or four mobile network operators ('MNOs'), such as Vodafone, who own their own network infrastructure, as well as several resellers that "wholesale" network services from MNOs. In addition, there are an increasing number of over-the-top operators that provide internet-based apps for content and communication services.

In fixed, there is usually one national incumbent (typically the former state owned operator), who is generally required to offer wholesale access to its network at regulated prices to resellers, while most markets will also have one or two cable or satellite operators. In some markets, the uncompetitive wholesale access terms offered by incumbents and the slow pace of NGN infrastructure rollout has seen the emergence of alternative fibre builders, who are looking to capitalise on the growing customer demand for gigabit speeds by offering attractive wholesale access terms to resellers.

Changing customer and societal expectations

36 See page 36 of this report for further insights

We believe that technology and connectivity can help to create a more positive future for societies around the world. Every day, we work to help our customers, partners and other stakeholders understand how new technology can enhance their business and contribute to socio-economic progress.

However it is important to recognise that the benefits of a connected society need to be accessible to all and cannot come at the cost of the future of our planet. Society expects companies to find ways to minimise their impact on the environment while continuing to grow. They also expect organisations to help to bridge the divides that exist and find ways to address inequalities.

We believe that our technology can give marginalised communities access to the transformative power that connectivity delivers, as it democratises access to better health information, education resources and financial services for people around the world.

Our business model

Delivering value for society and returns for our shareholders

Our leading scale enables us to sustain our investments in superior Gigabit infrastructure, delivering an excellent customer experience which both benefits society and drives our revenue growth. Together with the substantial opportunities to transform our business model, this allows us to grow our cash flows, reinvest and deliver returns for our shareholders.

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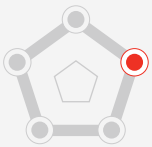
Differentiated assets and leading scale

- Leading/co-leading mobile networks and deep spectrum positions.
- Europe's largest fixed NGN network.
- Unique global footprint and scale in Vodafone Business.
- Platforms:
  - Europe's leading TV and content distribution platform
  - MyVodafone app driving loyalty and customer engagement
  - A market leading global IoT platform
  - M-Pesa: Africa's largest payment platform.
- A strong brand and the best people.
- A sustainable business focus.

42 **Read more** on our people and culture
36 **Read more** on our sustainable business



Growing revenue streams

Europe Consumer

We have Europe's largest NGN footprint, providing us with the opportunity to gain substantial market share in fixed line, and the ability to drive convergence across our fixed/mobile customer base. 5G also brings further opportunities.

Vodafone Business

We have a unique global footprint to meet the needs of multi-national corporates, are a challenger to incumbents in fixed, can leverage on our leadership position in IoT, and are a digital enabler for SoHo/SMEs.

Emerging Consumer

We have significant opportunity to drive mobile data growth, and expand M-Pesa to capture digital and financial services opportunities.

14 **Read more** on Europe Consumer
16 **Read more** on Vodafone Business
17 **Read more** on Emerging Consumer

Transformation opportunity

We have a number of opportunities to structurally transform our operating model and fundamentally reshape our cost base, while also improving the overall experience for our customers. We are doing this by:

- Being Digital 'First'.
- Becoming Radically Simpler.
- Leveraging our Group Scale.

We are also focused on delivering improved asset utilisation, improving our return on capital by:

- Exploring network sharing opportunities.
- Agreeing 'capital smart' strategic partnerships in fixed line.
- Capturing material synergies from our announced in-market consolidation deals.

18 **Read more** on transforming our operating model
20 **Read more** on improving asset utilisation

Driving free cash flow generation

Our clear focus on revenue growth, cost savings, and improved asset utilisation supports our free cash flow cash generation.

- Free cash flow ('FCF') pre-spectrum was €5.4 billion in 2019 (stable year-on-year), despite significant competitive challenges in Spain and Italy.
- After spectrum and restructuring we generated FCF of €4.4 billion in 2019 vs €4.0 billion in 2018.

26 **Read more** on our financial performance

Sustained reinvestment

€59.5bn
invested over the past five years.
This comprises of:

€43.5bn capex	to modernise our mobile and IT networks and deploy fixed fibre networks.
€8.2bn spectrum and licences	to secure spectrum primarily for 4G/5G.
€7.8bn M&A	principally cable company acquisitions in Europe.

Delivering value for society and returns for our shareholders

Our new dividend policy will enable us to rebuild our financial headroom while providing investors with a sustainable, progressive dividend. We have also refreshed our purpose and announced new goals for 2025.

Dividends per share in 2019

9.00 eurocents

Our new purpose goals

Improve one billion lives

Halve our environmental impact

Chief Executive's review

A focus on operational excellence and organic growth

The acquisition of Liberty Global's assets in Germany and Central Eastern Europe will complete Vodafone's strategic transformation into a converged leader, owning Europe's largest 4G/5G mobile networks, Europe's broadest gigabit-capable NGN network and Africa's leading data networks. We will be strongly positioned to achieve our long-term goals – enabling the digital society, supporting inclusion for all and protecting the planet. This purpose-driven approach underpins our ambition to drive organic revenue growth, expand EBIT margins and increase our cash generation.

I believe that success in this next phase of Vodafone's transformation requires a renewed focus on operational excellence and more consistent commercial performance across the Group. When I stepped into the Chief Executive role last October, I identified three key priorities for the business. In mature markets we need to focus on **deepening engagement** with our existing customers, primarily by selling 'one more product' to grow revenue and lower churn. We need to **accelerate our digital transformation**, improving both the customer experience and the efficiency of our operations through a **radically simpler** approach. And we need to explore all options to **improve the utilisation of our leading network assets** through a renewed emphasis on partnering. We explore the progress we are making on each of these priorities in detail on pages 14 to 21.

The decision to rebase our dividend in order to support the execution of our strategy and rebuild financial headroom has not been taken lightly. However, I am convinced that this is the right approach for the Group, and will enhance our ability to deliver much improved total returns for our shareholders.

A new social contract is needed for the industry

At the same time, I believe a new approach is needed by the industry and by governments if society is to gain the maximum benefit from the opportunities presented by the digital society. These opportunities are reflected in the ambitious goals that underpin Vodafone's purpose: to improve one billion lives and halve our environmental impact by 2025.

During the coming year we will work to develop 'Vodafone's social contract' with policy makers, politicians and regulators based on the shared principles of duty of care, fairness and leadership. Through such contracts our vision is that the industry commits to intensify its efforts to simplify and improve services to customers, and ensures better network coverage, whereas in return regulators reassess their approach to the sector, ensuring a competitive environment that provides an adequate return on the substantial investments that will be needed to deliver an inclusive digital society.

Review of the year

Last year we delivered a good financial performance in Germany, the UK and Other Europe, which offset significant competitive challenges in Spain and Italy and a macro and regulatory driven slowdown in South Africa. Although our service revenue growth slowed in the second half of the year, the recovery in our commercial performance, especially in Italy and Spain, was encouraging, and European mobile churn reduced to a record low in the second half. All else being equal, these improvements lay the foundation for a gradual recovery in our performance in FY20.

In our key customer segments, **Europe Consumer** service revenues declined by 1.1%[1], but grew 2.7%[1] excluding Spain and Italy, supported by our strong momentum in broadband where we remained Europe's fastest growing operator. **Vodafone Business** grew by 0.3%, with continued competition in mobile offset by market share gains in fixed and good growth in IoT and Cloud. I am excited about the disruptive opportunity for further fixed share gains created by new Software Defined Networking solutions. **Emerging Consumer** grew at 7.4%, driven by data services and the ongoing success of our unique mobile financial services platform M-Pesa.

Investing and partnering to deliver leading Gigabit Networks

Investing in leading network assets is at the heart of our strategy, and we remain committed to providing a differentiated customer experience compared to value players. However, in all of our markets at least one other leading player shares a similar network vision. Sharing our passive infrastructure assets, such as our towers and fibre backhaul, as well as active radio equipment (outside major cities) allows both parties to reduce operating costs and capital expenditures – without sacrificing quality or differentiation. Most importantly, by sharing in this way our customers benefit from improved coverage and a faster rollout of 5G services than either partner could have achieved on their own, and we significantly reduce our environment impact as a result of fewer sites and less active equipment.

We have announced network sharing discussions in the UK with O2 and in Italy with Telecom Italia, we have concluded an agreement across both mobile and fixed with Orange in Spain, and we see further opportunities across our markets. In addition, these deals unlock a range of tower monetisation options, which we are actively exploring.

Note:
1 Excluding UK handset financing and one-off settlements.

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Overview
Strategic Report
Governance
Financials
Other information

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Radically simpler, Digital 'First' commercial propositions

One of our industry's greatest operational challenges is a vast range of legacy products and pricing plans. This legacy creates significant complexity for customers, and an immense and costly IT infrastructure for us to manage, which limits our commercial agility.

In order to unlock the full opportunity of digitalisation, we need to make our commercial propositions radically simpler. We have made a good start on this journey with speed-tiered unlimited data plans launched in Spain, and greatly simplified mobile tariffs in Germany.

Additionally, we see an opportunity for growth in the years ahead using second brands and sub-brands such as ho. in Italy, Lowi in Spain and VOXI in the UK. By offering distinct features such as speed-limited products and online only customer service, we can offer more value to this segment without degrading our margins.

Platforms and partnerships – a unique opportunity for Vodafone

The concept of driving better asset utilisation does not only apply to our networks. Vodafone owns a number of commercial platforms with world-leading scale – the myVodafone app for customer service, engagement and loyalty; Vodafone TV for access to leading content; our world-leading IoT platform; and M-Pesa for financial services in Africa. Our scale makes us a partner of choice in each of these areas, unlocking new potential revenue streams. I am pleased that we have already concluded agreements with AT&T and ARM for IoT, and with IBM for cloud services (see page 16).

Creating the leading converged challenger in Germany and CEE

We are making good progress in securing regulatory approvals for our acquisition of Unitymedia in Germany and the UPC assets in the Czech Republic, Hungary and Romania, and currently expect the transaction to complete in July. I look forward to welcoming Unity and UPC's employees to Vodafone.

Nick Read
Chief Executive

Our strategy

A converged communications technology leader, enabling the digital society

Deepening customer engagement

improving loyalty and driving revenue growth in all three customer segments

Europe Consumer	Vodafone Business	Emerging Consumer
Selling 'one more product per customer' lowering churn	Leading fixed challenger	Drive mobile data growth
Fixed market share gains	Industrialising IoT	Grow digital and financial services
Driving convergence	Digital enabler to SoHo/SME	
5G opportunities		

Supported by our scaled platforms and partnership approach

Europe's leading TV and content distribution platform	Leading global IoT platform	M-Pesa: Africa's largest payment platform
MyVodafone app driving loyalty and customer engagement		

Transforming our operating model

for greater efficiency and agility

Digital 'First'

Radically simpler

Leverage Group scale

Targeting >€1.2 billion of net operating cost reduction in Europe over three years

Delivering a better overall experience for our customers

Improving asset utilisation

with sustained network leadership

Capital smart infrastructure partnerships

Network sharing opportunities

Strategic partnerships in fixed

Leading Gigabit networks

Europe's largest NGN and 5G network

Our strategy

Deepening customer engagement

Europe Consumer

Our goals

Selling 'one more product' per customer, lowering churn through convergence

We aim to drive growth in the Europe Consumer segment by developing deeper customer relationships, with a strong focus on our existing base.

We intend to do this by:

- cross-selling more products (e.g. broadband, family SIMs, TV)
- up-selling new experiences (such as tiered offers based on quality of service and/or higher speeds, low latency mobile gaming services, and a wide range of Consumer IoT devices)

Our priorities:

- increase revenue per customer
- significantly lower churn through convergence

We have Europe's largest NGN footprint – providing us with a significant platform for growth

The demand for NGN broadband (i.e. via fibre or cable) in Europe is growing rapidly. Over the next five years, the number of households with NGN services is expected to increase by more than 40 million as consumers migrate from legacy DSL to gigabit capable technologies. This equates to over 120 million NGN households by 2024.

Having created Europe's largest NGN footprint, this shift towards NGN represents a significant window of opportunity for Vodafone to capture substantial and profitable market share gains. We are capitalising on this opportunity, adding 719,000 broadband customers, including 1.5 million NGN customers, this year taking our total European broadband customer base to 18.8 million (including VodafoneZiggo).

During 2019, we also continued to expand our NGN footprint. On a pro forma basis for the acquisition of Liberty Global's cable assets, we now cover 122 million marketable households, an increase of 8 million in the year. Within this, 54 million households are on our fully owned network ('on-net') including VodafoneZiggo in the Netherlands, and a further 9 million are covered through strategic partnership agreements where we have attractive access terms.

With the potential to offer superior gigabit-speeds via DOCSIS 3.1 on cable and via FTTH to most of these homes in the next few years, we see significant scope to increase our on-net broadband customer penetration, which is currently 28%.

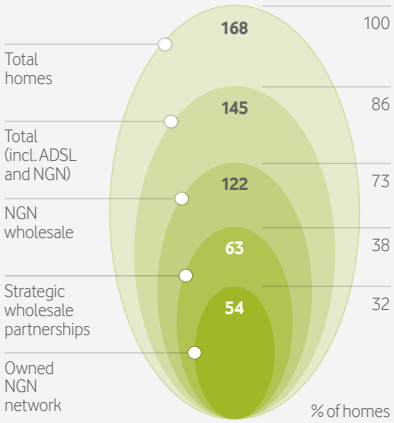
Driving convergence and lowering churn

By gaining scale in fixed, we further deepen our relationship with customers through upselling converged offers and additional services. Our commercial momentum in convergence has accelerated this year having added 1.1 million customers. In total, we now have 6.6 million[2] converged consumer customers in Europe. Convergence contributed to a record low mobile contract churn rate in Europe of 15.5%. The opportunity to grow our converged base remains significant with only 40% of our consumer broadband base in Europe currently taking both fixed and mobile products from Vodafone.

5G brings further opportunities

We intend to launch 5G services in-line with leading local competitors during calendar 2019 and 2020, with an initial focus on dense urban areas. While the immediate benefit from 5G is the ability to significantly lower the cost per gigabyte on our network, there are also a number of potential revenue opportunities in the Consumer segment.

European marketable homes[1]



Strengthening our reach and economics

Germany and CEE acquisition

- Constructive discussions with EC continue
- 300Mbps wholesale cable access agreement with Telefónica Deutschland
- On track to complete in July

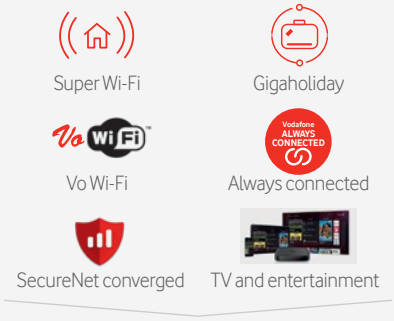
Strategic partnerships

- Open Fiber >3 million homes passed
- Network sharing agreement with Orange, expanding homes passed by an additional 1 million, opportunity to co-invest

Gigabit upgrades (DOCSIS 3.1)

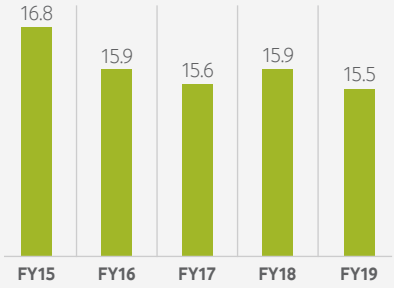
- Spain complete
- Germany 66% of current footprint
- Netherlands underway

Upselling more products and services



Incremental churn benefit through convergence and additional services

European mobile contract churn improvement (%)



Notes:
1 On a pro forma basis including Liberty Global's assets.
2 Including VodafoneZiggo.

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These include Quality of Service ('QoS') differentiation and opportunities for low latency mobile gaming, with an estimated 157 million[3] users forecast by 2025, fixed wireless access (in select rural/semi-rural areas), and a range of potential Consumer IoT devices and applications that will be supported by our 'V by Vodafone' global platform.

Europe's leading TV and content distribution platform

Post the acquisition of Liberty Global's cable assets we will have one of Europe's leading TV and content platforms with 22 million active users. Over time, by having one fully integrated, scaled TV and content platform across our European markets we will become an attractive partner of choice for content providers, who by agreeing commercial terms at a Group level gain the ability to distribute their content easily via one platform across our markets.

Our content strategy is to be an aggregator and distributor of content, working closely with national and international partners, rather than an owner or creator of unique content which requires a different skill set and focus. This was reflected in our decision earlier this year not to renew football rights in Spain, as it was uneconomic to do so and the potential to grow our football customer base was limited.

MyVodafone app – our platform for deeper customer engagement

The 'MyVodafone' app now has 25 million active users each month. As well as providing convenient and highly cost effective digital customer service, the app is increasingly becoming a key distribution platform for marketing new personalised commercial offers, loyalty schemes and additional services directly to our customers, deepening their engagement with Vodafone. For example, in Italy the Vodafone 'Happy' loyalty scheme now has over 9 million subscribers, who receive free offers from commercial partners every Friday. Participating partners provide these offers free of charge to Vodafone, given the opportunity to engage directly with our customer base.

Performance in 2019

Overall, Europe Consumer service revenues declined by 1.1%[4], with fixed growth of 2.6%[4] offset by a mobile decline of 2.4%[4]. Excluding Spain and Italy, service revenues grew by 2.7%[4], with fixed growth of 5.2%[4] and mobile growing by 1.7%[4].

Notes:
3 Global Gaming Report 2018, Newzoo Research, forecasting mobile gaming population in Germany, Italy, the UK and Spain.
4 Excluding UK handset financing and one-off settlements.

Our purpose in action

Through our Gigabit networks we believe we can build a digital society that helps improve people's lives. We are committed to investing in our network infrastructure and coverage to deliver a high-quality service that allows individuals and businesses to connect confidently anywhere and at any time.

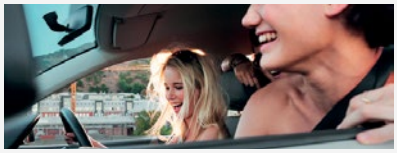
This year, a report published by the UK Department for Digital, Culture, Media and Sport ('DCMS') set out a number of benefits that high-speed internet (such as 5G) can have on the economy. These include:

- increased consumer value by enabling innovative apps and services, particularly those which feature Augmented Reality ('AR') and Virtual Reality ('VR')
- productivity gains, such as faster download times and enabling the ability to work in-transit
- reduced carbon emissions – through supporting the large-scale deployment of IoT technologies across sectors (see page 38 for more information).

By connecting over **350 million people to our Gigabit networks by 2025** we want to support our customers, both individuals and businesses, to realise these benefits.

5G opportunities

The potential for high speed, high capacity, low latency services – providing our customers with a broader and richer experience.



Quality of Service ('QoS')
We are investing in the capability to provide differentiated quality of service to different customer segments, allowing us to prioritise critical applications such as medical devices. By doing so we will be able to guarantee a minimum quality of service that specifically meets our customers' needs and unlocks potential monetisation opportunities.

Consumer IoT
We are already well positioned in Consumer IoT having launched 'V by Vodafone' in 2017. This leverages on our market leading global IoT platform in Vodafone Business. Today we provide a range of smart services in the home and on the go, enabling our customers to keep track of the things they care about. However, we now see an exciting opportunity with 5G to offer low latency services to customers, as they add a range of wearables and other connected devices to their accounts. This is a sizeable long-term market opportunity where we are targeting market share gains.

Fixed Wireless Access ('FWA')
We believe there is a niche opportunity for FWA in Europe, principally in areas outside the reach of fixed NGN networks. In these areas population density is typically low, supporting a viable business case. We will be looking to offer targeted FWA propositions across several of our markets as 5G is rolled out.

E-gaming
We see this as a significant area of future growth, with gamers increasingly wanting fast, 'real-time' internet access, to support services such as low latency mobile multiplayer gaming. To further strengthen our commitment to this growing segment, we are a premium partner of the ESL, the world's largest e-sports company.

Our strategy (continued)

Deepening customer engagement

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Vodafone Business

Our goals

A leading international challenger in fixed, 'industrialising' IoT

In 2018, we rebranded our former Enterprise division as 'Vodafone Business', in order to increase our brand recognition as we broaden the services we offer.

Our strategy is to drive growth and deepen our existing mobile customer relationships by cross-selling additional services including NGN fixed, IoT, and Cloud services.

Our priorities:

- increase revenue per account and reduce churn
- improving productivity through our sales force transformation initiative and the rapid digitalisation of our operations

We have a unique global footprint

We believe our unique global footprint and extensive partnership relationships provide us with a competitive advantage in selling to multinational customers. Today we have owned operations across 25 countries, and 269 global points of presence. These markets are connected by over 250,000 kilometres of fibre, enabling us to have more control over the end-to-end customer experience that we deliver for large corporates and importantly the security that goes with it. Today, multinational corporates represent around 20% of our divisional service revenues and are managed centrally by our 'Vodafone Global Enterprise' team.

A challenger to incumbents in fixed

In fixed, our revenue market share is low at around 10% across our major European markets, compared to our mobile market share of over 30%. We therefore see significant future opportunities to gain share and disrupt legacy relationships, particularly as the Wide Area Networking ('WAN') market transitions to Software Defined Networking ('SDN'). This provides large enterprise and SME customers with both greater flexibility and significant cost savings compared to legacy products. This enables Vodafone to become increasingly a total communications provider.

In January 2019, we signed a strategic Cloud partnership with IBM. Under the terms of the agreement, we retain the end customer relationship, and our customers will gain immediate access to all of IBM's leading multi-cloud offerings.

This cloud partnerships also allows us to simplify our operating model, reducing our exposure to capital-intensive data centres and instead move to a capital-light variable cost model.

Leveraging our IoT global leadership

We have a market leading global platform in the rapidly growing IoT segment. Today we are a leader in terms of connectivity market share, with 85 million SIMs on our network. We expect to continue to take market share in connectivity, however there is also a significant opportunity to grow in the services segment. We are therefore investing in IoT service solutions for specific industry verticals, expanding beyond our current focus on automotive (which represents 22% of IoT revenues) to digital buildings, healthcare, logistics, and insurance. This year we grew IoT connectivity service revenue by 14.5%, adding more than 1.4 million SIMs per month.

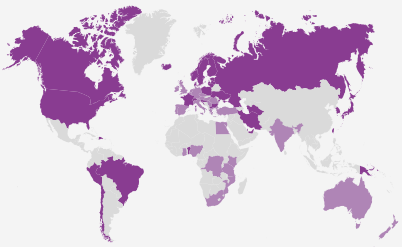
Digital enabler for SoHo/SMEs

For SoHo/SME customers, which represent around 50% of divisional service revenues, we aim to cross-sell fixed and unified communications propositions and also position Vodafone as an integrator of value added digital and IoT services.

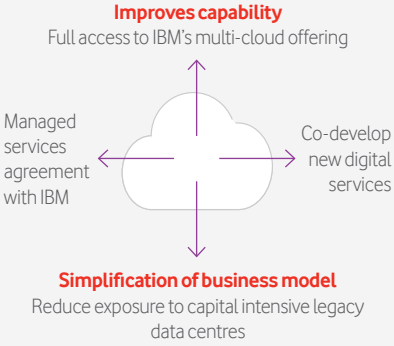
Performance in 2019

Vodafone Business grew service revenue by 0.3%. This was supported by market share gains in fixed, IoT, and Cloud and security services, partially offset by ongoing pricing pressure in mobile.

Global footprint



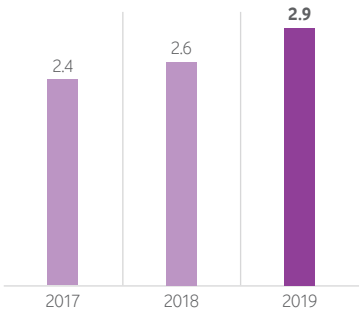
Strategic Cloud partnership with IBM



Our purpose in action

We estimate that over 30% of the more than 85 million IoT connections we operate directly enable customers to reduce their emissions. Examples include smart meters and IoT technologies embedded in vehicles to optimise route management, vehicle maintenance and driver behaviour. This year, we enabled our customers to avoid 2.9 tonnes of CO_2e for every one tonne generated from our operations.

Ratio of GHG emission savings for customers to our own GHG footprint



Note:
Figures include all data carried by our mobile networks. Emissions savings for customers have been calculated based on GeSI's ICT Enablement Methodology.

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Deepening customer engagement

Emerging Consumer

Our goals

Driving data penetration, growing digital and financial services

We continue to see significant growth potential in Emerging markets. Mobile data services and usage penetration is still relatively low, and there is the potential to expand M-Pesa, our African payments platform, beyond just money transfer to capture digital and financial services opportunities.

Our priorities:

- grow data customers and mobile ARPU
- increase our M-Pesa customer base, supported by new services

Material data growth opportunities

Data growth in Emerging markets has continued to be strong, growing at 50% in 2019. However, smartphone penetration is still low, and only 34% of our mobile customer base use 4G services. As 4G smartphone costs continue to fall, driving ongoing adoption, we aim to grow ARPU. For example, customers in South Africa typically spend 22% more when moving from 3G to 4G services.

M-Pesa as a financial services platform

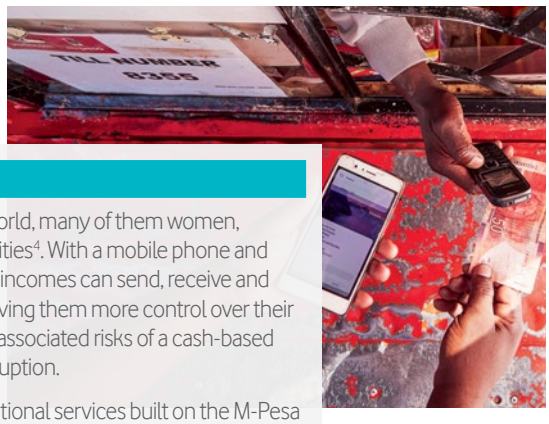
We also see a significant opportunity to grow in digital and financial services. M-Pesa, our African payments platform, has moved beyond its origins as a money transfer service, and now provides enterprise payments, financial services and merchant payment services for mobile commerce.

Over €10 billion of payments are processed over the platform every month, across the seven African markets where M-Pesa services are active.

We now have 37 million M-Pesa customers, and during 2019 M-Pesa revenue grew by 21% to €750 million, representing 12% of Emerging Consumer service revenue in the year.

Performance in 2019

The Emerging Consumer segment grew service revenue by 7.4%, supported by good growth in data users of 4% to 77 million and by price increases to offset local inflation. Within this our 4G customer base grew by 38%. M-Pesa also maintained good momentum, with active customers growing 13% to 37 million[3], and transaction volumes up 24% in the year.



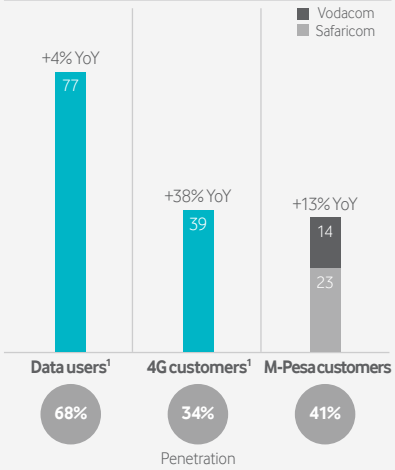
Our purpose in action

More than 2 billion people in the world, many of them women, still have no access to banking facilities[4]. With a mobile phone and an M-Pesa account, people on low incomes can send, receive and store money safely and securely giving them more control over their financial affairs. It also reduces the associated risks of a cash-based society, including robbery and corruption.

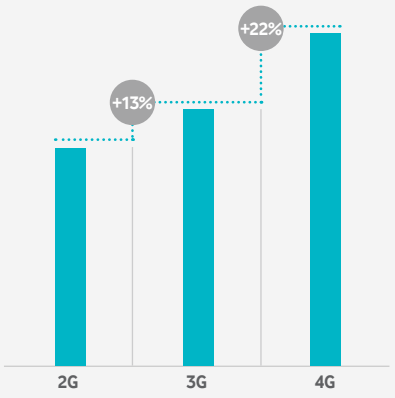
Thanks to the development of additional services built on the M-Pesa offering, such as M-Shwari, M-Pawa and KCB M-Pesa, our customers can also save money through interest-bearing accounts and can arrange micro-loans to help fund their businesses. In addition, M-Pesa is widely used to manage business transactions and to pay salaries, pensions, agricultural subsidies and government grants.

Customer base FY19[3]

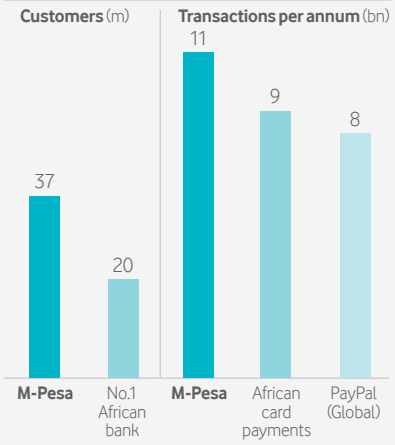
(millions)



ARPU uplift in South Africa



M-Pesa: The largest payment platform in Africa[2]



Platform for growth

Consumer platform	Enterprise	Financial services	Mobile commerce
P2P & international transfers	B2B, bank transfers, bills, salaries	Loans, handset financing, insurance	Merchant in-store and online

Notes:
1 Includes Turkey, Vodacom, Egypt and Ghana.
2 GSMA 2018, McKinsey Financial Services Report, eMarketer.
3 Excluding India.
4 Powering Potential, BNY Mellon and UN Foundation, 2018.

Our strategy (continued)

Transforming our operating model

Our strategy

A new radically simpler, Digital 'First' operating model, leveraging Group scale

In an increasingly digital world, we see the emergence of new technologies including big data analytics, artificial intelligence agents and robotic process automation ('RPA') as a compelling opportunity to structurally transform the Group's operating model and fundamentally reshape our cost base, while also improving the overall experience for our customers.

To maximise the benefits to Vodafone from these new technologies, speed and ambition are critical, and we aim to move faster than the industry. We also need to make our business 'radically simpler', and 'leverage our Group scale' by driving standardisation across our operations, in order to truly transform our operating model.

Digital 'First'

Our ambition is to move faster than our peers, and we have accelerated the implementation of our 'Digital Vodafone' programme from five years to three years.

This year, we have already increased the proportion of mobile customers acquired through digital channels to 17%. In fixed, 28% of customer acquisitions are also now online.

Across our customer operations, we have deployed TOBi chatbots in 11 markets, and plan to roll them out in a further five markets during FY20. This contributed to a 12% year-on-year reduction in the frequency of customer contacts to our call centres in Q4.

In addition, by deploying RPA 'bots' in our shared services centres, we reduced over 1,600 FTE roles this year.

Our goal: to lead the industry in the transition to digital

Digital customer management — Digital technology — Digital operations

	March 2017	March 2019	March 2021
CVM campaigns enabled by Big Data[1] Better targeting of the base[1]	15%	81%	100%
Digital channels share of sales mix[2] Reduce reliance on indirect channels	9%	17%	>40%
MyVodafone app penetration[1] Improve customer engagement	55%	62%	95%
Chatbots (% of contacts)[1] Moving from mostly human to mostly digital	0%	15%	60%
Frequency of contacts ('FOC')[1,3] Blending the best of digital and human interactions	1.8	1.5	0.9

Notes:
1 Includes all European markets.
2 Mobile contract acquisitions and retentions in Germany, Italy, UK, Spain.
3 FOC requiring human intervention per year.

Digital case study – rolling out chatbots (TOBi) in Italy

TOBi is a leading artificial intelligence ('AI') chatbot, providing customers with a conversational experience (either via voice, the web, or MyVodafone app) that can directly solve queries without the need for human interaction. It continuously learns new skills and information, therefore enabling it to provide customers with a broad range of support from both basic to more complicated queries, helping us to deliver a great customer experience.

In April 2018 we launched TOBi chat in Italy, and in the second half of FY19 we launched TOBi voice, effectively making TOBi the first point of contact for almost all customer enquiries.

Since then we have seen a significant step change in our performance. As of March 2019, 66% of customer contacts were entirely automated, driving a material reduction in human contact as well as improved customer net promoter scores. As a result, in the second half of FY19 we saw a 15% reduction in the frequency of contacts per customer, and Customer Operations costs reduced by 19% year-on-year.

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Radically simpler

Over the last three years, we have halved the number of tariff plans and reduced the number of products by around 40%. However, we still have hundreds, and in some cases thousands of legacy plans. In order to drive out cost and increase commercial agility we now are taking a more radical approach.

We will move to new simplified pricing models across all of our markets, and will proactively phase out complex legacy tariffs. Lower complexity will allow both significant savings in IT costs and greater commercial agility. We are also introducing a number of 'digital only' products, which require no human interaction, which will lower commissions and operating costs. In Spain, we launched our first digital plan 'Vodafone Bit' in November 2018.

Leverage Group scale

We see additional opportunities to leverage the benefit of our Group scale.

We have already achieved significant savings through scale and standardisation in some of our operations. For example, centralisation has reduced the costs of our finance operations by three quarters and the cost of our network operating centres by 40%, since these activities were centralised.

We now have 21,000 employees in our shared service centres in India, Egypt, and Eastern Europe, and have centralised over 80% of our procurement activities.

Looking ahead, we see further opportunities from centralising European network design and engineering functions, as well as IT operations.

These initiatives support our >€1.2 billion net opex reduction target in Europe

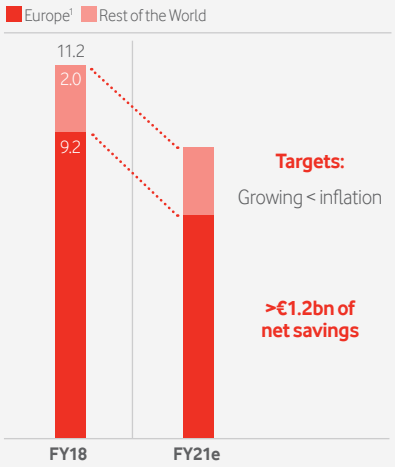
Through a combination of these three initiatives, together with the benefits of our ongoing 'Fit for Growth' programme and zero based budgeting efforts, we are targeting to reduce our net operating costs in Europe (including Common functions) by at least €1.2 billion in FY21, compared to FY18 levels. In the Rest of the World, we expect to keep operating cost growth below local inflation levels.

In 2019, we have reduced European net operating expenses by €0.4 billion, and we are on track for at least a further €0. 8 billion of savings over the next two years.

To date, we have already executed 50% of the actions required in order to achieve this cost target.

Group operating costs

€bn



Note: 1 Europe and common function opex.

Our strategy (continued)

Improving asset utilisation

Vodafone enjoys the benefits of market leading assets and infrastructure but we need to improve the utilisation of all our assets, so we can improve our return on capital. We see several opportunities to generate significant value creation and returns.

Capital smart infrastructure partnerships

Network sharing opportunities

We see a unique window of opportunity to initiate or extend our existing mobile network sharing agreements as the industry begins to deploy 5G. By sharing infrastructure, we will support the 'digital society' by improving network coverage and speeding up the deployment of 4G and 5G services; protect the planet by substantially reducing energy emissions; and materially improve the utilisation of our assets, realising significant cash savings in both operating costs and capital expenditure. Importantly, by ensuring that we only share networks with partners who share our determination to operate leading Gigabit networks, we will not compromise our differentiation compared to value players.

Specifically, across our European markets we aim to pursue:

- 'Passive' infrastructure sharing, including towers and rooftop sites, on a national basis.
- 'Deep passive' infrastructure sharing, including high speed backhaul solutions, on a regional or national basis.
- 'Active' infrastructure sharing, including radio equipment, outside major cities.

Reflecting this priority, we have announced agreements in recent months in Italy and Spain, which in aggregate are expected to reduce our annual medium term operating expenses and capital expenditure by around €200 million; we also extended our 4G agreement in the UK:

- In April 2019 we signed a new agreement with Orange in Spain to significantly extend the scope of our existing mobile network sharing agreement, and to include 5G services, with an estimated cumulative cash benefit for Vodafone of at least €600 million over the next ten years.
- In February 2019 we signed an MOU with Telecom Italia for a new network sharing agreement across both 4G and 5G services.
- In January 2019 we signed an MOU with Telefonica in the UK to extend our existing 4G agreement to cover 5G services

Unlocking tower efficiencies and monetisation options

Once these sharing arrangements are sufficiently progressed, we will be in a position to consider potential monetisation options for our towers. We are currently actively exploring a tower merger in Italy with Inwit, Telecom Italia's listed tower subsidiary, as well as monetisation options in the Netherlands, Spain and the UK.

For markets where tower monetisation is either strategically or financially unattractive, we are creating an internal 'Virtual' TowerCo, in which a centralised management team will bring a dedicated focus to drive greater operating efficiency and incremental revenues from additional tenancies.

Capturing the material synergies from in-market consolidation deals

We have announced a number of in-market consolidation transactions, which we expect to unlock significant synergies. We have a strong track record of delivering or exceeding targeted cost and capex synergies on prior deals, including Kabel Deutschland in Germany and ONO in Spain.

- In the Netherlands, VodafoneZiggo has already delivered half of the targeted cost and capex synergies, and now expects to achieve its goal of €210 million of annual run-rate savings by calendar 2020, one year ahead of its original plan.
- In India, we have made a very fast start on capturing targeted cost and capex savings following the merger of Vodafone India with Idea Cellular, and now expect to achieve the INR 84 billion annual savings run-rate by FY21, two years ahead of the original plan.
- Our announced acquisition of Liberty Global's cable assets in Germany and Central and Eastern Europe ('CEE') targets expected cost and capex savings of €535 million by the fifth full year post completion, with an NPV of €6 billion including integration costs. We will remain highly focused on capturing these significant opportunities for value creation.

Material cost and capex synergies

vodafone ziggo

€2.5bn
NPV of cost and capex synergies

vodafone idea

INR 84bn
Annual run-rate savings by FY21

unitymedia upc

€6bn
NPV of cost and capex synergies

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Leading Gigabit networks

Our ambition in both Consumer and Business is underpinned by our market leading or co-leading network position. We intend to build on our leadership in 4G to create Europe's largest 5G network in the coming years. We are well positioned to do this thanks to Project Spring, where we densified and fully modernised our network infrastructure.

Co-leading in 5G

Our strategy for 5G deployment will be one of co-leadership, matching the pace of other leaders in each market. Our initial focus will be on major cities, where today 69% of sites are 5G ready. This means they are both single RAN enabled and have a backhaul capacity of more than one Gigabit per second. In February 2019, we were the first operator in the World to complete a full 5G live connection, and we expect to have 5G live across 50 cities in Europe by the end of FY20 following commercial launches this summer.

Creating an efficient Gigabit factory

Demand for mobile data is growing rapidly, with European data traffic growing by 52% in 2019. As we evolve to 5G, one of the biggest opportunities we see in the near term is that it is a much more cost effective technology.

The cost per gigabyte on a 5G network is up to 10 times more efficient than on 4G, therefore driving unitary cost down. This provides us with the ability to keep network costs stable while still being able to manage the significant growth in data volumes.

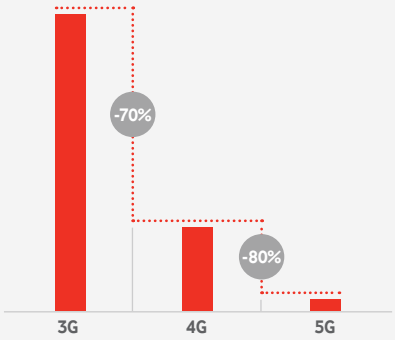
We are also rapidly moving towards a single cloud-based architecture where our IT applications and network functions are virtualised. This enables us to become a much more agile business, operating at a lower cost base. On average, we see a 30–40% cost saving each time an IT or network function is migrated to the Cloud. Adding incremental capacity to the network will now take a matter of hours rather than having to plan weeks or months in advance.

Delivering Gigabit speeds on cable

In fixed, we are upgrading our cable infrastructure to deliver Gigabit speeds. This is being achieved through a combination of freeing up existing spectrum previously used by analogue TV, deploying fibre to the last mile, and rolling out the latest DOSCIS 3.1 technology. In Spain, this upgrade is fully complete, and in Germany we are two thirds through the upgrade. We have also commenced our roll-out in the Netherlands.

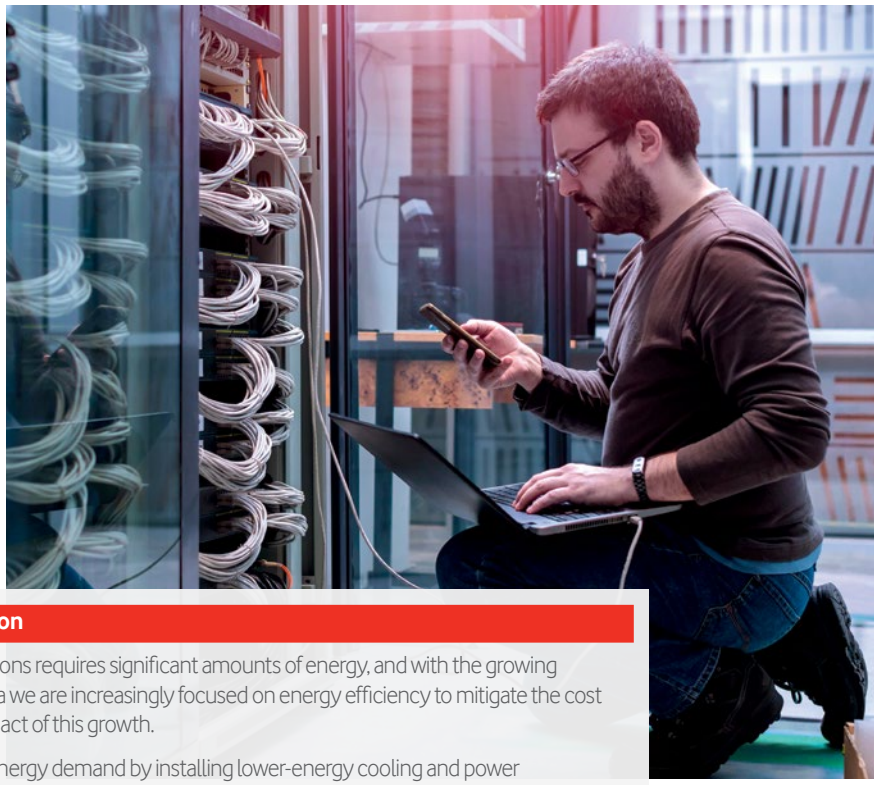
Relative radio cost of delivery

Indexation of unit costs



Delivering Gigabit speeds on cable

	DOCSIS 3.0	DOCSIS 3.1
Maximum upstream speed	200Mbps	1Gbps
Maximum downstream speed	1Gbps	10Gbps



Our purpose in action

Providing communications requires significant amounts of energy, and with the growing demand for mobile data we are increasingly focused on energy efficiency to mitigate the cost and environmental impact of this growth.

We have reduced our energy demand by installing lower-energy cooling and power technologies. For example, at our main technology centre in Germany we improved energy efficiency by 8% by upgrading to a state-of-the-art power supply system. Across our network, we have also cut energy use by decommissioning legacy assets including data storage systems and servers.

These energy efficiency initiatives contribute towards our objective of **reducing greenhouse gas ('GHG') emissions by 50% by 2025**. During the year, we achieved a 36% reduction in the amount of GHG emissions per petabyte ('PB') of mobile data carried, to reach an average of 371 tonnes CO_2e per PB.

Key performance indicators

Turning our strategic priorities into tangible performance indicators

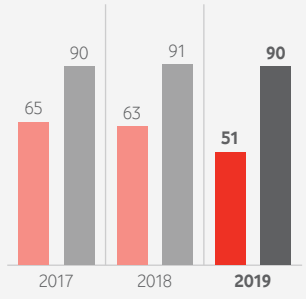
We measure our success by tracking key performance indicators that reflect our strategic, operational and financial progress and performance. These drive internal management of the business and our remuneration.

Leading Gigabit networks | Europe Consumer | Vodafone Business | Emerging Consumer

Mobile data growth and network quality

Mbps

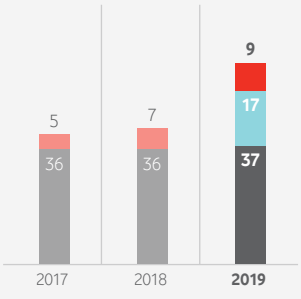
The growth of Group data traffic over our network and proportion of data sessions delivered at high-definition ('HD') quality (i.e. exceeds 3 Mbps).



European owned NGN coverage and strategic partnerships[1]

million marketable households passed

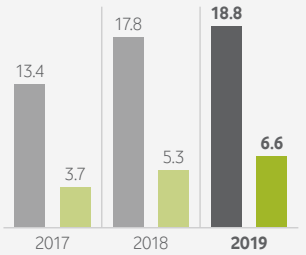
To meet the growing demand for NGN fixed and converged services we aim to continually optimise our NGN reach and penetration. On a pro forma basis for Liberty Global's assets, we will cover 122 million marketable households. This comprises of 54 million households on-net, and 9 million through strategic partnerships, and a further 59 million via wholesale access terms.



Broadband and converged consumer customers[1]

million

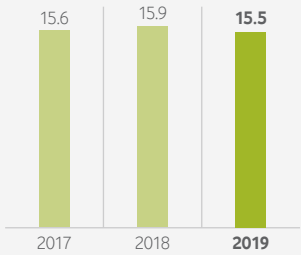
We aim to rapidly grow our fixed broadband customer base through market share gains, and drive convergence across our fixed and mobile customer base. During the year, we added 719,000 broadband customers, including 1.5 million NGN customers, and 1.1 million converged customers.



Mobile contract churn

%

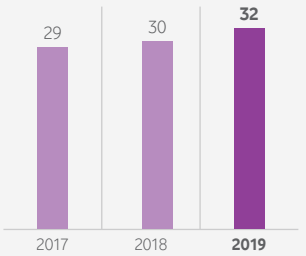
We are focused on deepening the customer relationship with our existing customers, in order to grow revenue and lower churn. By growing our converged customer base, we are seeing a clear reduction in mobile contract churn in Europe, which is now at a record low.



Fixed as a percentage of Business service revenue

%

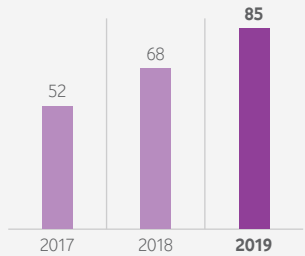
Our core European mobile business continued to face ARPU pressure reflecting ongoing price competition. As a result, we are seeking to diversify into fixed and business related services to offset this pressure. In fixed, we see a significant opportunity to take market share as the market moves from WAN to SDN.



IoT SIM growth

million

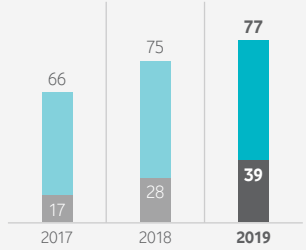
We are a market leader in the rapidly growing Internet of Things ('IoT') segment offering a diverse range of services to our Business customers including managed IoT connectivity, automotive and insurance services, smart metering and health solutions. This year we grew IoT SIMs on our network by 24.1% to 85 million.



Data and 4G data users[4]

million

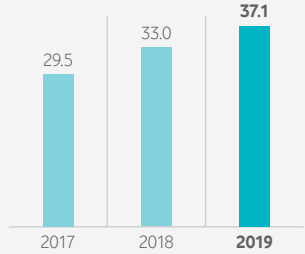
68% of our Emerging markets' customers use data services today. To monetise our network investment, we aim to grow the number of customers using smartphones which supports data usage and the migration to 4G services. Smartphone customers grew 13.0% to 71 million customers and 4G penetration grew to 34%.



M-Pesa customers

million

M-Pesa our African payments platform continues to see rapid adoption with customers growing by 13% in the last year. Additionally our customer relationship continues to deepen with new services such as business payments, financial services and mobile commerce.



Notes: 1 Includes VodafoneZiggo. 2 Excluding the impact of one-off settlements. 3 Excluding the impact of UK handset financing. 4 Excluding JVs and associates.

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Changes to KPIs this year

We have updated some of our KPIs to more accurately reflect our strategic priorities.

New KPIs

- European mobile contract churn
- European net operating expenses reduction
- Emerging Consumer data and 4G data users
- M-Pesa customers

KPIs removed

- 4G customers
- Average smartphone data usage per customer in Europe
- Consumer mobile net promoter score
- Grow adjusted EBITDA faster than service revenue

Financial performance

The Group achieved its financial guidance for the year, as good growth in most markets offset increased competition in Spain and Italy and headwinds in South Africa. As a result, we achieved the mid-point of our original guidance for 1–5% organic EBITDA growth, growing 3.1%[2,3] in the year. This was supported by a net reduction in operating expense in Europe and common functions of €0.4 billion. We also delivered €5.5 billion of free cash flow pre-spectrum at guidance FX rates (€5.4 billion on a reported basis).

Paying for performance

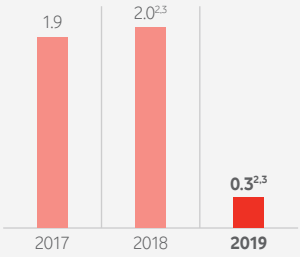
The incentive plans used to reward the performance of our Directors and our senior managers, with some local variances, include measures linked to our KPIs. This year while we performed in line with our free cash flow target, our service revenue, EBIT, customer appreciation, and TSR performance was below target and therefore the Group's annual bonus was lower this year.

77 **Read more** on rewards and performance in the Remuneration Report

Organic service revenue growth

%

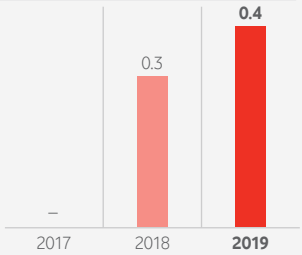
Growth in revenue demonstrates our ability to grow our customer base and/or ARPU. This year we continued to grow revenue despite tough competition in Italy and Spain. Overall, we delivered organic Group service revenue growth of 0.3%[2,3] in the year.



European net operating expenses reduction

€bn

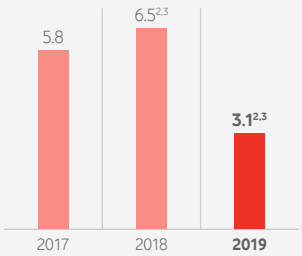
We are targeting a net reduction of over €1.2 billion in operating costs in Europe (including common functions) on an absolute organic basis by FY21, compared to FY18 levels. We expect to achieve this through the transformation of our operating model by being Digital 'First', Radically simpler, and Leveraging Group scale.



Organic adjusted EBITDA growth

%

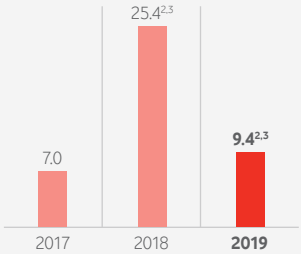
Growth in adjusted EBITDA supports our free cash flow which helps fund investment and shareholder returns. Our adjusted EBITDA grew organically by 3.1%[2,3] this year and consequently the Group's adjusted EBITDA margin improved by 0.5 percentage points to 31.1%[2,3].



Organic adjusted EBIT growth

%

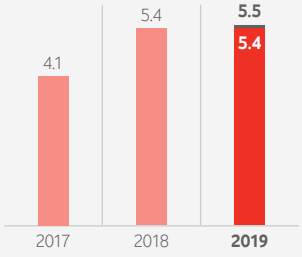
Adjusted EBIT is an important indicator of profitability and returns for the Group. Our organic adjusted EBIT grew by 9.4%[2,3] principally driven by adjusted EBITDA growth and lower D&A.



Free cash flow pre-spectrum growth

%

Cash generation is a key driver of long-term shareholder returns. On a guidance basis, we delivered €5.5 billion of free cash flow pre-spectrum in the year, or €5.4 billion pre-spectrum on a reported basis.



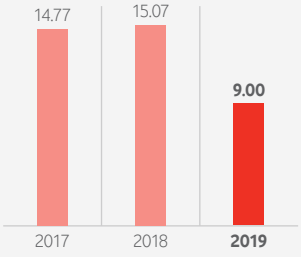
Reported ■ Guidance basis

Dividends per share

eurocents

The ordinary dividend per share continues to be a key component of shareholder return.

Our new dividend policy will enable us to rebuild our financial headroom while providing investors with a sustainable, progressive dividend.



Chief Financial Officer's review

Driving better returns, cost transformation and deleveraging

As Group CFO I am focused on three key objectives for the business. First, to drive better returns on capital in Europe, where returns are below our cost of capital, in particular through better utilisation of our assets.

Second, to transform our cost base by leveraging new digital technologies, radically simplifying our commercial offers and internal processes, leveraging Group scale benefits and ensuring the successful delivery of targeted cost synergies.

And third, deleveraging the balance sheet through organic EBITDA growth, enhanced cash generation, non-core asset sales and working capital initiatives. We aim to move to the lower end of our targeted 2.5x-3.0x range in the next few years.

Opex reduction supporting further margin expansion

During the year, given strong early progress in our operating transformation we decided to accelerate the implementation timeline for our 'Digital Vodafone' programme from five years to three years. As a result we now expect to reduce net operating expenses in Europe and common functions by at least €1.2 billion by the end of FY21 compared to the FY18 levels, implying an annual run rate saving of c.€400 million. I am pleased to confirm that we achieved this run-rate in FY19, and we are well on track to deliver a similar result in FY20. In addition, in our Rest of the World region we grew opex below local inflation levels, a result we expect to sustain going forwards. Combined with further mid-term opportunities to improve distribution efficiency and reduce commercial costs by selling through digital channels, we expect to continue to expand our EBITDA margins, building on the momentum of the past few years.

We will also be highly focused on realising the substantial opex and capex synergies created by the announced Liberty Global transaction. We target €535 million of run-rate synergies in Germany and CEE by the fifth year post completion. In addition, we have significant further synergies to capture in our Joint Ventures in India and the Netherlands.

Capital expenditure stable, spectrum acquisitions peaking

The Group invested a further €10 billion in networks, spectrum and IT modernisation during the year. Capital additions as a percentage of sales remained stable at 16.0%, with spectrum additions of €2.8 billion as we acquired 5G spectrum in the UK, Spain and Italy. The Italian auction stood out at a total cost €2.4 billion, due to an artificial construct in its design as the government sought to maximise auction proceeds. Once the German spectrum auction concludes, this will largely complete the Group's spectrum portfolio in the key 3.6GHz band in its major markets, and we anticipate lower spectrum needs from FY21 onwards.

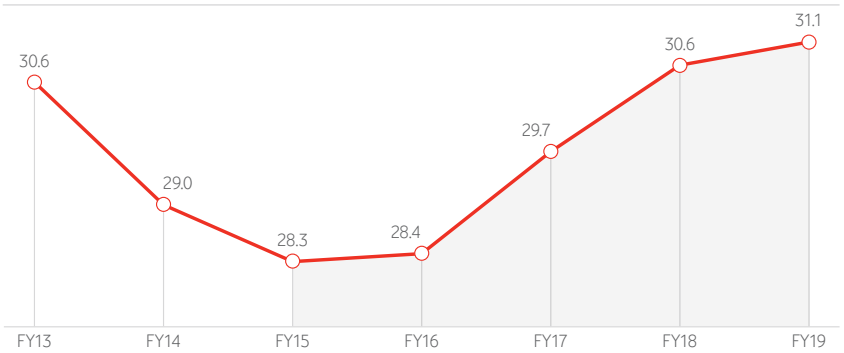
Exploring tower monetisation opportunities

Our tower strategy aims to unlock industrial savings, so that we can improve the utilisation of our infrastructure assets, and we are actively exploring a range of monetisation options where we see an opportunity for value creation for the Group.

Specifically, in conjunction with the development of new 5G active and passive network sharing agreements, we have decided to explore a potential monetisation of our tower assets in Italy, Spain and the UK; additionally, we are also assessing tower opportunities at our JV in the Netherlands.

A fourth consecutive year of EBITDA margin expansion

Group adjusted EBITDA margin



Excluding handset financing and one-off settlements

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For markets where tower monetisation is either strategically or financially unattractive, we are creating an internal 'virtual' TowerCo with a dedicated central management team, in order to drive improved operating efficiency and higher tenancy ratios.

Accelerating deleveraging in order to increase headroom

We have developed a comprehensive programme of deleveraging actions which allow us to increase our financial headroom. These include:

- Driving organic EBITDA growth, both through top-line recovery, opex reduction and synergy realisation
- Non-core asset sales, such as the announced disposal of our New Zealand business for €2.1 billion (7.3x EBITDA and 16.2x OpCF)
- Lower spectrum spending, as noted above, with the peak of 5G auctions passing in FY20
- Working capital initiatives, including routinely selling all handset receivables going forwards. This will align the cash inflows on customer receivables with the cash outflows on handset purchases, increasing our commercial flexibility to offer customers' longer payment terms on increasingly costly smartphones without creating a drag on our working capital.

A new dividend policy

Our new dividend policy will also help to increase financial headroom. The rebased dividend level (to 9 eurocents from 15.07 eurocents per share) will contribute an additional 0.3x of deleveraging over the next three years. The new annual dividend obligation of approximately €2.4 billion represents a 60% payout of our free cash flow after historic average spectrum and restructuring costs in FY19, which is highly sustainable.

Adoption of IFRS 15/16 standards

During FY19 we have adopted the IFRS 15 accounting standard (which primarily relates to revenue recognition) for our statutory reporting, but our management reporting has remained on an IAS 18 basis, reflecting our internal budgeting process. For FY20 we will also adopt IFRS 15 for our management reporting. This will have a material impact on our reported service revenue growth, as it will eliminate the large drag from the adoption of handset financing in the UK.

For FY20 we will adopt IFRS 16 for our statutory reporting. However, from a management reporting perspective we intend to adjust for the benefit to EBITDA and FCF arising from the capitalisation of operating leases as finance leases under IFRS 16. This is because we believe that considering our cash generation after leases is more representative of our underlying cost structure.

FY19 guidance delivered & FY20 outlook

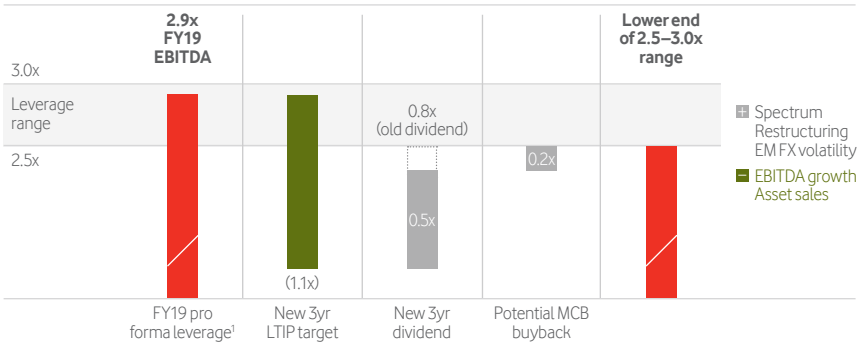
In FY19 we achieved the midpoint of our original guidance for 1–5% organic EBITDA growth and delivered €5.5 billion of FCF pre-spectrum at guidance FX rates, well ahead of our original guidance for 'at least €5.2 billion'. In FY20 we expect an adjusted EBITDA range of €13.8–14.2 billion on an organic basis, based on guidance FX rates and under IFRS 15/16 accounting standards. This implies low single digit organic adjusted EBITDA growth. We expect to generate FCF pre-spectrum of at least €5.4 billion.

M. Della Valle

Margherita Della Valle
Chief Financial Officer

Prioritising deleveraging to rebuild headroom

Deleveraging drivers



Targeting the lower end of our 2.5x–3.0x range in the next few years

Note:
1 Includes the acquisition of Liberty Global's assets (€18.4bn) and the remaining €1.0bn MCB share buyback.

Our financial performance

This section presents our operating performance, providing commentary on how the revenue and the adjusted EBITDA performance of the Group and its operating segments have developed over the last year. Following the adoption of IFRS 15 "Revenue from Contracts with Customers" on 1 April 2018, the Group's statutory results for the year ended 31 March 2019 are on an IFRS 15 basis, whereas the statutory results for the year ended 31 March 2018 are on an IAS 18 basis as previously reported, with any comparison between the two bases of reporting not being meaningful. As a result, the discussion of our operating financial performance is primarily on an IAS 18 basis for all years presented. See "Alternative performance measures" on page 231 for more information and reconciliations to the closest respective equivalent GAAP measures.

Group[1,2]

	2019 IFRS 15 €m	2019 IAS 18 €m	2018 IAS 18 €m	IAS 18 growth Reported %	IAS 18 growth Organic* %
Revenue	43,666	45,066	46,571	(3.2)	(0.1)
Service revenue	36,458	39,220	41,066	(4.5)	(0.9)
Other revenue	7,208	5,846	5,505		
Adjusted EBITDA	13,918	14,139	14,737	(4.1)	(0.5)
Depreciation and amortisation	(9,665)	(9,665)	(9,910)		
Adjusted EBIT	**4,253**	**4,474**	**4,827**	**(7.3)**	**(2.5)**
Share of adjusted results in associates and joint ventures[3]	(348)	(291)	389		
Adjusted operating profit	**3,905**	**4,183**	**5,216**	**(19.8)**	**(0.2)**
Adjustments for:					
Impairment loss	(3,525)		–		
Restructuring costs	(486)		(156)		
Amortisation of acquired customer bases and brand intangible assets	(583)		(974)		
Other income and expense	(262)		213		
Operating (loss)/profit	**(951)**		**4,299**		
Non-operating income and expense	(7)		(32)		
Net financing costs	(1,655)		(389)		
Income tax (expense)/credit	(1,496)		879		
(Loss)/profit for the financial year from continuing operations	**(4,109)**		**4,757**		
Loss for the financial year from discontinued operations	**(3,535)**		**(1,969)**		
(Loss)/profit for the financial year	**(7,644)**		**2,788**		

Notes:

* All amounts in the Our financial performance section marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. Organic growth is an alternative performance measure. See "Alternative performance measures" on page 231 for further details and reconciliations to the respective closest equivalent GAAP measure.

1 Revenue and service revenue include the regional results of Europe, Rest of the World, Other (which includes the results of partner market activities) and eliminations. The 2019 results reflect average foreign exchange rates of €1:£0.88, €1:INR 80.93, €1:ZAR 15.92, €1:TKL 6.05 and €1: EGP 20.61.

2 Service revenue, adjusted EBITDA, adjusted EBIT and adjusted operating profit are alternative performance measures. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measures. See "Alternative performance measures" on page 231 for more information and reconciliations to the closest respective equivalent GAAP measure and "Definition of terms" on page 250 for further details.

3 Share of adjusted results in equity accounted associates and joint ventures excludes amortisation of acquired customer bases and brand intangible assets, restructuring costs and other costs of €0.6 billion which are included in amortisation of acquired customer base and brand intangible assets, restructuring costs and other income and expense respectively.

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Revenue

On an IFRS 15 basis, revenue decreased by €2.9 billion during the year to €43.7 billion. This reflects a €1.4 billion decrease due to the adoption of IFRS 15.

On an IAS 18 basis, reported revenue decreased by 3.2%, reflecting adverse foreign exchange movements and the disposal of Vodafone Qatar in the prior period. On an organic basis, revenue declined by 0.1%*. Service revenue decreased by 0.9%* as increases in South Africa, Turkey and Egypt were offset by declines in Italy, Spain and the UK

Adjusted EBITDA

On an IFRS 15 basis, adjusted EBITDA decreased by €0.8 billion to €13.9 billion, primarily reflecting the decline in reported revenue.

On an IAS 18 basis, adjusted EBITDA decreased by €0.6 billion, a decline of 4.1%, or 0.5%* on an organic basis. This reflected a 4.7%* decline in Europe, offset by a 6.3%* improvement in Rest of the World. Excluding the impact of handset financing and settlements, adjusted EBITDA increased by 3.1%* on an organic basis.

The adjusted EBITDA margin decreased from 31.6% to 31.4% on a reported basis. Excluding the impact of handset financing and settlements, the adjusted EBITDA margin increased by 0.5 percentage points to 31.1%.

Adjusted EBIT

On an IFRS 15 basis, adjusted EBIT decreased by €0.5 billion to €4.3 billion.

On an IAS 18 basis, adjusted EBIT decreased by €0.3 billion, a decline of 7.3%, or 2.5%* on an organic basis. The decline was driven by the lower adjusted EBITDA partially offset by lower depreciation and amortisation expenses.

Operating loss

Adjusted EBIT excludes certain income and expenses that we have separately identified to allow their effect on the results of the Group to be assessed. The items that are included in statutory operating (loss)/profit but are excluded from adjusted EBIT are discussed below.

The Group reported an operating loss of €1.0 billion compared to an operating profit of €4.3 billion in the prior year. This reflects the lower adjusted EBIT, but is primarily driven by impairment charges of €3.5 billion (Spain: €2.9 billion, Romania: €0.3 billion and Vodafone Idea: €0.3 billion). In addition, there has been an increase in restructuring costs of €0.3 billion and an increase in other income and expense due to a non-recurring prior year gain on the disposal of Vodafone Qatar. These factors are partially offset by a decrease in the amortisation of intangible assets by €0.4 billion.

Net financing costs

	2019 €m	2018 €m
Investment income	433	685
Financing costs	(2,088)	(1,074)
Net financing costs	**(1,655)**	**(389)**
Analysed as:		
Net financing costs before interest on settlement of tax issues	(1,043)	(749)
Interest income arising on settlement of outstanding tax issues	1	11
	(1,042)	**(738)**
Mark to market (losses)/gains	(423)	27
Foreign exchange (losses)/gains[1]	(190)	322
Net financing costs	**(1,655)**	**(389)**

Note:
1 Primarily comprises foreign exchange differences reflected in the income statement in relation to sterling and US dollar balances.

Net financing costs increased by €1.3 billion, primarily driven by mark-to-market losses (including hedges of the mandatory convertible bond) and adverse foreign exchange rate movements. Net financing costs before interest on settlement of tax issues includes increased interest costs as part of the financing for the Liberty Global transaction as well as adverse interest rate movements on borrowings in foreign operations. Excluding these, underlying financing costs remained stable, reflecting consistent average net debt balances and weighted average borrowing costs for both periods.

Our financial performance (continued)

Taxation

	2019 €m	2018 €m
Income tax (expense)/credit:	**(1,496)**	**879**
Tax on adjustments to derive adjusted profit before tax	(206)	(188)
Deferred tax following revaluation of investments in Luxembourg	(488)	(330)
Luxembourg deferred tax asset recognised in the year	–	(1,603)
Deferred tax on use of Luxembourg losses in the year	320	304
Tax on the Safaricom transaction	–	110
Derecognition of a deferred tax asset in Spain	1,166	–
Adjusted income tax expense for calculating adjusted tax rate[1]	**(704)**	**(828)**
(Loss)/profit before tax	**(2,613)**	**3,878**
Adjustments to derive adjusted profit before tax (see earnings per share)	5,149	530
Adjusted profit before tax[1]	**2,536**	**4,408**
Share of adjusted results in associates and joint ventures	348	(389)
Adjusted profit before tax for calculating adjusted effective tax rate[1]	**2,884**	**4,019**
Adjusted effective tax rate[1]	**24.4%**	**20.6%**

Note:
1 See "Alternative performance measures" on page 231 for further details and reconciliations to the respective closest equivalent GAAP measure.

The Group's adjusted effective tax rate for its controlled businesses for the year ended 31 March 2019 was 24.4% compared to 20.6% for the last financial year. The higher rate in the current year is primarily due to a change in the mix of the Group's profit, driven by the financing for the Liberty Global transaction. The tax rate in the prior year also reflected the consequences of closing tax audits in Germany and Romania. We expect the Group's adjusted effective tax rate to remain in the low-mid twenties range for the medium term.

The Group's adjusted effective tax rate for both years does not include the following items: the derecognition of a deferred tax asset in Spain of €1,166 million (2018: €nil); deferred tax on the use of Luxembourg losses of €320 million (2018: €304 million); an increase in the deferred tax asset of €488 million (2018: €330 million) arising from a revaluation of investments based upon the local GAAP financial statements and tax returns.

The Group's adjusted effective tax rate for the year ended 31 March 2018 does not include the recognition of a deferred tax asset of €1,603 million due to higher interest rates; and a tax charge in respect of capital gains on the transfer of share in Vodafone Kenya Limited to the Vodacom Group of €110 million.

Adjusted earnings per share

Adjusted earnings per share, which excludes impairment losses and the results of Vodafone India (the latter being included in discontinued operations), were 5.26 eurocents, a decrease of 54.6% year-on-year, as lower adjusted operating profit, incorporating the adoption of IFRS 15, and higher net financing costs more than offset the decrease in adjusted income tax expense.

Basic loss per share were 29.05 eurocents, compared to an earnings per share of 8.78 eurocents for the year ended 31 March 2018. The decrease is largely due to the non-cash impairment charges of €3.5 billion, a €3.4 billion loss on the disposal of Vodafone India recognised during the period, higher net financing costs from adverse foreign exchange movements, mark to market losses and higher gross borrowings and the derecognition of a deferred tax asset in Spain, all of which have been excluded from adjusted earnings per share.

	2019 €m	2018 €m
(Loss)/profit attributable to owners of the parent	**(8,020)**	**2,439**
Adjustments:		
Impairment loss	3,525	–
Amortisation of acquired customer base and brand intangible assets	583	974
Restructuring costs	486	156
Other income and expense	262	(213)
Non-operating income and expense	7	32
Investment income and financing costs[1]	286	(419)
	5,149	**530**
Taxation	792	(1,707)
India[2]	3,535	1,969
Non-controlling interests	(5)	(13)
Adjusted profit attributable to owners of the parent[3]	**1,451**	**3,218**

	Millions	Millions
Weighted average number of shares outstanding – basic	27,607	27,770

	eurocents	eurocents
Earnings per share:		
Basic (loss)/earnings per share	(29.05)c	8.78c
Adjusted earnings per share[3]	5.26c	11.59c

Notes:
1 Includes mark-to-market losses of €0.3 billion (2018: €0.2 billion gain), primarily on the option structure that is hedging the mandatory convertible bonds, and foreign exchange movements on certain sterling and US dollar balances.
2 Primarily relates to the loss on disposal of Vodafone India and also includes the operating results, financing, tax and other gains and losses of Vodafone India, prior to becoming a joint venture, recognised during the year.
3 Adjusted profit attributable to owners of the parent and adjusted earnings per share are alternative performance measures. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measures. See "Alternative performance measures" on page 231 for further details.

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Europe

IAS 18 basis	Germany €m	Italy €m	UK €m	Spain €m	Other Europe €m	Eliminations €m	Europe €m	2018 €m	% change Reported	% change Organic*
Year ended 31 March 2019										
Revenue	10,952	5,882	6,799	4,688	5,121	(116)	33,326	33,888	(1.7)	(1.8)
Service revenue	10,306	4,979	5,775	4,275	4,743	(110)	29,968	30,713	(2.4)	(2.5)
Other revenue	646	903	1,024	413	378	(6)	3,358	3,175		
Adjusted EBITDA	4,098	2,189	1,527	1,079	1,628	–	10,521	11,036	(4.7)	(4.7)
Adjusted operating profit/(loss)	1,088	921	(110)	(179)	711	–	2,431	2,895	(16.0)	(16.1)
Adjusted EBITDA margin	37.4%	37.2%	22.5%	23.0%	31.8%		31.6%	32.6%		

On an IAS 18 basis, revenue decreased by 1.7% and organic service revenue decreased by 2.5%. Excluding the drag from UK handset financing and a one-off settlement in Germany, service revenue decreased by 1.1%* (Q3 -1.1%, Q4 -1.8%), reflecting competitive pressure in Italy and Spain offset by good growth in Germany, the UK and Other Europe.

Adjusted EBITDA decreased by 4.7%*. On an organic basis and excluding both UK handset financing impacts and favourable settlements in Germany and the UK during the prior year, adjusted EBITDA declined by 0.5%* as service revenue declines were offset by a €0.3 billion reduction in operating expenses.

Adjusted EBIT decreased by 20.1%, reflecting lower adjusted EBITDA.

	Reported change %	Other activity (including M&A) pps	Foreign exchange pps	Organic* change %
Europe revenue	**(1.7)**	**(0.2)**	**0.1**	**(1.8)**
Service revenue				
Germany	0.4	0.1	–	0.5
Italy	(6.1)	0.2	–	(5.9)
UK	(5.2)	0.1	–	(5.1)
Spain	(6.8)	0.4	–	(6.4)
Other Europe	2.6	(0.6)	0.1	2.1
Europe service revenue	**(2.4)**	**(0.1)**	**–**	**(2.5)**
Adjusted EBITDA				
Germany	2.2	(0.2)	–	2.0
Italy	(6.0)	0.2	–	(5.8)
UK	(13.3)	(0.8)	–	(14.1)
Spain	(24.0)	0.5	–	(23.5)
Other Europe	7.5	0.1	–	7.6
Europe adjusted EBITDA	**(4.7)**	**–**	**–**	**(4.7)**
Europe adjusted EBIT	**(20.1)**	**–**	**–**	**(20.1)**
Europe adjusted operating profit	**(16.0)**	**–**	**(0.1)**	**(16.1)**

Germany

Service revenue grew 1.5%* (Q3: 1.1%*, Q4: 1.0%*) excluding the impact of a one-off legal settlement in the prior year, as the benefit of good commercial momentum was partially offset by a decline in wholesale revenues. On the same basis, retail revenues grew by 2.2%* in the year (Q3: 1.9%*, Q4: 1.9%*).

Mobile service revenue grew 0.8%* (Q3: 0.2%*, Q4: 0.6%*) driven by a higher consumer contract customer base, which offset revenue declines in wholesale and Business. Excluding wholesale, mobile service revenues grew 1.6%* (Q3: 1.1%*, Q4: 1.6%*). During the year we added 715,000 contract customers, thanks in part to the success of our GigaCube proposition. In Q4 we added 84,000 contract customers, with the slowdown in quarterly momentum mainly reflecting lower reseller activity. Contract ARPU declined by 2.7%, reflecting an ongoing mix-shift to SIM-only, convergence and family plans in the Consumer segment and competitive pressure on contract renewals in the Business segment.

Fixed service revenue grew 2.6%* (Q3: 2.5%*, Q4: 1.6%*) excluding the impact of a favourable legal settlement in Q4 2017/18. Excluding wholesale, fixed service revenues grew 3.2%* (Q3: 3.2%*, Q4: 2.4%*). We added 264,000 broadband customers and 751,000 consumer converged customers in the year, bringing our consumer converged customer base to 1.5 million, representing 20% of our broadband base. Our TV customer base declined by 92,000, primarily reflecting the loss of low ARPU basic access customers. During the year we completed the analogue switch off for TV services on the cable network, and we are now marketing Gigabit broadband services to 8.8m homes.

Adjusted EBITDA grew by 4.3%* excluding the legal settlement, with a 0.9 percentage point improvement in the adjusted EBITDA margin to 37.4%. This was driven by service revenue growth, our focus on more profitable direct channels, and effective cost management.

Our financial performance (continued)

Italy

Service revenue declined 5.9%* (Q3: -4.6%*, Q4: -6.1%*), reflecting significant price competition in consumer mobile following the launch of a new entrant. Excluding the phasing of loyalty programme changes, service revenue performance was broadly similar in Q3 and Q4.

Mobile service revenue declined 9.4%* (Q3: -8.4%*, Q4: -10.2%*) reflecting a decline in the active customer base compared to the prior year and competitive pressure on prepaid ARPU. Promotional activity moderated throughout the year with Q4 mobile market number portability ('MNP') volumes 23% lower quarter-on quarter, and 14% lower year-on year, supporting a further 10 percentage point sequential improvement in prepaid churn. During H2, our active customer base continued to decline, partially mitigated by the success of our second brand, Ho., which ended the year with 1.1 million customers.

Fixed service revenue grew 9.6%* (Q3: 11.3%*, Q4: 11.0%*). Our commercial momentum remained strong, as we added 282,000 broadband households in the year and won significant new contracts in the Business segment. Through our owned NGN footprint and our rapidly expanding strategic partnership with Open Fiber, we now cover 6.5 million households. We also added 214,000 converged Consumer customers in the year, taking our total converged Consumer customer base to 957,000, representing 34% of our broadband base.

Adjusted EBITDA declined by 5.8%* and the adjusted EBITDA margin was 0.3 percentage points lower at 37.2%. Lower mobile pricing was partially offset by tight control of operating expenses, which declined by 9.9%* year-on-year, together with significantly lower commercial costs in H2.

We continue to seek further efficiency opportunities given the high cost to acquire 5G spectrum (€2.4 billion in September 2018) and the competitive market context. In February we signed a Memorandum of Understanding to explore an active and passive network sharing agreement with Telecom Italia for 4G and 5G services, including a combination of our tower assets with Inwit, the listed company that owns Telecom Italia's towers. In April we announced the conclusion of union negotiations impacting over 1,100 roles.

UK

Service revenue returned to growth in the year, up 0.6%* (Q3: 0.9%*, Q4: 0.1%*) excluding the drag from handset financing. Growth was driven by higher Consumer revenue and supported by a return to growth in Business fixed. Q4 saw strong Consumer mobile and fixed line growth, balanced by a slowdown in Business due to the phasing of project revenues in the prior year. Service revenue declined 5.1%* (Q3: -4.5%*, Q4: -5.8%*), including the drag from handset financing which weighed on organic service revenue by 5.7 percentage points.

Mobile service revenue excluding handset financing declined by 0.8%* (Q3: -1.1%*, Q4: -0.7%*), with growth in Consumer offset by lower Business and MVNO revenue. Consumer growth was driven by a higher contract customer base and an RPI-linked price increase, partially offset by the introduction of spend capping. Excluding Talkmobile, our low-end mobile brand which is being phased out, we added 330,000 contract customers in the year, compared to 106,000 last year. Consumer contract branded churn improved by 1.2 percentage points year on year in Q4 to record levels, reflecting our best ever network satisfaction and consumer NPS scores, supported by the launch of our VeryMe loyalty program.

Fixed service revenue grew 5.3%* (Q3: 7.3%*, Q4: 2.3%*) driven by continued momentum in Consumer broadband and a return to growth in Business. The Q4 sequential trend reflects prior year phasing of Enterprise project work. We added 193,000 broadband customers in the year, increasing our total customer base to 575,000. Through our partnership with Cityfibre, our fibre-to-the-home network is now live in 5 cities, with a further 7 cities due to go live during FY20.

Adjusted organic EBITDA excluding handset financing and a one-off settlement in the prior year grew 11.3%*, and our adjusted EBITDA margin improved by 2.3 percentage points. This improvement was driven by service revenue growth and a 5.3%* reduction in operating expenses, supported by our digital initiatives. Fixed profitability continues to improve supported by the closure of legacy networks and the decommissioning of IT systems in Business. On a reported basis, adjusted EBITDA decreased by 14.1%* and our reported adjusted EBITDA margin decreased by 2.4 percentage points to 22.5%.

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Spain

Service revenue declined 6.4%* (Q3: -7.4%*, Q4: -8.9%*) reflecting the commercial actions we took in May in order to improve the competitiveness of our offers, as well as our decision not to renew unprofitable football rights. Following this decision, which led to higher content costs for other operators, promotional discounting increased in Q2 and Q3 as these rivals sought to win additional football customers. During Q4 promotional intensity began to moderate and our commercial trends stabilized, supported by a significant sequential reduction in contract churn. However, service revenue trends continued to weaken reflecting the full impact of promotional discounts offered during the prior quarter.

During the year we lost 115,000 mobile customers, 123,000 fixed broadband customers and 49,000 TV customers. However, in Q4 we returned to customer growth in both broadband and TV, adding 1,000 and 36,000 customers respectively. In April 2019 we announced a new simplified tariff structure which includes speed-differentiated unlimited data bundles in both mobile-only and convergent offers for the first time. We also launched our new TV offer based on thematic packs which allow higher customization and reflect our strategy to have the best offers on series and movies.

Adjusted EBITDA declined by 23.5%* and the adjusted EBITDA margin was 5.5 percentage points lower at 23.0%*. This was principally driven by the reduction in ARPU and a lower customer base, as well as by higher commercial costs following the repositioning of the business. Content costs declined only modestly during the year as we completed our commitment to offer the 8-match La Liga football package, but will fall substantially next year as we exit football entirely. In order to recover profitability we are radically simplifying our business in Spain. In Q4, we agreed a collective dismissal impacting 1,000 roles with unions, and we announced a wide-ranging network sharing agreement with Orange covering both 5G mobile and FTTH, which is expected to unlock at least €600 million of cumulative cost and capex savings over the next ten years.

Following challenging current trading and economic conditions, management has reassessed the expected future business performance in Spain. Following this reassessment, projected cash flows are lower and this has led to an impairment charge of €2.9 billion with respect to the Group's investment in Spain for the year ended 31 March 2019.

Other Europe

Other Europe, which represents 12% of Group service revenue, grew 2.1%* (Q3: 2.2%*, Q4: 1.1%*) with all major markets growing during the year. Adjusted EBITDA grew 7.6%* and the adjusted EBITDA margin grew 1.1 percentage points to 31.8%* reflecting continued strong cost control and good revenue growth.

In Ireland, service revenue grew 1.3%* (Q3: 1.4%*, Q4: -1.1%*) driven by contract mobile base growth and higher prepaid ARPUs. Excluding the impact of a one-off benefit in the prior year, service revenue grew by 0.1% in Q4. In Portugal service revenue grew 2.4%* (Q3: 2.9%*, Q4: 1.8%*) supported by strong contract customer base growth and higher fixed line ARPU. The slowdown in Q4 trends reflected lower fixed growth. In Greece, service revenue grew by 2.4%* (Q3: 3.0%*, Q4: 3.4%*) driven by ARPU growth in consumer mobile and fixed customer base growth.

VodafoneZiggo joint venture

The results of VodafoneZiggo (in which Vodafone owns a 50% stake) are reported here under US GAAP which is broadly consistent with Vodafone's IFRS basis of reporting.

Total revenue declined 0.7% (Q3: -0.4%, Q4: -1.0%). This reflected continued price competition in mobile, particularly in the B2B segment, partially offset by growth in fixed line. The quarterly revenue trend weakened in Q4 primarily due to lower equipment sales and heightened competition. 33% of broadband customers and 70% of B2C main brand mobile customers are now converged, delivering significant NPS and churn benefits. During Q4 we extended convergent benefits to our second mobile brand 'hollandsnieuwe'.

Adjusted EBITDA grew by 2.2% during the year supported by strong growth in the second half of the year (Q3: 6.5%, Q4: 3.4%), as declining revenues were more than offset by lower operating and direct costs. We continued to make good progress on integrating the businesses and now expect to reach our €210 million cost and capital expenditure synergy targets by 2020, one year ahead of the original plan.

During the year, Vodafone received €200 million in dividends from the joint venture, as well as €49 million in interest payments and €100 million in principal repayments on the shareholder loan.

Our financial performance (continued)

Rest of the World[1]

IAS 18 basis	Vodacom €m	Other Markets €m	Eliminations €m	Rest of the World €m	2018 €m	% change Reported	% change Organic*
Year ended 31 March 2019							
Revenue	5,660	4,864	–	10,524	11,462	(8.2)	6.1
Service revenue	4,660	4,083	–	8,743	9,501	(8.0)	6.1
Other revenue	1,000	781	–	1,781	1,961		
Adjusted EBITDA	2,155	1,395	–	3,550	3,757	(5.5)	6.3
Adjusted operating profit	1,637	64	–	1,701	2,453	(30.7)	6.6
Adjusted EBITDA margin	38.1%	28.7%	–	33.7%	32.8%		

Note:
1 The Group revised its reporting segments on 1 October 2018 to reflect changes to its organisational structure. The Rest of the World region (previously Africa, Middle East and Asia Pacific) comprises Vodacom, Turkey and Other Markets operating segments. Current and comparative period results are reported under this new organisational structure.

On an IAS 18 basis, revenue decreased by 8.2%, with organic growth offset by a 4.9 percentage point impact arising from the disposal of Vodafone Qatar at the end of FY18, and a 9.4 percentage point drag from foreign exchange movements, particularly with regard to the Turkish Lira. On an organic basis service revenue was up 6.1%*, supported by customer base and data revenue growth, as well as the benefit of price increases to adjust for local inflation.

Adjusted EBITDA decreased by 5.5%, including a 4.2 percentage point impact from the disposal of Vodafone Qatar and a 7.6 percentage point drag from foreign exchange movements. On an organic basis, adjusted EBITDA grew by 6.3%*, reflecting underlying revenue growth and effective cost control, with operating expenses growing below local inflation levels.

Adjusted EBIT grew by 1.8%, reflecting lower depreciation and amortisation charges.

	Reported change %	Other activity (including M&A) pps	Foreign exchange pps	Organic* change %
Rest of the World revenue	**(8.2)**	**4.9**	**9.4**	**6.1**
Service revenue				
Vodacom	0.1	–	3.7	3.8
Other Markets	(15.7)	11.4	13.2	8.9
Rest of the World service revenue	**(8.0)**	**5.4**	**8.7**	**6.1**
Adjusted EBITDA				
Vodacom	(2.2)	–	4.1	1.9
Other Markets	(10.2)	11.4	12.8	14.0
Rest of the World adjusted EBITDA	**(5.5)**	**4.2**	**7.6**	**6.3**
Rest of the World adjusted EBIT	**1.8**	**(1.3)**	**7.3**	**7.8**
Rest of the World adjusted operating profit	**(30.7)**	**32.9**	**4.4**	**6.6**

Vodacom

Vodacom Group service revenue grew 3.8%* (Q3: 1.5%*, Q4: 2.5%*) as growing demand for data and M-Pesa supported accelerating growth at Vodacom's International operations, which offset macro and regulatory pressures in South Africa.

In South Africa, service revenue grew by 2.1%* (Q3: -0.9%*, Q4: 0.3%*). Revenues declined in H2 as customers optimised their bundle spend amid macroeconomic pressures and as national roaming revenues declined due to a transition between different partners. Additionally, in March regulation was introduced affecting out of bundle charges, rollover and transfer of data, weighing on data revenue, which grew 3.9% for the year and by 1.6% in Q4. Despite these pressures our commercial momentum remained robust. In total we added 2.1 million prepaid customers in the year, taking our total prepaid customer base to 46.8 million; we also added 475,000 contract customers.

Vodacom's International operations outside of South Africa, which represent 24.7% of Vodacom Group service revenue, grew by 11.2%* (Q3: 11.1%*, Q4: 9.5%*). Accelerating growth in Tanzania and continued strong growth in Mozambique and DRC supported these trends. The cyclone in Mozambique during March has caused significant damage to infrastructure. Although a significant portion of the network in the affected areas has been restored, full recovery could take up to six months.

Vodacom's adjusted EBITDA grew by 1.9%*, supported by revenue growth. Adjusted EBITDA margins declined to 38.1%, reflecting inflation linked cost increases in South Africa where inflation is running c.4pp higher than GDP growth. Vodacom's strong focus on cost control is helping to mitigate structural cost pressures.

In September 2018, Vodacom concluded a new BEE (black economic empowerment) ownership transaction replacing the existing deal from 2008. This new scheme, valued at €1 billion, is the biggest ever in the telecommunications industry and makes YeboYethu (Vodacom South Africa BEE shareholders) Vodacom's third largest shareholder. The deal secures Vodacom's Level 3 BEE scorecard credentials and effective black ownership now stands at c.20%. These are key factors for both spectrum allocation and Government/corporate business. As a result of this transaction Vodafone Group's shareholding in Vodacom will reduce over a period of 10 years from 64.5% to 60.5%, however Vodacom now owns 100% of its South African business.

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Turkey

In Turkey, service revenue grew 14.3%* (Q3: 14.8%*, Q4: 13.1%*) supported by strong net adds in consumer contract, increased mobile data revenue, and fixed line customer base growth. Adjusted EBITDA grew 19.2%* and the adjusted EBITDA margin increased by 0.5 percentage points to 23.1% despite significant inflationary pressures following a 28% devaluation in the Turkish Lira during the year.

Other Markets

Egypt service revenue grew 14.7% (Q3: 14.4%, Q4: 11.2%) supported by growing data usage and a price increase in Q3 FY18. The Q4 sequential trend primarily reflects the lapping of this price increase. Adjusted EBITDA grew 23.1%* and the Adjusted EBITDA margin increased by 3.2 percentage points to 46.2% benefiting from strong revenue growth and good cost discipline.

Associates and joint ventures

Vodafone Idea

On 31 August 2018, the Group combined the operations of its subsidiary, Vodafone India (excluding its 42% stake in Indus Towers), with Idea Cellular Limited ('Idea') , to create Vodafone Idea Limited, a company jointly controlled by Vodafone and the Aditya Birla Group ('ABG'). As a result, the Group no longer consolidates its previous interest in Vodafone India, which is presented within discontinued operations, and now accounts for its 45.2% interest in Vodafone Idea as a joint venture using the equity method.

The mobile market in India remained highly competitive during the year, however headline tariffs have remained broadly stable in recent quarters. Vodafone Idea revenues increased by 0.1% quarter-on-quarter in Q4 (Q3: -2.2%, Q2: -7.1%), benefiting from the introduction of minimum prepay tariff recharges. EBITDA grew by 39% quarter-on-quarter excluding certain positive one-off items and the EBITDA margin expanded by 3.8 percentage points to 13.5% on the same basis. The mobile customer base declined by 53.2 million in Q4, reflecting the disconnection of zero and very low ARPU customers following the introduction of minimum tariff recharges.

Vodafone Idea is making rapid progress on capturing merger related synergies and on improving 4G coverage and capacity. INR 51 billion of annual run-rate savings were achieved by Q4 out of the INR 84 billion run-rate targeted by financial year end 2021. Network integration is complete in 10 of 22 circles, and the capacity in these circles has increased by around 34% leading to improved Net Promoter Scores. 24,000 out of 67,000 co-located sites have been optimized and 9,900 low utilization sites exited.

On 8 May Vodafone Idea successfully completed its INR 250 billion (€3.2 billion) equity capital raise. Vodafone Group's contribution of INR 110 billion (€1.4 billion) was indirectly funded through a loan secured against the Group's Indian assets.

Vodafone Hutchison Australia

Vodafone Hutchison Australia service revenue declined by 8.7% (Q3: -10.1%, Q4: -11.5%) as increased price competition was partially offset by MVNO revenue growth. Adjusted EBITDA grew by 9.1%. On 8 May 2019 the Australian Competition and Consumer Commission ('ACCC') opposed the proposed merger of VHA and TPG. We are challenging the ACCC decision in the Federal Court. We remain firmly committed to the merger, which will create a stronger converged challenger in the Australian telecoms market.

Indus Towers Limited ('Indus Towers')

Local currency operating revenue declined by 1.8% primarily as a result of site tenancy exit notices received during the last two financial years. The majority of notices received during the year were related to the merger between Vodafone India and Idea Cellular. The revenue decline, coupled with greater power and fuel costs, resulted in a 13.8% EBITDA decline.

Vodafone Group and Vodafone Idea own 42.0% and 11.15% of the joint venture, respectively. Vodafone Group received dividends of €141 million from Indus Towers during the year.

The merger of Bharti Infratel and Indus Towers has received approval from the Competition Commission India, the Securities and Exchange Board of India as well as the companies' shareholders and creditors. The next steps in the regulatory process are approvals from the National Company Law Tribunal and the Department of Telecommunications (pertaining to foreign direct investment) and we expect the transaction to close in the next few months.

Safaricom

Safaricom service revenue grew by 7.0% (Q3: 6.9%, Q4: 5.8%) supported by growth in M-PESA and in mobile and fixed data. Adjusted EBITDA grew 10.6% supported by strong revenue growth and cost discipline. During the financial year we received dividends of €154 million from Safaricom.

Financial position and resources

Consolidated statement of financial position

The consolidated statement of financial position is set out on page 112. Details on the major movements of both our assets and liabilities in the year are set out below:

Assets

Goodwill and other intangible assets

Goodwill and other intangible assets decreased by €2.3 billion to €41.0 billion. The decrease primarily arose as a result of €3.0 billion of spectrum additions, principally in Italy, the UK and Spain, €2.2 billion of software additions and €0.1 billion of goodwill arising from the acquisition of CYTA Hellas in Greece, offset by €3.3 billion of impairment charges recorded in respect of the Group's investments in Spain and Romania, €3.9 billion of amortisation and €0.4 billion of unfavourable foreign exchange movements.

Property, plant and equipment

Property, plant and equipment decreased by €0.9 billion to €27.4 billion, principally due to €5.0 billion of additions driven by continued investment in the Group's networks, offset by €5.9 billion of depreciation charges and €0.2 billion of unfavourable foreign exchange movements.

Other non-current assets

Other non-current assets decreased by €1.2 billion to €34.8 billion mainly due to a €2.3 billion decrease in other investments following the repayment of US$2.5 billion of loan notes issued by Verizon Communications Inc. and a €1.4 billion decrease in deferred tax assets following the derecognition of deferred tax assets in Spain, offset by a €1.4 billion increase in investment in associates and joint ventures following the formation of the Vodafone Idea joint venture and a €1.1 billion increase in trade and other receivables.

Current assets

Current assets increased by €16.6 billion to €39.8 billion which includes a €2.2 billion increase in trade and other receivables largely due to the adoption of IFRS 15, a €9.0 billion increase in cash and cash equivalents and a €4.2 billion increase in other investments due to the issue of bonds under the euro medium-term note programme and US shelf programme with a nominal value equivalent of €4.2 billion and €10.2 billion respectively.

Assets and liabilities held for sale

Assets held for sale at 31 March 2019 of €0.2 billion relate to the operations of Indus Towers and Vodafone Hutchison Australia. Assets and liabilities held for sale at 31 March 2018 of €13.8 billion and €11.0 billion respectively, related to our operations in India following the agreement to combine with Idea Cellular.

Total equity and liabilities

Total equity

Total equity decreased by €5.2 billion to €63.4 billion largely due to €4.6 billion of dividends paid to equity shareholders and non-controlling interests and the total comprehensive expense for the year of €5.9 billion, offset by €3.8 billion proceeds from the convertible bonds and a €2.3 billion net increase from the adoption of IFRS 9 and IFRS 15.

Non-current liabilities

Non-current liabilities increased by €15.9 billion to €53.9 billion, primarily due to a €15.8 billion increase in long-term borrowings, due to the issue of bonds under the euro medium-term note programme and US shelf programme with a nominal value equivalent of €4.2 billion and €10.2 billion respectively.

Current liabilities

Current liabilities decreased by €13.2 billion to €25.5 billion mainly due to a €4.2 billion decrease in short term borrowings. Trade payables at 31 March 2019 were equivalent to 58 days (2018: 48 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Share buybacks

On 28 January 2019, Vodafone announced the commencement of a new irrevocable and non-discretionary share buy-back programme. The sole purpose of the programme was to reduce the issued share capital of Vodafone and thereby avoid any change in Vodafone's issued share capital as a result of the maturing of the second tranche of the mandatory convertible bond ('MCB') in February 2019.

In order to satisfy the second tranche of the MCB, 799.1 of million shares were reissued from treasury shares on 25 February 2019 at a conversion price of £1.8021. This reflected the conversion price at issue (£2.1730) adjusted for the pound sterling equivalent of aggregate dividends paid from August 2016 to February 2019.

The share buyback programme started in February 2019 and is expected to complete by 20 May 2019. Details of the shares purchased under the programme, including those purchased under irrevocable instructions, are shown below.

Date of share purchase	Number of shares purchased 000s	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under publicly announced share buyback programme 000s	Maximum number of shares that may yet be purchased under the programme 000s
February 2019	14,529	135.17	14,529	784,539
March 2019	305,099	140.56	319,628	479,440
April 2019	290,570	142.20	610,198	188,870
May 2019 (to date)	116,228	140.11	726,426	72,642
Total	**726,426**	**141.04**	**726,426**	**72,642**

Dividends

The Board is recommending a dividend per share of 9.00 eurocents, representing a 40% decrease over the prior financial year's dividend per share. This implies a final dividend of 4.16 eurocents compared to 10.23 eurocents in the prior year. The rebasing of the dividend is intended to support the Group's strategic goals and to rebuild financial headroom, helping the Group to reduce debt and delever to the low end of our targeted 2.5x-3.0x leverage range in the next few years.

Contractual obligations and commitments

A summary of our principal contractual financial obligations and commitments at 31 March 2019 are set out below. In addition, information in relation to our participation in the current German spectrum licence auction and our commitments arising from the Group's announcement on 9 May 2018 that it had agreed to acquire Liberty Global's operations in Germany, the Czech Republic, Hungary and Romania (are set out in note 28 "Commitments").

Contractual obligations and commitments[1]	Payments due by period €m				
	Total	< 1 year	1–3 years	3–5 years	>5 years
Financial liabilities[2]	86,160	21,953	11,404	14,881	37,922
Operating lease commitments[3]	10,816	2,834	2,881	1,689	3,412
Capital commitments[3,4]	3,012	1,514	1,274	173	51
Purchase commitments[5]	8,460	4,091	2,616	689	1,064
Total	**108,448**	**30,392**	**18,175**	**17,432**	**42,449**

Notes:
1 This table includes obligations to pay dividends to non-controlling shareholders (see "Dividends from associates and to non-controlling shareholders" on page 160). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 "Taxation" and 25 "Post employment benefits" respectively. The table also excludes the contractual obligations of associates and joint ventures.
2 See note 21 "Capital and financial risk management".
3 See note 28 "Commitments".
4 Primarily related to spectrum and network infrastructure.
5 Primarily related to device purchase obligations.

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Liquidity and capital resources

Our liquidity and working capital may be affected by a material decrease in cash flow due to a number of factors as outlined in "Our risks and uncertainties" on pages 44 to 51. In addition to the commentary on the Group's consolidated statement of cash flows below, further disclosure in relation to the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk can be found in "Borrowings and capital resources" and "Capital and financial risk management" in notes 20 and 21 respectively to the consolidated financial statements.

Cash flows

A reconciliation of cash generated by operations to free cash flow, a non-GAAP measure used by management, is shown on page 232. A reconciliation of adjusted EBITDA to the respective closest equivalent GAAP measure, operating profit, is provided in note 2 "Revenue disaggregation and segmental analysis" to the consolidated financial statements. The reconciliation to net debt is shown below.

	2019 €m	Restated[1] 2018 €m
Adjusted EBITDA	13,918	14,737
Capital additions[2]	(7,227)	(7,321)
Working capital	188	(584)
Disposal of property, plant and equipment	45	41
Other	147	128
Operating free cash flow[3]	**7,071**	**7,001**
Taxation	(1,040)	(1,010)
Dividends received from associates and investments	498	489
Dividends paid to non-controlling shareholders in subsidiaries	(584)	(310)
Interest received and paid	(502)	(753)
Free cash flow (pre-spectrum)[3]	**5,443**	**5,417**
Licence and spectrum payments	(837)	(1,123)
Restructuring payments	(195)	(250)
Free cash flow[3]	**4,411**	**4,044**
Acquisitions and disposals	182	1,405
Equity dividends paid	(4,064)	(3,920)
Share buybacks[4]	(606)	(1,626)
Convertible issue[5]	3,848	–
Foreign exchange	259	622
Other[6]	(1,432)	(818)
Net debt increase	**2,598**	**(293)**
Opening net debt	(29,631)	(29,338)
Closing net debt	**(27,033)**	**(29,631)**

Notes:
1 Net debt at 31 March 2018 has been revised to exclude €1.8 billion of liabilities for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement, which are now separately disclosed in the consolidated statement of financial position and are no longer presented within borrowings.
2 Capital additions include the purchase of property, plant and equipment and intangible assets, other than licence and spectrum.
3 Operating free cash flow, free cash flow (pre-spectrum) and free cash flow are alternative performance measures which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measures. See "Alternative performance measures" on page 231 for reconciliations to the closest respective equivalent GAAP measure and "Definition of terms" on page 250 for further details.
4 Share buybacks includes €131 million of cash outflow from the option structure relating to the issue of the mandatory convertible bond in February 2016. The option structure was intended to ensure that the total cash outflow to execute the programme was broadly equivalent to the €1.44 billion raised on issuing the second tranche.
5 Mandatory convertible bonds of £3.44 billion issued in March 2019..
6 Other cash flows for the year ended 31 March 2019 include €2,135 million (31 March 2018: €nil) received from the repayment of US $2.5 billion of loan notes issued by Verizon Communications Inc., a €1,377 million (31 March 2018: €nil) capital injection into Vodafone India and €1,934 million of debt in relation to licences and spectrum in Italy and Spain (31 March 2018: €nil).

Operating free cash flow

Operating free cash flow was €7.1 billion, representing an increase of €0.1 billion during the year. This reflected favourable working capital movements offset by a lower adjusted EBITDA. Working capital movements, include sales of customer receivables, which increased by €249 million (31 March 2018: €44 million increase). Receivables are sold to mitigate the adverse working capital impact from handset sales to customers, where cash outflows are paid upfront to suppliers but inflows are received from customers over the length of the contract.

Free cash flow (pre-spectrum)

Free cash flow (pre-spectrum) was €5.4 billion which was broadly stable year-on-year.

Licence and spectrum payments

Licence and spectrum payments were €0.8 billion, including Italy of €0.5 billion and €0.2 billion in the UK (31 March 2018: Italy: €0.6 billion, UK: €0.3 billion and Germany: €0.1 billion). Licence and spectrum additions, which exclude working capital cash movements and represent licences acquired during the year, were €3.0 billion, including €2.2 billion in Italy, €0.4 billion in the UK and €0.2 billion in Spain.

Acquisitions and disposals

Acquisitions and disposals include €0.3 billion received on completion of the merger of Vodafone India with Idea Cellular on 31 August 2018.

Convertible issue

Proceeds of €3.8 billion were received on the issuance of £3.44 billion of mandatory convertible bonds in March 2019, €3.8 billion of which has been classified as equity after taking into account the cost of future coupon payments.

Foreign exchange

A foreign exchange gain of €0.3 billion was recognised on net debt as a result of the translation impact of closing foreign exchange rates, mainly due to movements in the Turkish lira and South African Rand against the euro.

Net debt

Closing net debt at 31 March 2019 was €27.0 billion (31 March 2018: €29.6 billion) and excludes the £3.44 billion mandatory convertible bond issued in February 2019, which will be settled in equity shares and €0.8 billion of shareholder loans receivable from VodafoneZiggo.

Closing net debt also continues to include certain bonds which are reported at an amount €1.6 billion higher than their euro-equivalent cash redemption value as a result of hedge accounting under IFRS. In addition, where bonds are issued in currencies other than euros, the Group has entered into foreign currency swaps to fix the euro cash outflows on redemption. The impact of these swaps is not reflected in gross debt and would decrease the euro equivalent redemption value of the bonds by €1.0 billion.

This year's report contains the Strategic Report on pages 6 to 51, which includes an analysis of our performance and position, a review of the business during the year, and outlines the principal risks and uncertainties we face. The Strategic Report was approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer.

Nick Read
Chief Executive
14 May 2019

Margherita Della Valle
Chief Financial Officer
14 May 2019

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Sustainable business

Delivering our Purpose

Our sustainable business strategy is embedded within and helps to drive Vodafone's purpose – to connect for a better future – and is accompanied by our commitment to act responsibly and with integrity wherever we operate.

Our sustainable business strategy

We believe that Vodafone has a significant role to play in contributing to the societies in which we operate. Our sustainable business strategy articulates our intention to deliver significant positive impact in three areas, each of which has the potential to improve the lives of our customers and wider society. We have established long-term targets to drive change that focuses on women's empowerment, youth skills and jobs, and energy innovation.

Vodafone's purpose, to connect for a better future, reinforces our commitment to drive impact against the most relevant of the UN's Sustainable Development Goals ('SDGs'). Through our business, our sustainable business strategy, programmes and targets, and the work of the Vodafone Foundation, we will help to deliver a meaningful contribution focused on quality education, gender equality, decent work and economic growth, industry, innovation and infrastructure, and climate action.

Read more about how our networks, products and services make a difference to societies and the SDGs in our Sustainable Business Report 2019.

Read more at vodafone.com/sbreport2019

Driving positive societal transformation

Women's empowerment

By empowering women and promoting gender equality, we can enable communities, economies and businesses – including our own – to prosper. Communications technology plays a critical role in helping women to improve their lives and livelihoods.

Owning even the most basic mobile phone enables a woman to communicate, get access to information, learn, manage her finances, set up and run a business, and even get help if feeling threatened.

To address the mobile gender gap of approximately 200 million women, in low and middle-income countries, we have established a goal to:

Goal:
To connect an additional 50 million women living in emerging markets[1] to mobile by 2025

We set this goal in 2016 and are bringing the benefits of mobile to women through a series of targeted commercial programmes. We are also using our mobile technologies to enhance the quality of women's lives through programmes that:

- support education and skills;
- improve health and wellbeing; and
- enable economic empowerment.

These commercial propositions include Vodacom's Mum & Baby initiative in South Africa, which provides parents and caregivers with free health information, Vodafone Idea's Sakhi safety proposition (see case study below) and our Business Women Connect programme in Tanzania and Mozambique – a service specifically designed for women who run micro-businesses that enables them to save and access useful business skills training – are also supporting women to improve their lives.

We have made progress towards our goal and now have an estimated 119.8 million active female customers, 6.1 million more than last year and 19.4 million more since 2016.

Helping women to feel safer in India

In India, there are over a billion mobile connections and while almost half of the population is female, only 59% of them own a mobile phone[2]. This year, Vodafone Idea (our joint venture in India) launched a new mobile service for female customers called Sakhi that includes a special set of security and safety features, including:

Emergency Alerts
Location alerts that can be sent to ten pre-registered contacts in an emergency

Emergency Balance
Ten free minutes of call time that can be used during emergencies, even with zero credit

Private Number Recharge
Provides a dummy ten-digit number to ensure the privacy of customers when they recharge at retail outlets, avoiding the need for them to have to reveal their mobile number to an unknown retailer

Female customers using Vodafone Idea prepaid or postpaid services can sign up to Sakhi for free, and can use the service on any type of phone, even without credit or access to mobile internet.

To date, millions of women from both rural and urban areas have subscribed to Sakhi, giving them the confidence to travel further from home to pursue education and employment opportunities, while feeling safer and less at risk of harassment.

Notes:
1 Democratic Republic of Congo, Egypt, Ghana, India, Kenya, Mozambique, South Africa, Tanzania and Turkey. 2019 annual data only includes data from Vodafone India up to August 2018, prior to the merger of this business with Idea Cellular to create Vodafone Idea.
2 GSMA Mobile Gender Gap Report, 2019.

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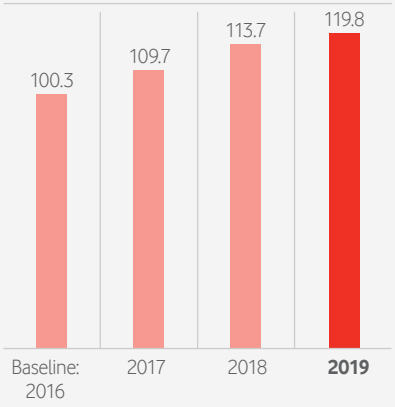
Progress towards our 50 million women goal

Estimated number of female customers in emerging markets (millions)



Gender equality in our workplace

Vodafone employs 36,500 women directly and provides employment opportunities for hundreds of thousands more across our global supplier base. We believe that achieving greater gender parity strengthens our company significantly, giving us a better understanding of the needs of the women, men, families and businesses who rely on our networks and services.

Achieving gender equality in the workplace, at all levels, remains a significant challenge for most businesses, especially those of a global nature. To address this issue, Vodafone has a long-term ambition to:

Goal:
We aim to be the world's best employer for women by 2025

To help us meet this ambition and recruit, retain and develop talented women at every level of our workforce, we have developed a range of programmes and initiatives, including our global maternity policy and our ReConnect initiative, which help to tackle some of the main barriers to women progressing their careers in the workplace.

We have met our target of reaching 30% of women in management and leadership roles across our local markets and professional functions, ahead of our deadline of 2020. As of 31 March 2019, women held 31% of our management and leadership roles and we have now set a revised target for women to hold 40% of management and leadership roles by 2030. In addition, as of 31 March 2019, 42% of the Directors of the Vodafone Group Plc Board were women.

Youth skills and jobs

In many of the countries where we operate, youth unemployment remains at very high levels: 53% in South Africa; 40% in Greece; 34% in Spain and 32% in Italy[1]. Together with a growing digital skills gap, this creates a significant social and economic challenge. Working together, governments, educators and companies need to find ways to address future workplace needs and enhance the skills of people entering the workforce, to enable them to be better equipped to contribute to a prosperous and inclusive digital society.

Vodafone's programme, "What will you be?", has been designed to help respond to the digital skills gap. This programme focuses on deepening younger people's understanding of their potential to contribute to the digital economy and includes a commitment to provide a greater number of digital workplace experiences at Vodafone.

By 2022, we will:

Goals:
Support ten million young people to access digital skills, learning and employment opportunities

Provide 100,000 opportunities for young people to receive a digital learning experience at Vodafone

In 2018 we launched a free smartphone-based service called, Future Jobs Finder, designed specifically to inspire and help young people to understand their strengths and skills in a digital world, access relevant training and find local job opportunities in the digital economy.

Since launch, nearly 500,000 unique users have completed the tool, introducing each of them to the top five jobs which match their individual skills and interests.

You can experience Vodafone's Future Jobs Finder at vodafone.com/whatwillyoube

Last year we increased the opportunities we provide to young people to experience work at Vodafone significantly. This year we have provided over 54,500 digital workplace experiences though a range of programmes including apprenticeships, intern and graduate schemes, and coding programmes. See case study above. Read more about our progress against our target on page 42.

Note:
1 OECD, 2018.

Coding Tomorrow

In 2016, the Vodafone Turkey Foundation launched its Coding Tomorrow project with the aim of tackling the digital divide. It provides children aged 7–14 with free training in coding and robotics, along with other essential skills valuable for future employment in the digital economy.

The project focuses on helping children gain new digital skills and become active producers of technology rather than just being passive consumers of it. In addition to building coding capabilities, participants also develop skills such as problem solving, teamwork, creativity and algorithmic thinking.

To expand the reach of the project to more remote and rural areas, the Vodafone Turkey Foundation delivers some of the training using a specially customised truck, which travelled over 6,000km in 2018. Since launch, more than 43,400 children across 60 cities have participated in the project, including more than 30,000 in the last 12 months.

Vodafone Foundation

Through its "Connecting for Good" strategy, Vodafone Foundation designs and implements programmes around the world that combine Vodafone's charitable giving and technology to deliver public benefit and improve people's lives in areas including digital health, digital learning, with a focus on driving gender equality, and disaster response. Global and local programmes are run in partnership with charitable organisations and NGOs. The total amount donated to Vodafone Foundations in 2019 was over €50 million.

Sustainable business (continued)

Our environmental impact

Energy innovation

There is clear evidence that man-made greenhouse gases ('GHG') are having a direct negative impact on the climate. We support the view that urgent action is needed to address climate change and we have introduced two targets to reduce our impact. By 2025, we will:

Goals:
Reduce our greenhouse gas emissions by 50%
Purchase 100% of the electricity we use from renewable sources

These are ambitious targets for our business, with no simple global solution available, particularly given the distributed nature of our network and predicted data growth. However, in the last year we have made progress to ensure that we meet these targets in a credible way and they are now being integrated into future business plans at a local country level.

This year our total GHG emissions decreased by 3% to 2.00 million tonnes of CO_2e (carbon dioxide equivalent), predominantly due to a reduction in the carbon emissions associated with purchased electricity. We continued to improve our overall energy efficiency profile during the year and achieved a 36% reduction in the amount of GHG emissions per petabyte ('PB') of mobile data carried, to reach an average of 371 tonnes CO_2e per PB (2018: 577).

We will meet our targets through a combination of further investment in energy efficiency initiatives across our networks, particularly in power supply and cooling, (read more on page 21) and moving towards purchasing 100% of our electricity from renewable sources. During the year 15% of our electricity used was from renewable sources.

To support our energy reduction ambitions, we have established an employee engagement programme, '#RedLovesGreen'. This programme raises awareness of the individual actions that employees can take to reduce our business and their individual energy use and encourages changes in behaviour that collectively could have a significant impact. Since launching the programme in June 2018, over 5,000 employees engage regularly on this topic.

In addition to reducing our direct GHG emissions, we also work to help our customers minimise their energy needs, particularly through the development of IoT services that use network intelligence to optimise performance and minimise energy use. This year we helped our customers to save an estimated 2.9 tonnes of CO_2e for every tonne we generated through our own activities (read more on page 16).

Sourcing renewable electricity

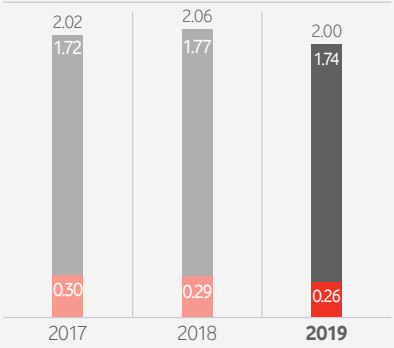
To meet our GHG targets, we will be moving to purchase increasing amounts of renewable electricity and further develop on-site renewable energy generation capability, when it is commercially and technically feasible to do so.

On-site renewable electricity is primarily generated through installing solar photovoltaic systems at base station sites and technology centres. However, the number of sites where this is possible is often limited by space or ownership constraints. In Vodacom Lesotho however, 23% of our base station sites are powered by on-site solar panels.

This year, we launched a tender for the construction and operation of two industrial-scale solar parks in Egypt. The two solar arrays are planned to come online before the start of 2025 and will aim to meet a substantial proportion of Vodafone Egypt's electricity demands.

Greenhouse gas ('GHG') emissions

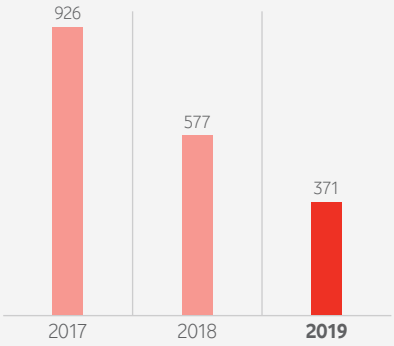
million tonnes of CO_2e



Note:
Calculated using local market actual or estimated data sources from invoices, purchasing requisitions, direct data measurement and estimations. Carbon emissions calculated in line with GHG Protocol standards. Scope 2 emissions are reported using the market-based methodology. For full methodology see our Sustainable Business Report 2019.

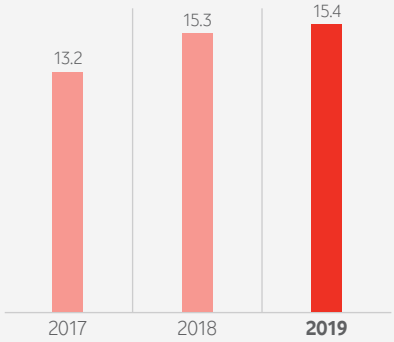
GHG emissions per petabyte of mobile data carried by our networks

tonnes of CO_2e



Percentage of purchased electricity from renewable sources

%



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Operating responsibly

We are committed to ensuring that our business operates ethically, lawfully and with integrity in all our markets and see this as critical to our long-term success. As part of this, our transparency programme has been designed to provide detailed information on our policies, principles, approach and performance in four main areas, each the focus of intense public debate. The programme is also supported by a number of other annual statutory and material non-financial disclosures.

Taxation and total economic contribution

As a major investor, taxpayer and employer, we make a significant contribution to the economies of all the countries in which we operate. Our tax report sets out our total contribution to public finances on a cash-paid basis. The information we share aims to help our stakeholders understand our approach, policies and principles. This year we also share our views on key topics of relevance, including the taxation of the digital economy. Our report also includes our OECD BEPS country-by-country disclosure, as submitted to HMRC, making us the first organisation to publish this information.

Read more at vodafone.com/tax

Supply chain integrity and safety

Our businesses rely on a complex and multilayer global supply chain and we spend more than €22 billion a year with more than 10,800 direct suppliers around the world, to meet our customers' needs. We recognise there are many different labour rights, safety and environmental risks inherent within our supply chain and have developed and implemented policies and processes to extend our human rights commitments into our supply chain, as specified in our Code of Conduct.

We work with our suppliers, partners and peers to drive responsible and ethical behaviour and high standards throughout our supply chain, and do our utmost to keep everyone working in our operations safe from harm.

Our Code of Ethical Purchasing sets out the standards we expect our suppliers to meet on health and safety, labour rights (including child or forced labour), ethics and environmental protection. In addition, our training and audit programmes help to improve their practice and approach both directly and further down the supply chain. We expect our suppliers to continuously monitor their compliance with the standards set out in our mandatory Code of Ethical Purchasing and promptly rectify any failures to do so. We also require them to report serious breaches to Vodafone immediately, in order for us to understand what happened and ensure they take corrective action. Our established policies, governance and due diligence processes help us to ensure we avoid, reduce and mitigate these risks.

Mobiles, masts and health

The health and safety of our customers and the wider public is a priority for Vodafone. While our mobile devices and masts operate well within the guidelines set by the International Commission on Non-Ionizing Radiation Protection ('ICNIRP'), we recognise that in a number of countries there is still some public concern regarding the electromagnetic frequency ('EMF') emissions from mobile devices and base stations. We endeavour to address these concerns by providing up to date, open, transparent information on our website and by engaging with local communities.

The frequencies proposed for 5G are covered by existing international and national exposure guidelines and regulations for radio-frequency electromagnetic fields. These international guidelines are based on extensive reviews of published scientific research, and apply in the same way to 5G as they do to existing 2G, 3G and 4G technologies and other radio-frequencies such as radio and TV transmissions.

Read more at vodafone.com/mmh

Human rights

We recognise our responsibility to respect the human rights of every individual who works for us, either as an employee or through our supply chain, and of the communities close to our operations. We acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights and the eight fundamental conventions on which the United Nations Guiding Principles on Business and Human Rights are based. That respect is embedded in our Code of Conduct which sets the expectations and responsibilities of everyone who works for or with us.

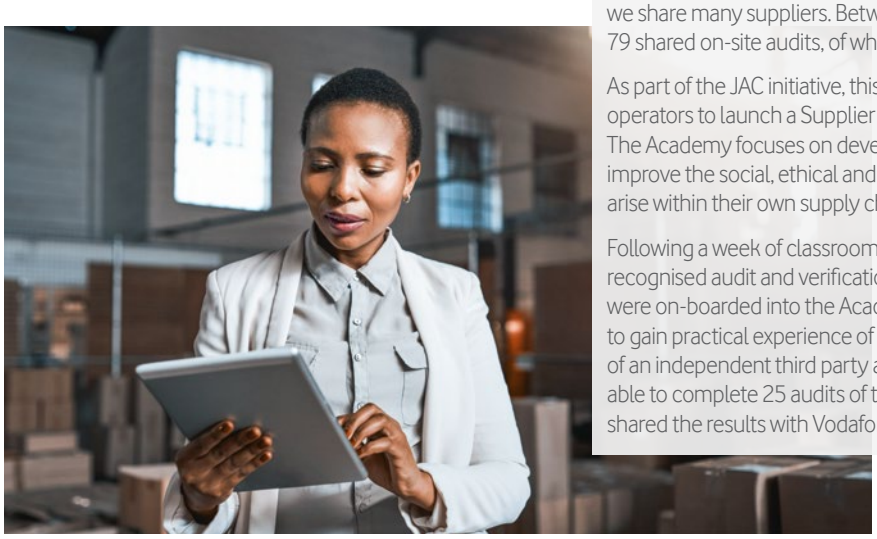
Ensuring human rights compliance in our supply chain

We monitor compliance with our Code of Ethical Purchasing in a number of ways, ranging from ensuring our suppliers complete our ethical, labour and environmental risk questionnaire, to detailed evaluations and on-site audits. We conduct our own audits for specific suppliers that we have identified as high risk and that are not covered by the shared assessments we carry-out with Joint Audit Cooperation ('JAC'). This year we conducted six such on-site reviews.

We work with JAC, a supply chain initiative created specifically for the telecommunications industry, to conduct and share audits with whom we share many suppliers. Between January and December 2018, there were 79 shared on-site audits, of which 69 were within Vodafone's supply chain.

As part of the JAC initiative, this year Vodafone worked with three other operators to launch a Supplier Academy to build supplier capability. The Academy focuses on developing training to help suppliers assess and improve the social, ethical and environmental performance issues that may arise within their own supply chains.

Following a week of classroom training delivered by an internationally recognised audit and verification company, five participating suppliers were on-boarded into the Academy. They were then given an opportunity to gain practical experience of performing an audit under the supervision of an independent third party auditor. Once completed, suppliers were then able to complete 25 audits of their own, or of their suppliers', facilities and shared the results with Vodafone.



Sustainable business (continued)

GNI assessment

In 2017, we joined the Global Network Initiative ('GNI') as a Board member. The GNI is a multi-stakeholder forum created to address the complex challenge of protecting digital rights globally. Joining the GNI strengthened and broadened our commitment to digital rights and followed our founding role in the Telecommunications Industry Dialogue on Freedom of Expression and Privacy.

The GNI brings together information and communications technology companies, civil society groups (including human rights and media freedom groups), academics and investors with a shared commitment to promote and advance freedom of expression and privacy worldwide. As part of our membership of the GNI, we must commit to implement the GNI Principles, putting concrete measures in place to protect and advance freedom of expression and the right to privacy. All GNI companies undergo an independent assessment of their implementation of the Principles every two years, to demonstrate their efforts in practice.

We started preparations for our first independent assessment in August 2018 by setting up a team of senior level experts from across the business and across our operating markets to participate in the required interviews, evidence collection and report writing. We continued this work until the March 2019 Board review meeting, working together with our independent assessor, who reviewed our processes, policies and the governance model that we use to safeguard our user's rights to freedom of expression and right to privacy, to ensure all relevant areas were covered.

Vodafone completed its first formal GNI assessment in March 2019 during which the Board reviewed a detailed report on Vodafone and determined that we are making good faith efforts to implement the GNI Principles with improvement over time. We will issue a public report on any related recommendations in early 2020, following the release of the formal GNI report on the 2019 assessments.

For more information on the GNI company assessments visit www.globalnetworkinitiative.org/company-assessments

Our commitment to human rights is overseen by our Group Executive Committee ('ExCo'). In each of the countries in which we operate, the Chief Executive responsible for our operating company oversees human rights matters, with governance support from relevant local market professionals.

Read more at vodafone.com/humanrights

Our most salient human rights risks relate to an individual's right to privacy and freedom of expression. Our Digital Rights and Freedoms Reporting Centre contains information related to the protection of our customers' private communications and how we work to respect our customers rights and express themselves freely.

Our reports explain how we respond to lawful demands for government access to our customers' data and how we protect our customers' data and respect their right to privacy and freedom of expression. Our principles and approach on a wide range of topics, including law enforcement surveillance, privacy, data protection, freedom of expression, censorship and the digital rights of the child, can be found on our online reporting centre along with information on how many government requests for access to customer data we receive in every country where it is legal to disclose this information.

Read more at vodafone.com/digitalrights

Anti-bribery and corruption

Vodafone does not tolerate bribery and corruption in any form. Our policy on this issue is summarised in our Code of Conduct and states that employees or others working on our behalf must never offer or accept any kind of bribe. Our anti-bribery policy is consistent with the UK Bribery Act and the US Foreign Corrupt Practices Act and any breaches can lead to dismissal or termination of contract.

The policy provides guidance about what constitutes a bribe and prohibits giving or receiving any excessive or improper gifts and hospitality. It also makes clear that where our policy differs in degree from an equivalent local law, we must follow the more stringent of the two.

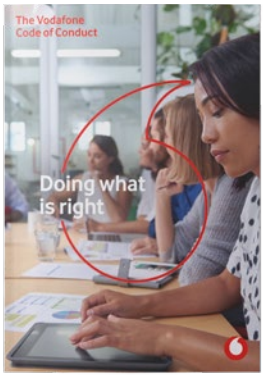
Our Chief Executive and ExCo oversee our efforts to prevent bribery. They are supported by local market Chief Executives, who are responsible for ensuring that our anti-bribery and corruption programme is implemented effectively in their local market.

As part of our anti-bribery programme, every Vodafone business must adhere to minimum global standards, which include:

- ensuring there is a due diligence process for suppliers and business partners at the start of the business relationship;
- completion of the global e-learning training for all employees, as well as tailored classroom training for higher risk teams; and
- using Vodafone's global online gift and hospitality registration platform, as well as ensuring there is a process for approving local sponsorships and charitable contributions.

Implementation of the anti-bribery policy is monitored regularly in all local markets as part of the annual Group Policy Compliance Review assurance process, which reviews key anti-bribery controls. In addition, visits to local markets, on a rotating basis, enable us to assess the implementation of the anti-bribery programme in more detail, through on-the-ground reviews.

All Vodafone employees are encouraged to report any suspected breaches of our Code of Conduct as soon as possible, using our "Speak Up" process. Senior executives review every Speak Up report and the programme is reviewed by the Group Risk and Compliance Committee. In our latest Global People Survey, 84% of respondents said they would use Speak Up to report unethical behaviour.



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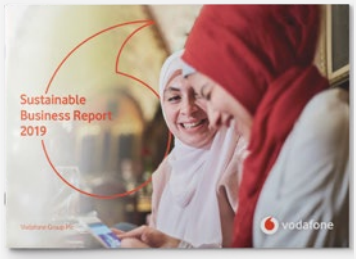
Find out more

Our Sustainable Business Report 2019 provides more detailed information on our progress against our sustainable business strategy and targets.



Read more at vodafone.com/sbreport2019

In 2019, we published our Slavery and Human Trafficking Statement and our Gender Pay Gap Report, in line with our statutory reporting requirements. We also present our contribution to the UN SDGs in a separate report.

Read our latest reports at vodafone.com/sbreporting

Non-financial information statement

The table below outlines where the key contents requirements of the Non-Financial Statement can be found within this document (as required by sections 414CA and 414CB of the Companies Act 2006).

Vodafone's sustainable business reporting also follows other international reporting frameworks, including the Global Reporting Initiative, CDP and GHG Reporting Protocol.

Reporting requirement	Vodafone policies and approach	Section within Annual Report
Environmental matters	Energy innovation performance	Our environmental impact, page 38
	Climate change risk management	Risk watchlist, page 50
Employees	Code of Conduct	Doing What's Right, page 43
	Occupational health and safety	Creating a safe place to work, page 43
	Diversity and inclusion	Women's empowerment, page 36 A diverse and inclusive Vodafone, page 43
Social and community matters	Driving positive societal transformation performance	Women's empowerment, page 36 Youth skills and jobs, page 37 Vodafone Foundation, page 37
	Stakeholder engagement	Engaging with our stakeholders, page 62
	Mobiles, masts and health	Mobiles, masts and health, page 39
Human rights	Human rights approach	Human rights, page 39
	Code of Ethical Purchasing	Supply chain integrity, page 39
	Slavery and Human Trafficking Statement	Find out more, page 41
Anti-bribery and corruption	Code of Conduct	Anti-bribery and corruption, page 40
	Anti-bribery policy	Anti-bribery and corruption, page 40
	Speak Up process	Anti-bribery and corruption, page 40
Policy embedding, due diligence and outcomes		Sustainable business, page 36 Risk management, page 44
Description of principal risks and impact of business activity		Risk management, page 44
Description of business model		Our strategy, page 14
Non-financial key performance indicators		Sustainable business, page 36

Our people and culture

The people behind our purpose led business

Our people: key information

By contract
Employees: 92,005
Contractors: 10,423

By gender
Male: 55,556 (60%)
Female: 36,449 (40%)

By location
Germany: 14%
UK: 12%
Italy: 6.5%
Spain: 5.5%
Vodacom: 8%
Vodafone Shared Services: 18%
Other: 36%

	2019	2018	2017
Average number of employees	92,005	91,980	92,200
Employee engagement index	80%	79%	79%
Employee turnover rate	17%	17%	18%
Women on the board	42%	33%	25%
Women in senior leadership positions[1]	28%	26%	26%
Women in management and leadership roles[2]	31%	30%	29%

The headcount figures are an average of our monthly headcount and excludes Qatar and joint ventures in India, the Netherlands, Australia and Safaricom.
Notes: 1 % of senior women in our top 184 leadership positions. 2 % of women in our 6,715 management and leadership roles.

Digital Strategy and Culture

Our people are fundamental to every aspect of our Vodafone strategy and are committed to delivering a superior network performance and providing exceptional customer experience.

We want Digital to be core to how we all work and think at Vodafone. We have therefore continued the roll out of our refreshed Digital Vodafone Way, which underpins our culture and purpose. At its centre is a focus on three core principles: speed, simplicity and trust. We want our people to respond swiftly and effectively to challenges and opportunities, especially those that affect our customers. We want them to do so while avoiding unnecessary bureaucracy and costly and cumbersome internal processes. And we want all of our business activities and decisions to be informed by an understanding that earning and retaining the trust of our customers, employees and all other stakeholders must be integral to everything we do as we connect people to a "Digital Society".

Over the last year, we have continued to reshape our organisation as part of delivering our Digital strategy. We have transitioned parts of the business to a new organisational model, made up of cross-functional, self-managed teams organised in "Tribes". The Tribes operate in agile ways of working, bring the right people and skills together from across the company, and are focused on key business outcomes and designed around our customer lifecycle to deliver more for our customers.

Our customers

Our customers are becoming increasingly digital and they want to be able to interact seamlessly and consistently with us, when and how they want. To support this, we have continued to focus on upskilling our frontline employees and improving our digital customer experience. We have continued the roll out of the Digital Vodafone Way CARE training initiative, across our frontline induction programmes. The core of the programme aims to ensure frontline staff take end-to-end ownership for resolving customer problems and deliver an outstanding customer experience by putting the customer first. This year an additional 20,507 new starters, internal and external, to Vodafone have been trained.

Attracting and developing great people

This year we invested more than €60 million in employee training and development. We have focused on upskilling our people on critical skills they need to succeed now, and investing in developing the skills we will need in the future.

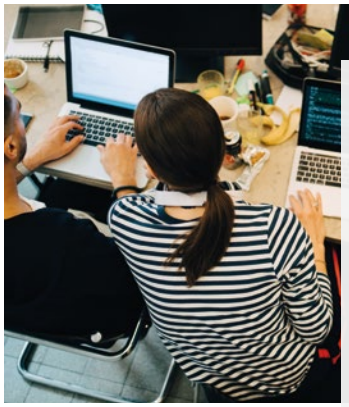
This has included developing critical new skills such as digital marketing, e-commerce, coding, big data and analytics to create simple and personalised experiences for our customers.

In addition, we have continued to deliver on our commitment to increase the number of digital opportunities provided by Vodafone to those aged 26 and under, with the aim of reaching 100,000 by 2022. Through our digital work experience programmes, apprenticeships, intern and graduate schemes this year we have provided over 54,500 digital workplace experiences.

We have continued to expand our vocational training and apprenticeships across our business. These provide young people permanent roles at Vodafone while being supported through continuous learning in order to gain a formal qualification in their chosen fields.

In addition, since its launch in 2017, Vodafone's *#codelikeagirl* programme has continued to grow, and this year has reached over 1,500 girls in 20 markets. The programme, launched in partnership with Code First: Girls, aims to tackle low representation of girls in STEM education. It offers girls aged 14–18 an immersive one-week digital experience where they learn to code and receive basic training on computer languages and development programmes.

Our Discover graduate programme, which has been running for over ten years, offers young people with a bachelor's or master's degree a series of assignments across our business areas and local markets.



London Digital Hub

Across the organisation, we are bringing together the right people and skills to scale up and accelerate our digital transformation. An example of this is the exciting new Digital Hub that we have opened in central London. It brings together Consumer and Digital teams in an agile working environment to drive greater collaboration and creativity and ultimately growth for Vodafone UK. It will create a sense of community in a place people feel proud to work in, as well as help attract the best commercial and digital talent available in the country. So far, we have relocated 200 employees and hired over 230 Consumer and Digital Talent to work in our new Digital hub. By the end of the calendar year, we aim to have around 600 Consumer and Digital employees working at this location.

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Since its launch ten years ago, over 5,000 graduates have joined the programme, with 700 recruited this year. This provides Vodafone with a strong pipeline of future talent and, over the last three years, 2,450 graduates have been offered permanent roles at Vodafone. Our Discover programme is highly diverse; this year new entrants were recruited from 21 different countries and over half were female.

A diverse and inclusive Vodafone

This year we employed an average of 92,005 people with 131 nationalities as well as over 10,423 contractors. Our commitment to all forms of diversity and inclusion begins at the top, with clear leadership from the Vodafone Group Plc Board and is embedded at every level of our business through the "Digital Vodafone Way," the "Code of Conduct" and our "Business Principles".

Our commitment is acknowledged and supported by our employees globally. In our 2019 annual Global People Survey, 90% of employees who responded said they felt they were treated fairly, irrespective of age, gender, disability, sexual orientation, gender identity, cultural background or beliefs.

Over the last year we have increased our focus on supporting the LGBT+ youth community. Vodafone commissioned research to survey more than 3,000 LGBT+ young people across 15 countries and multiple industries. The research found that 58% of respondents are not open about their sexual orientation or gender identity at work because they worry they will face discrimination, and one in three said they went "back into the closet" when they started their first job. Vodafone has launched a number of initiatives to help create a culture where employees can be open about their sexual orientation and gender identity. These include LGBT+ inclusive messaging on job adverts and career channels, a global "buddying" programme for LGBT+ graduates, a learning programme for Friends of LGBT+ where over 1,500 Friends have signed up, a refreshed Code of Conduct that supports LGBT+ inclusivity, and a toolkit for managers to help create an LGBT+ inclusive workplace.

This year we have also worked to understand more about the representation and experiences of our ethnic minorities based in the UK and have initiated diversity disclosures and a multi-cultural network as a result.

In addition, we have continued to raise awareness about our disabled population. We have created a digital disABILITY site for all employees, providing guidelines, videos and toolkits, and conducted a review of our websites to increase accessibility for our colleagues.

Doing What's Right

We believe that ethical conduct is just as important as high performance. Our Code of Conduct outlines the behaviours we expect from every single person working for and with Vodafone and helps to ensure that we protect Vodafone's reputation, our people and our assets.

We want everyone in Vodafone to feel safe both in and outside of work. This year Vodafone Foundation commissioned international research on working men and women across nine countries that looked at the impact of domestic violence and abuse on people in the workplace. It found that more than one in three had experienced domestic violence and abuse in some form. 67% said that it affected their career progression and 16% had to leave work because of their situation. As a result, Vodafone has announced a groundbreaking new HR policy specifically for victims of domestic violence and abuse in 23 of its operating companies. Employees will have access to support and specialist counselling, as well as up to ten days additional paid "safe leave". HR managers will receive specialist training to equip them to provide support to impacted employees. In addition, Vodafone Foundation has announced the international expansion of Bright Sky, a free app that helps identify if abuse is taking place and connects victims of domestic violence and abuse to advice and support services.

Recognising performance

We reward people based on their performance, potential and contribution to our values and success. We have continued to promote and improve line management capability on future focused and developmental conversations between employees and line managers.

To maintain compliance with our fair pay standards, we benchmark and monitor our pay practices in every country in which we operate. This ensures our pay practices, including retirement and other benefit provisions, are compliant with all local legislation, free from discrimination, market competitive and easily understood.

We also offer competitive retirement and other benefit provisions. Global short-term incentive plans are offered to a large percentage of colleagues, and global long-term incentive plans are offered to our senior managers. Our arrangements are subject to company and individual performance measures.

Creating a safe place to work

We want everyone working with Vodafone to return home safely every day. Despite all of our efforts, we deeply regret to report two recordable fatalities during the year.

In addition a further five fatalities resulting from two separate road traffic accidents in Turkey are currently going through legal processes and we have been unable to review them within the year.

Road traffic accidents remain a top risk and priority area of focus for us. This year we have continued to roll-out the use of telematics and in-vehicle cameras wherever local privacy legislation allows. We have developed gamified mobile-friendly training for our driver population, enabling them to better anticipate potential issues on the road.

Additionally, we have strengthened controls to reduce the risks related to working in proximity to electricity, specifically overhead power lines, as we increase our fibre roll-outs. We also continue to instil a zero fatalities mind-set culture through employee and supplier policies, standards, engagement and training.

Improving employee wellbeing remains a key area of focus and we have continued to embed the Group Wellbeing Framework with local markets focusing on one of the specific pillars that best fits their needs locally.

Increasing employee engagement

Every year, all our employees are invited to participate in a global survey which allows us to measure engagement levels and identify ways to improve how we do things.

This year, 87% of employees participated in the Global People Survey. The survey demonstrated that 85% of employees who responded were proud to work for Vodafone. The overall Engagement Index score – demonstrating employees' desire to continue working with Vodafone – increased by one percentage point this year, to 80%. Out of the respondents, 88% felt that they were treated with respect at Vodafone. In addition, 85% felt that Vodafone was a socially responsible company, while 82% of respondents would recommend Vodafone as a place to work to their friends and family.

Managing change

The pace of change in technology means that our industry is always evolving and Vodafone must continue to respond to this change. As a result, over the last year there have been a number of organisational changes in both the global offices and local markets. During a reorganisation, we engage directly with employees to discuss implications, aim to help affected employees find new jobs and offer training to improve interview and CV-writing skills. Any reorganisation is carried-out in compliance with local legislation and in consultation with employee representatives, works councils and local unions.

Our risks and uncertainties

We operate a global risk framework across all of our local markets and group entities. This ensures our strategic and operational risks are identified, managed, assured and reported in a consistent way. It is an evolving framework as we continually seek to improve and enhance our risk management processes.

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Identifying our principal risks

Our process begins with collating input from all local markets and Group entities on their most significant risks, having regard to their own local strategic priorities and external environments. This is consolidated into a group-wide view and presented to over 40 of our senior leaders, who add their own input on strategic, functional and emerging risks.

This year we added a further lens to the assessment of our risk landscape by including the output from modelling severe but plausible scenarios. We model various scenarios for each risk and examples of these can be found in the principal risks on the following pages. This activity allowed us to supplement the usual qualitative data with some useful quantitative data, providing insight into the potential impact of the risks.

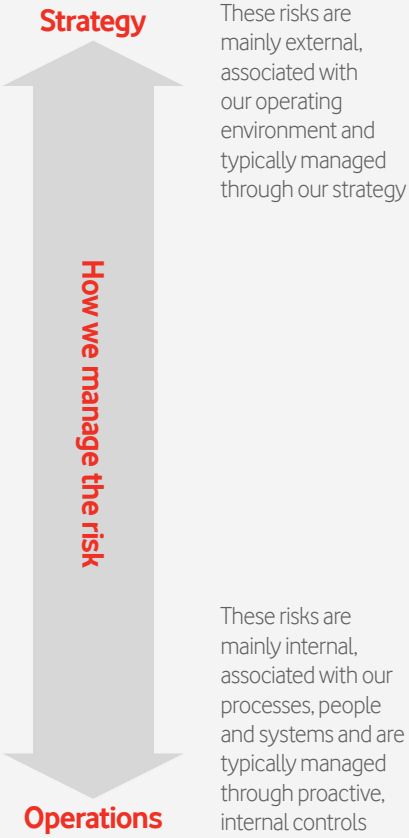
The proposed principal risks are then reviewed and agreed by a range of stakeholders, including our Executive Committee, Audit and Risk Committee and Board.

Risk categories

We have updated the way our risks are categorised. The new approach allows us to consider the risks on a continuum reflecting the degree to which we can seek to control the risks, which in turn reflects the appropriate level of oversight and assurance required to effectively manage these risks.

Principal risks

Categories	Risks
Strategic/External The influence of stakeholders and industry players on our business and our response to them	– Geo-political risk in supply chain – Adverse political and regulatory measures – Market disruption – Disintermediation
Financial Our financial status, standing and continued growth	– Global economic disruption/adequate liquidity – Tax changes or challenges
Technological The systems we use to power our business and the data they hold	– Cyber threat and information security – Technology resilience – IT transformation
Operational Our ability to achieve our optimum business model	– Legal compliance – Digital transformation and simplification – Successful integration of new assets and management of joint ventures



Risk watchlist Emerging or developing risks with the potential to impact in the longer term	– UK's departure from the EU ('Brexit') – Climate change	– EMF health related risks

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Strengthening our framework

Over the course of the year, we have:

- **People and skills:** worked to develop local risk teams through a series of community events with soft skills training, best practice sharing and technical guidance.
- **Governance:** improved local oversight of risk by briefing our local market and group entity oversight committees on a regular basis.
- **Coverage:** extended our risk framework to provide more detailed coverage of some of our largest functions, like Technology, and some specialist areas, such as Partner Markets and M-Pesa.
- **Tools and technology:** enhanced the use of our global risk tool by incorporating additional control frameworks and assurance activities that manage our risks, integrating risk and assurance into one system. This approach was recognised with an award from Continuity, Insurance and Risk magazine for "Best Use of Technology in Risk Management".
- **Linking risk to budget:** provided intelligence on risk for the capital allocation discussions, identifying areas where budget is required to effectively manage our risks within tolerance.
- **Emerging and longer-term risks:** created a watchlist of emerging threats and developing risks. This allows us to consider risks where the threat is longer term and the resulting impact and potential mitigation may not yet be clear.

Key changes in the year

Changes to risks:

Allocation of the Group's capital has been split, partly merging with the existing **Global economic disruption/adequate liquidity** risk and also forming part of the new **Successful integration of new assets and management of joint ventures** risk.

EMF health related risk has been moved to our watchlist as a longer- term potential risk. More detail on this risk can be found in the relevant section on page 51.

Effective data management was removed during the course of risk reviews in FY19 with the Privacy component being merged into the **Legal Compliance** risk.

New risks:

Geo-political risk in supply chain: relates to global trade wars and security concerns that could result in restrictions on key equipment. This could have significant financial, legal, supply chain or operational implications.

Successful integration of new assets and management of joint ventures: relates to failure to realise the expected benefits from acquisitions (subject to completion) and jointly controlled businesses that could result if we are unable to effectively manage the integration or any governance failures.

Key to principal risks

1 **Cyber threat and information security**
External or internal attack resulting in service unavailability or data breach

2 **Adverse political and regulatory measures**
Regulatory measures impacting strategy; tax challenges

3 **Global economic disruption/ adequate liquidity**
Economic disruption or another risk materialising impacts our ability to refinance

4 **Geo-political risk in supply chain**
Global trade wars and security concerns impact our supply chain

5 **Digital transformation and simplification**
Failure to deliver business and IT transformation targets

6 **Market disruption**
New telecom operators entering the market; price wars reduce margins

7 **Technology resilience**
Failure of key IT, fixed or mobile assets causing service disruption

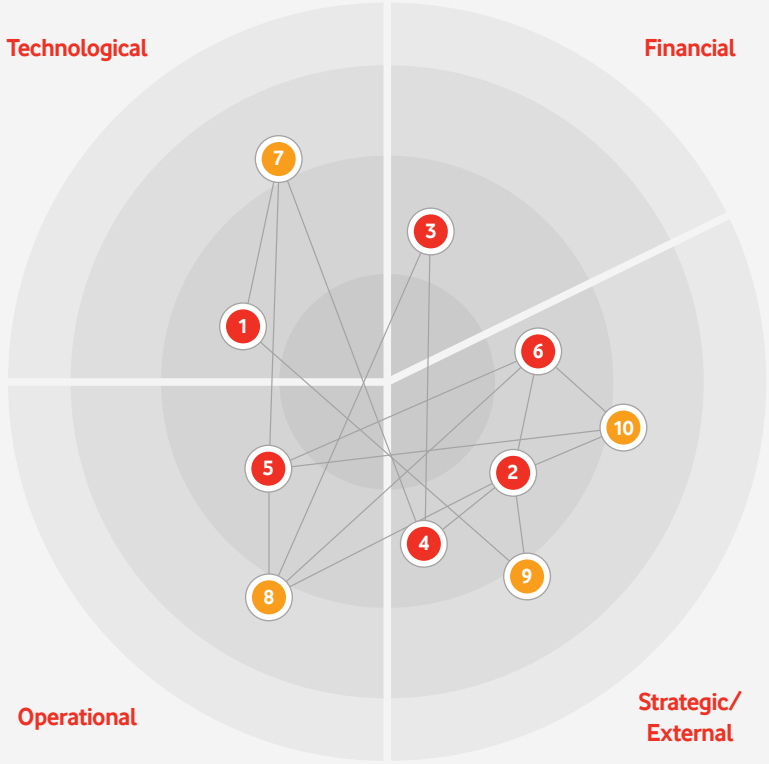
8 **Successful integration of new assets and management of joint ventures**
Failure to achieve synergies expected from integration of new assets; risk that joint ventures do not operate effectively

9 **Legal compliance**
Non-compliance with laws including privacy, anti-bribery, competition law, anti-money laundering and sanctions

10 **Disintermediation**
Technology players gaining customer relevance through emerging technology

Interconnections between the risks

We continue to consider risks both individually and collectively in order to fully understand our risk landscape. By identifying the correlation between risks, we can ensure that those that have the potential to cause, impact or increase another risk are weighted appropriately. This exercise also helps to inform our scenario analysis, particularly the combined scenario used in the Long Term Viability Statement (pages 50 and 51).



Key: Low Medium High Critical

Risk management (continued)

Cyber threat and information security

Risk owner: **Johan Wibergh**

What is the risk:
An external cyber attack, insider threat or supplier breach could cause service interruption or the loss of confidential data. Cyber threats could lead to major customer, financial, reputational and regulatory impact across all of our local markets.

How we manage it:
We protect Vodafone and our customers from cyber threats by continuing to strengthen global and local security controls, a 24x7 cyber defence capability and customer-focused security.

Adverse political and regulatory measures

Risk owners: **Joakim Reiter/Margherita Della Valle**

What is the risk:
Operating across many markets and jurisdictions means we deal with a variety of complex political and regulatory landscapes. In all of these environments, we can face changes in taxation, political intervention and potential competitive disadvantage. This also includes our participation in spectrum auctions.

How we manage it:
We engage with top-level policy makers and influencers, addressing issues openly, with clear arguments to find mutually acceptable ways forward.

Global economic disruption/adequate liquidity

Risk owner: **Margherita Della Valle**

What is the risk:
As a multinational business, we operate in many countries and currencies, so changes to global economic conditions can impact us. Any major economic disruption could result in reduced spending power for our customers and impact our ability to access capital markets. A relative strengthening or weakening of the major currencies in which we transact could impact our profitability.

How we manage it:
We maintain access to long and short-term capital markets through diversified sources of funding and ensure the resilience of our balance sheet through the long-term duration of our debt.

Geo-political risk in supply chain

Risk owner: **Joakim Reiter**

What is the risk:
We operate and develop complex infrastructure in the countries in which we are present. Our networks and systems are dependent on a wide range of suppliers internationally. If we were unable to execute our plans, we, and the industry, would face potential delays to network improvements and increased costs.

How we manage it:
We are closely monitoring the political situation around our key suppliers. We are also engaging with governments, experts and suppliers to remain fully informed so that we can respond accordingly and we will always comply with the latest regulations.

We are working with our supply chain to ensure continuity of supply of core equipment in the event of an impact from Brexit.

Digital transformation and simplification

Risk owner: **Ahmed Essam**

What is the risk:
We are currently implementing a major transformation plan to evolve Vodafone into a Digital 'First' company with an aim to deliver world-class customer experience, increase our speed to market and increase operational efficiencies through automation and AI. Failure to do this could lead to missed commercial opportunities, increased costs and customer experience issues.

How we manage it:
Digital 'First' is a company-wide transformation programme, with direct sponsorship from our Executive Committee. We have clearly defined objectives and target KPIs for the overall programme and each functional area, coordinated centrally and executed locally. We are continuously driving simplification to reduce the complexity of our products and propositions with clearly defined objectives and target KPIs.

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Risk movement: **Stable**

Risk category: **Technological**

Our target tolerance:
We aim for a secure digital future for our customers. Security underpins our commitment to protecting our customers with reliable connections and keeping their data safe. We seek to avoid any breaches, loss of data or reputational impact from a cyber event.

Example scenario:
Scenarios could include attacks on individual markets, parts of our network or large-scale intrusions spanning multiple markets.

Emerging threats:
Cyber risk is constantly evolving in line with technological advances and geo-political developments. We anticipate threats will continue to evolve in areas such as IoT, supply chain, cloud computing and the use of machine learning.

Risk movement: **Stable**

Risk category: **Strategic/External**

Our target tolerance:
We actively seek to engage with governments, regulators and tax authorities to encourage good working relationships and to help shape potential impacts of legislative change on the Group.

Example scenario:
We do not receive the requisite approvals to allow us to complete our planned strategic acquisitions.

Emerging threats:
As connectivity starts to underpin the functioning of different industrial sectors, there is a risk of onerous coverage obligations and regulatory fragmentation through sector-specific connectivity rules.

In addition, there is a risk of national fragmentation in relation to emerging technology topics such as AI, which are being dealt with by a variety of institutions.

Risk movement: **Increased**
Given the acquisition of Liberty Global, our debt levels are expected to increase.

Risk category: **Financial**

Our target tolerance:
We take a conservative approach to financial risks which reflects our diverse business. We carefully manage our liquidity and access to capital markets to limit our exposure to unstable economic conditions.

Example scenario:
A financial crisis impacts on our ability to refinance or access commercial paper or bond markets.

Emerging threats:
Because this is an externally driven risk, the threat environment is continually changing.

Risk movement: **New**

Risk category: **Strategic/External**

Our target tolerance:
We have a range of supplier relationships and we manage these closely with our procurement specialists. We endeavour to ensure there is sufficient choice of appropriate suppliers in an active and competitive marketplace.

Example scenario:
There is a disruption to our supply chain due to international trade rulings.

Emerging threats:
As the political landscape changes globally, we could see an increase in trade wars between major world powers.

Risk movement: **Stable**

Risk category: **Operational**

Our target tolerance:
We aim to be a leading digital company with the right mix of efficient systems, relevant skills and digital expertise to deliver a world-class customer experience.

We have made excellent progress in the first 15 months of implementation hitting most of our targets, but have an ambitious agenda ahead in the next 24 months.

Example scenario:
Failure to retain customers through a differentiated experience and to achieve our simplification targets.

Emerging threats:
The digital transformation strategy considers emerging threats and factors these into the ongoing programme management.

Risk management (continued)

Market disruption

Risk owner: **Ahmed Essam**

What is the risk:
New entrants to markets or competitors with lean models could create pricing pressure. The push of competitors towards unlimited bundles could lead to price erosion, which might affect profitability in the short to medium term.

How we manage it:
We monitor the competitor environment in all markets, and react appropriately. We have already seen different elements of this disruption in Italy and Spain in the past 12–18 months. Although disruption threat remains in some markets, in most markets we are moving towards a more stable landscape.

Technology resilience

Risk owner: **Johan Wibergh**

What is the risk:
A technology site loss could result in a major impact to our customers, revenues and reputation. This covers mobile and fixed sites as well as data centres. Our resilience programme also extends to wider service platforms, including television and payments.

How we manage it:
Unique recovery targets are set for essential sites to limit the impact of service outages. A global policy supports these targets with requisite controls to ensure effective resilience.

We monitor the lifespan of key assets and maintain back-up where necessary.

Successful integration of new assets and management of joint ventures

Risk owners: **Hannes Ametsreiter/Vivek Badrinath**

What is the risk:
Subject to regulatory approvals, we are undertaking a large-scale integration of new assets across multiple markets. If we do not complete this in a timely and efficient manner, we would not see the benefit of planned synergies and could face additional costs or delays to completion. The successful integration also requires that an important number of technology platforms/services are migrated on time before the termination of the transitional services agreements.

We also have a number of joint ventures in operation and must ensure that these operate effectively.

How we manage it:
We have integration specialists working on the planning of all integration activities and if deals are approved, there will be teams to coordinate and control execution of the multiple projects/activities that constitute the multi-year integration plan.

We have robust governance in place to manage our joint ventures effectively.

Legal compliance

Risk owner: **Rosemary Martin**

What is the risk:
Vodafone must comply with a multitude of local and international laws. These include laws relating to: privacy; anti-money laundering; competition; anti-bribery; and economic sanctions. Failure to comply with these laws could lead to reputational damage, financial penalties and/or suspension of our licence to operate.

How we manage it:
We have subject matter experts in legal teams in local markets and in group and a robust policy compliance framework.

We train our employees in Doing What's Right, our training and awareness programme, which sets our ethical culture across the organisation and ensures employees understand their role in ensuring compliance.

Disintermediation

Risk owner: **Ahmed Essam**

What is the risk:
We face increased competition from a variety of new technology platforms, which aim to build alternative communication services or different touch points, which could potentially affect our customer relationships. We must be able to keep pace with these new developments and competitors in changing markets while maintaining high levels of customer engagement and an excellent customer experience.

How we manage it:
We continually strive to introduce innovative propositions and services while evolving our customer experience to strengthen the relationship with our customers. We are running ambitious programmes on three fronts to fundamentally strengthen our customer relationship – (1) deepen our customer engagement, (2) radically simplify our offer portfolio, and (3) create much better digital experiences across the customer lifecycle.

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Risk movement: **Decreased**
Uncertainty over new competition remains in some markets, known threats in other key markets have eased over the last 12 months.

Risk category: **Strategic/External**

Our target tolerance:
We will evolve our offer and adopt an agile commercial model to mitigate competitive risks. We will do this through targeted offers, smart pricing models and a differentiated customer experience.

Example scenario:
A loss of market share in a major market due to changing behaviour from existing competitors.

Emerging threats:
Because this is an externally driven risk, the threat environment is continually changing.

Risk movement: **Stable**

Risk category: **Technological**

Our target tolerance:
Our customer promise is based on reliable availability of our network, therefore the recovery of key mobile, fixed and IT services must be fast and robust.

Example scenario:
The loss of essential assets across our networks and internal IT infrastructure.

Emerging threats:
We could be impacted by an increase in extreme weather events caused by climate change which may increase the likelihood of a technology failure.

New assets inherited from acquired businesses may not be aligned to our target resilience levels which may increase the likelihood of a technology failure.

Risk movement: **New**

Risk category: **Operational**

Our target tolerance:
Our aim is to integrate businesses efficiently and effectively in order to achieve the best possible return on investment and realise the expected synergies.

Example scenario:
Integration of a major new acquisition is delayed and benefits cannot be realised as quickly as planned.

Emerging threats:
This is a new risk so all currently known threats have been included as part of the principal risk.

Risk movement: **Stable**

Risk category: **Operational**

Our target tolerance:
We seek to comply with all applicable laws and regulations in all of our markets.

Example scenario:
Potential breaches across some legal compliance risks which could lead to reputational damage, investigation costs and fines.

Emerging threats:
Changing workplace dynamics, digital transformation, asset integrations and a change in our employee demographics could degrade our control environment so we are updating our Code of Conduct and various policies to mitigate this.

Risk movement: **Decreased**
Movement to unlimited bundles means the potential impact of this risk has reduced.

Risk category: **Strategic/External**

Our target tolerance:
We offer a superior customer experience and continually improve our offering through a wide set of innovative products and services, including fixed and mobile content, IoT and voice over LTE. We also develop innovative new products and explore new growth areas such as 5G, IoT, convergence, digital services, data analytics, AI and security so that we continue to meet our customers' needs.

Example scenario:
Emerging technology impacts our market share.

Emerging threats:
As we complete acquisition activity, we will have increasing interests in television and fixed line access. The profile of this risk will change as this will widen and/or increase the range of threats from new technology and over the top providers.

Risk management (continued)

Risk watchlist

There are two ways in which we have identified our emerging risks in this report.

First, for our principal risks, we have noted on the previous pages some emerging threats regarding these risks. These uncertainties may relate to future technological, regulatory or political changes.

Secondly, we also face a number of uncertainties where an emerging threat may potentially impact us in the longer term. In some cases, there may be insufficient information available to understand the likely scale, impact or velocity of the risk. We also might not be able to fully define a mitigation plan until we have a better understanding of the threat. We have created a watchlist of these risks which we will review on a regular basis to monitor any changes to the likely scale, impact and velocity.

Some examples of these are:

UK's departure from the EU ('Brexit')

The Board continues to keep the implications of Brexit for Vodafone's operations under review.

A cross-functional Brexit steering committee continues to operate. This steering committee has identified the impact of Brexit on the Group's operations and produced a comprehensive mitigation plan. The terms of the UK's exit from the EU, and the future relationship, remain uncertain.

Due to this current uncertainty, Vodafone is prepared for a no deal scenario, as this was judged to have the most potential for disruption.

Although we are a UK headquartered company, a very large majority of our customers are in other countries, accounting for most of our revenue and cash flow. Each of our national operating companies is a stand-alone business, incorporated and licensed in the jurisdiction in which it operates, and able to adapt to a wide range of local developments. As such, our ability to provide services to our customers in the countries in which we operate, inside or outside the EU, is unlikely to be affected by Brexit. We are not a major international trading company, and do not use passporting for any of our major services or processes.

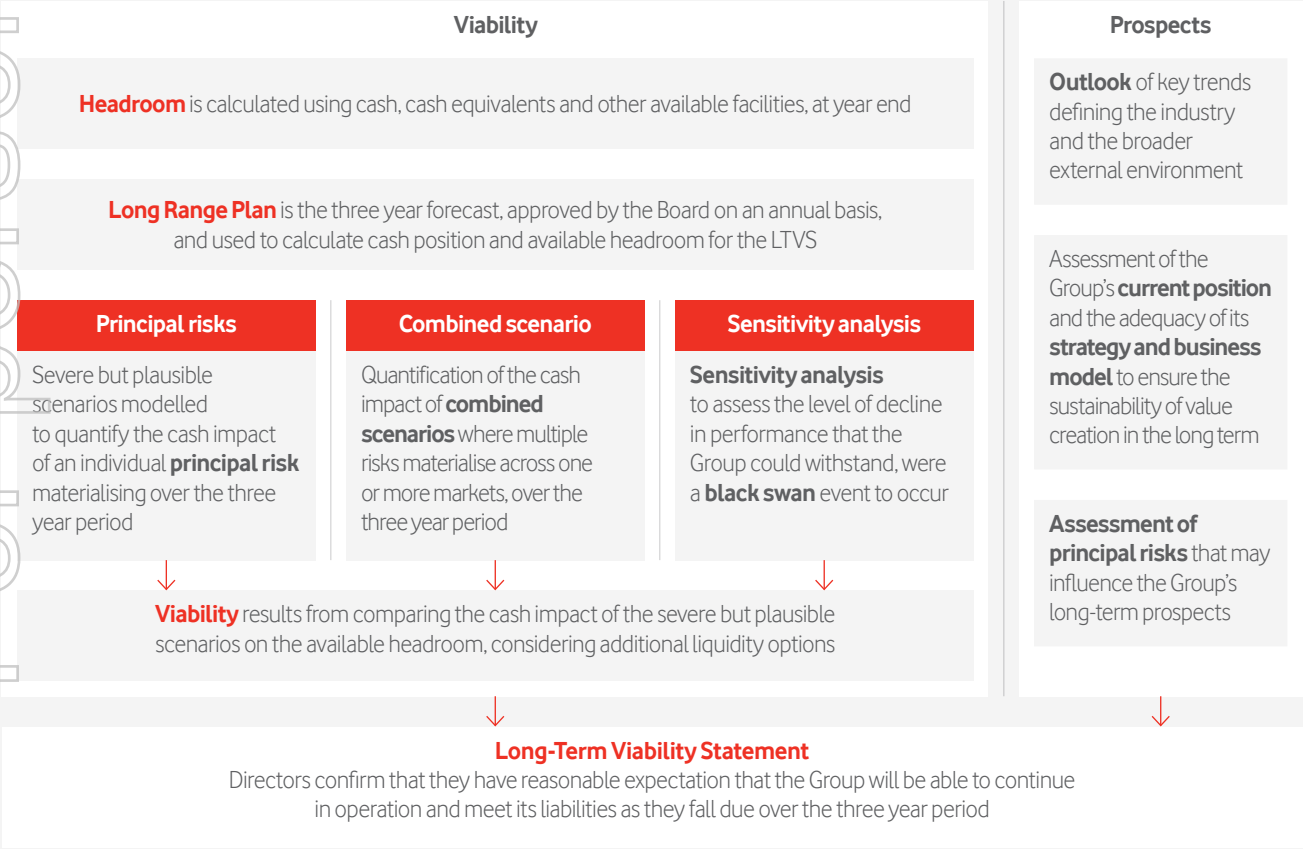
Depending on the arrangements agreed between the UK and the EU, the key issue that could directly impact our operational performance is a significant revision to macro economic performance in our major European markets, including the UK, caused by the uncertainty of the Brexit process. This would affect the economic climate in which we operate, and in turn impact the performance of the operating companies in those markets.

Climate change

There is clear evidence that global temperatures are rising rapidly and a consensus among scientists and policymakers that man-made greenhouse gases ('GHGs') are having a direct impact on the climate. We support the view that urgent action is needed to address climate change.

Long-Term Viability Statement ('LTVS')

The preparation of the LTVS includes an assessment of the Group's long-term prospects in addition to an assessment of the ability to meet future commitments and liabilities as they fall due over the three year review period.



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Achieving the required reductions in GHG emissions will be particularly challenging, however, in the context of continuous economic and population growth.

As a significant user of energy, the telecommunications and ICT industries face a growing challenge: every additional device connected to a network and every additional gigabyte of data transmitted or stored represents a potential increase in energy needs.

Climate change poses a number of potential risks for telecommunications operators, from both a physical (e.g. isolated events such as increased intensity of storms, heatwaves or higher average operating temperatures) and regulatory (e.g. new or strengthened carbon reduction commitments) perspective.

We welcome the development of the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations and have updated our risk management process this year to strengthen our consideration of the potential business implications and impacts of climate change. In addition, we undertook an independent gap analysis of our reporting against the TCFD recommendations and are working to achieve full alignment.

For further information on how we are working to reduce our environmental impact, including performance against our 2025 targets to reduce our GHG emissions by 50% and to purchase 100% renewable electricity, see page 38 and the Sustainable Business Report 2019.

EMF

A cross-functional team, led by a Director and sponsored by an Executive Committee member meets regularly to identify, and discuss risk and compliance issues relating to EMF and reported twice this year to the Board about developments in science, policy and compliance. We have a network of resources in each market to drive compliance and to share best practice.

In addition, we work with the industry and the GSMA to identify and adopt best practice.

The risk can be broken down into three areas:

- failure to meet our policy requirements or comply with international guidelines (set by International Commission on Non-Ionizing Radiation Protection) or local legislation as it applies to EMF.
- the risk arising from activism or negative sentiment towards location or installation of radio base stations.
- changes in the radio technology we use or the body of credible scientific evidence which may impact either of the two risks above.

Assessment of viability

Vodafone adopts a three year period to assess the Group's viability. This time horizon is in line with our business planning cycle and a period in which principal risks (particularly those of an operational nature, over which we have more control) typically develop, in what is a dynamic industry sector. The three year period is also in line with long-term management incentives and the outputs from the long range planning process.

The plans and projections prepared as part of this forecasting cycle include the Group's cash flows, planned commitments, required funding and other key financial ratios. We assume that debt refinance will be available in all plausible market conditions and that there will be no material changes to the Group's structure over the period.

The estimated impact of an individual severe but plausible scenario for each principal risk on the three year plan forms the cornerstone of our approach to LTVS.

In addition, we stress tested a combined scenario taking into account the interconnections between the risks, shown on the diagram on page 45, where the following risks were modelled as materialising over the three year period:

- Market disruption
  Significant market disruption resulting in loss of market share across our key markets.
- Integration of assets
  Slower realisation of synergies and higher costs than anticipated to integrate acquired businesses.
- Cyber threat and information security
  Cyber security breach caused by ongoing IT transformation leading to a GDPR fine.
- Geo-political risk in supply chain
  Disruption in the supply chain due to international trade rulings restricting access to key suppliers.
- Global economic disruption/ adequate liquidity
  The combination of the above within a short time frame puts pressure on our liquidity and our ability to refinance.

Assessment of long-term prospects

Each year the Board conducts a strategy session, reviewing the internal and external environment as well as significant threats and opportunities to the sustainable creation of shareholder value in the long-term (known emerging threats related to each principal risk are described in pages 46 to 49).

As an input to the strategy discussion, the Board reviews some of the principal risks that are longer term in nature (including adverse political and regulatory measures, market disruption and disintermediation), with the focus on identifying underlying opportunities for the Group and setting the future strategy. The output from this session is reflected in the strategic section of the Annual Report (pages 8 and 9), which provides a view of the Group's long-term prospects.

Conclusions

The Board has assessed the prospects and viability of the Group in accordance with c2.2 of the 2016 UK Corporate Governance Code, considering: the Group's strategy and business model; and the principal risks threatening the Group's future performance, solvency, liquidity and reputation. The assessment also ensured a review of the reasonableness of actions available to management in response to any risk or combination of risks materialising.

Total cash and facilities available of €13.6 billion (pages 114 to 159) as of 31 March 2019, along with options available to reduce cash outgoings over the period considered, provide the Group with sufficient positive headroom in all scenarios tested. Reverse stress testing revenue and EBITDA over the review period also confirmed that the Group has sufficient positive headroom available to face uncertainty. The Board deemed the stress test conducted of the Group's viability to be adequate and therefore confirm that they have a reasonable expectation that the Group will remain in operation and be able to meet its liabilities as they fall due up to 31 March 2022.

Chairman's governance statement

Committed to strong and robust corporate governance to support the creation of long-term sustainable value

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Dear Shareholder,

Welcome to the Corporate Governance Report for the year ended 31 March 2019, which I am pleased to present on behalf of the Board. This report includes insight into how corporate governance underpins and supports our business and the decisions we make. The Board is committed to the creation of long-term sustainable value for the benefit of our shareholders and wider stakeholders, and strong and robust corporate governance is integral in supporting this.

During 2018 the Board has ensured a successful transition of the Chief Executive and Chief Financial Officer and the implementation of a refreshed purpose and strategy to address industry headwinds. We have also recommended the appointment of a new statutory auditor for the year ending 31 March 2020, Ernst & Young LLP, following a tender process run by the Audit and Risk Committee. Further information on this tender process can be found in the Audit and Risk Committee report on page 74.

The Board has also spent time considering the changes brought in by the 2018 UK Corporate Governance Code (the 'new Code') and The Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations') to ensure Vodafone's compliance.

Purpose and strategy

Following Vittorio Colao stepping down as Chief Executive at the end of September 2018 and Nick Read's appointment, Nick brought a revised strategy to the Board for consideration. The Board were very supportive of Nick's proposal and the revised strategy, which was announced in November 2018, has been a significant focal point for the Board this year.

As part of the revised strategy, we have also refreshed our purpose – "We connect for a better future" – and committed to improve one billion lives and halve our environmental impact by 2025. Our purpose is at the core of our strategy which aims to drive shareholder returns through a focus on operational excellence and organic growth by: deepening customer engagement; transforming our operating model; and improving asset utilisation.

Further information on our refreshed purpose, revised strategy and the Group's performance over the last 12 months can be found in the Overview and Strategic Report sections.

Culture and values

The Board recognises the importance of its role in setting the tone of Vodafone's culture and embedding it throughout the Group and I am committed to instilling and upholding the culture and values we expect to see from all of our employees.

Our Code of Conduct underpins everything that we do and is reinforced through the Digital Vodafone Way, which sets out the type of organisation we want to be. Everyone who works for and with us is required to comply with these. An overview of our Code of Conduct and the Digital Vodafone Way can be found on pages 42 to 43.

In addition to the Board, the Executive Committee and senior management understand how we work is as important as what we achieve, and ensure that the importance of compliance and integrity is recognised at all levels throughout the Group.

The cultural climate in Vodafone is measured through a number of mechanisms including policy and compliance processes, internal audit, and formal and informal channels for employees to raise concerns including our employee opinion survey and Speak Up, our whistleblowing programme. Speak Up is also available to the contractors and suppliers working with us. During the year the Audit and Risk Committee has been kept abreast of any material whistleblowing incidents and detail on action taken when our employees do not display the values and behaviours expected of them.

Governance

This year Vodafone was subject to the 2016 UK Corporate Governance Code and I am pleased to confirm that Vodafone has applied the principles and complied with all of the provisions.

During 2018 the Regulations and the new Code were published and are the result of the action taken as part of the UK Government's commitment to corporate governance reform in order to build trust in business. The Regulations and new Code put more emphasis on engagement with stakeholders, diversity, remuneration structures and the strengthening of corporate culture. The Board is supportive of the aim to build trust in business and of the requirements under the Regulations and new Code. We have spent time this year considering our compliance and the ways to enhance our disclosures for our 2020 Annual Report to demonstrate the high levels of corporate governance maintained within Vodafone. I look forward to providing you with further detail on our compliance in our 2020 Corporate Governance Report.

Board composition

Through the Nominations and Governance Committee, we keep the composition of the Board under review to ensure it is refreshed to reflect the skills, experiences and diversity required to remain effective.

Over the last 12 months there have been a number of changes to the Board including the appointment of Nick Read as Chief Executive and Margherita Della Valle as Chief Financial Officer following the assessment of both internal and external candidates for the positions. The promotion of Nick and Margherita is reflective of our commitment to succession planning for all senior positions within Vodafone and our commitment to the development of internal talent.

Additionally, after a thorough search to identify an appropriate Non-Executive Director with telecommunications experience, we were pleased to welcome Sanjiv Ahuja to the Board in November 2018.

Sanjiv brings extensive telecommunications experience having worked in various telecom companies including Telcordia and Orange Plc and enhances the knowledge and skills already brought by Board members.

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Last year we asked Samuel Jonah to remain on the Board for a further 12 months which shareholders supported by re-electing him at our 2018 AGM. After ten years on our Board, Samuel will step down at the conclusion of our AGM on 23 July 2019. I would like to take this opportunity to thank Samuel for his effective and valuable contributions to the Board over his tenure and wish him every success for the future.

These changes are in addition to the three Non-Executive Directors appointed to the Board since September 2015 who bring financial expertise, IT and technology experience. The refreshed composition enables the Board to remain effective and we are committed to further strengthening this with additional telecommunications experience over the next 12 months.

We are committed to having a Board that is diverse in all respects and we continue to take into consideration the targets set out in the Parker and Hampton-Alexander reviews. I am pleased to report that the Board is currently exceeding its target of having 33% female representation on the Board by 2020.

Board effectiveness

This year the Board undertook an external effectiveness review in accordance with the requirements under the 2016 UK Corporate Governance Code. The review was undertaken by Raymond Dinkin from Consilium and involved interviews with all of the Board members, the Group General Counsel and Company Secretary and the Executive Committee, and observation of our interactions at a Board, Nominations and Governance Committee and Audit and Risk Committee meeting. The review concluded that the Board remains effective. Further information on the process of Consilium's appointment and the actions arising out of the review can be found on pages 66 to 67.

As part of the review undertaken last year, the Board wanted further focus on developments in technology and the benefits and risks that this could pose. This year we received regular training sessions from our Group Chief Technology Officer and Cyber Security team, culminating in a Board visit to our Cyber Defence Centre. This visit provided insight into the investments Vodafone has made to keep our employee, customer and supplier information secure against external cyber threats.

Stakeholder engagement

Vodafone's success is dependent on the Board taking decisions for the benefit of our shareholders and in doing so having regard to all of our stakeholders.

The Regulations and the new Code have renewed the emphasis on stakeholder engagement and on pages 62 to 64 you will find further information on how we have engaged with all of our stakeholders this year. The Board is committed to understanding the views of all of Vodafone's stakeholders in order to inform the decisions that we make.

Looking ahead

The Board is committed to maintaining the highest standards of corporate governance across the Group to support the delivery of our strategy and the creation of long-term sustainable value. Over the next 12 months we will also be focused on demonstrating our compliance with the new Code and Regulations.

Gerard Kleisterlee
Chairman

14 May 2019

Compliance with the 2016 UK Corporate Governance Code (the 'Code')

In respect of the year ended 31 March 2019 Vodafone Group Plc was subject to the Code (available from www.frc.org.uk). The Board is pleased to confirm that Vodafone applied the principles and complied with all of the provisions of the Code throughout the year. Further information on compliance with the Code can be found as follows:

Leadership	Read more
The role of the Board	54
Division of responsibilities	55
The Chairman	55
Non-Executive Directors	55

Effectiveness	Read more
Composition of the Board	54
Appointments to the Board	68
Commitment	68
Development	65
Information and support	65
Evaluation	66
Re-election	68

Accountability	Read more
Financial and business reporting	72
Risk management and internal control	76
Audit Committee and auditors	71

Remuneration	Read more
The level and components of remuneration	81
Procedure	77

Relations with shareholders	Read more
Dialogue with shareholders	62
Constructive use of general meetings	62

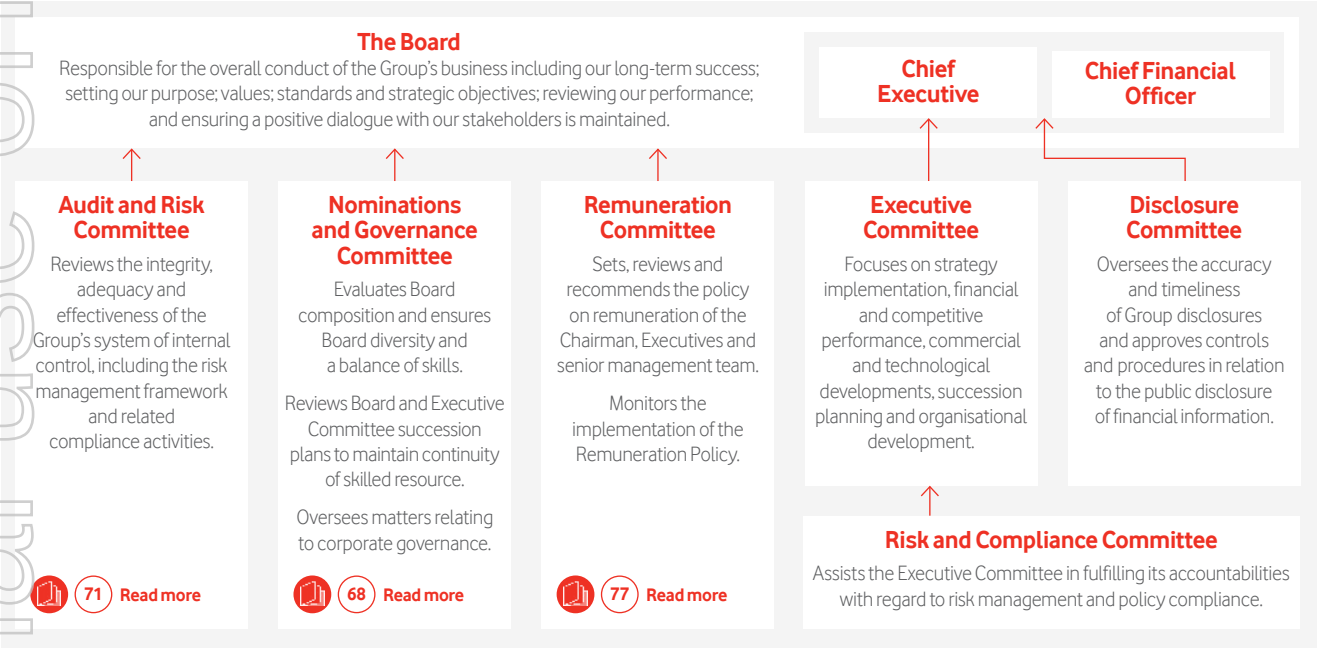
Disclosure Guidance and Transparency Rules

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure Guidance and Transparency Rules by virtue of the information included in this "Governance" section of the Annual Report together with information contained in the "Shareholder information" section on pages 214 to 220.

Board leadership and company purpose

How we are governed

We have a strong and effective governance system throughout the Group. Responsibility for good governance lies with the Board.



Operation of the Board and its Committees

Comprised of the Chairman, Senior Independent Director, Non-Executive Directors, the Chief Executive and the Chief Financial Officer, the Board is collectively responsible for the oversight and success of our business. The Board discharges some of its responsibilities directly and others through its principal Board Committees and through management. The Matters Reserved for the Board and Committee Terms of Reference were last reviewed in March 2019 and are available on our website vodafone.com.

The Board is responsible for ensuring leadership through effective oversight and review, it sets the strategic direction and aims to deliver sustainable stakeholder value over the longer term. The Board also oversees the implementation of appropriate risk assessment systems and processes to identify, manage and mitigate Vodafone's principal risks. It is also responsible for matters relating to finance, audit and internal control, reputation, listed company management, corporate governance and effective succession planning much of which is overseen through its principal Committees. Full details of the Committees' responsibilities are detailed within the respective Committee reports on pages 68 to 96.

The Executive Committee and other management committees are responsible for implementing strategic objectives and realising competitive business performance in line with established risk management frameworks, compliance policies, internal control systems and reporting requirements.

Board meetings are structured to allow open discussion. At each meeting the Directors are made aware of the key discussions and decisions of the three principal Committees by the respective Committee Chairs.

Minutes of Board and Committee meetings are circulated to all Directors after each meeting. Details of the Board's activities during the year can be found on pages 60 and 61.

The Board held seven scheduled meetings during the year and additional meetings as required. Further information on the attendance of each Director at Board and Committee meetings can be found on page 57.

Our purpose, values and culture

At Vodafone, we connect for a better future and we have committed to improve one billion lives and halve our environmental impact by 2025. This is underpinned by our strategy to enable the digital society, ensure inclusion for all and protect our planet and the Board recognises that a healthy corporate culture is fundamental to this.

Vodafone's culture is defined through the Digital Vodafone Way and the Code of Conduct. Together these set out what we expect from our employees and how we expect business to be carried out. By embedding the Digital Vodafone Way into our processes, we strive for a culture of speed, simplicity and trust. Our Code of Conduct and the Digital Vodafone Way can be found on our website vodafone.com.

Our leaders have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. The Executive Committee led campaigns and engagement throughout the year to highlight our values and beliefs. Various indicators are used to provide insight into our culture, including employee engagement, health, safety and wellbeing measures and diversity indicators. We regularly assess the state of our culture, through activities such as compliance reviews and we address behaviour that falls short of our expectations.

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Division of responsibilities

Board roles and responsibilities

We have a clear division of responsibilities between our Chairman and Chief Executive, each role is clearly defined and is quite distinct from one another.

The Board currently comprises the Chairman, two Executive Directors and nine Non-Executive Directors. Our Non-Executive Directors bring wide and varied commercial and financial experience to the Board and Committees. A summary of each role can be found below.

Chairman

- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions;
- Promotes a culture of open debate between Executive and Non-Executive Directors and holds meetings with the Non-Executive Directors, without the Executive Directors present;
- Regularly meets with the Chief Executive and other senior management to stay informed;
- Ensures effective communication with shareholders and other stakeholders;
- Promotes high standards of corporate governance and ensures Directors understand the views of the Company's shareholders and other key stakeholders so they can consider them, and the section 172 Companies Act 2006 factors, in Board discussions and decision-making;
- Promotes and safeguards the interests and reputation of the Company; and
- Represents the Company to customers, suppliers, governments, shareholders, financial institutions, the media, the community and the public.

Chief Executive

- Provides coherent leadership of the Company, including representing the Company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public and enhances the Group's reputation;
- Leads the Executive Directors and senior management team in running the Group's business, including chairing the Executive Committee;
- Develops and implements Group objectives and strategy having regard to shareholders and other stakeholders;
- Recommends remuneration, terms of employment and succession planning for the senior executive team;
- Manages the Group's risk profile and ensures appropriate internal controls are in place;
- Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements and best practice; and
- Ensures there are effective processes for engaging with, communicating with, and listening to, employees and others working for the Company.

Chief Financial Officer

- Supports the Chief Executive Officer in developing and implementing the Group strategy;
- Leads the global finance function and develops key finance talent;
- Ensures effective financial reporting, processes and controls are in place;
- Recommends the annual budget and long-term strategic and financial plan; and
- Oversees Vodafone's relationships with the investment community.

Senior Independent Director

- Provides a sounding Board for the Chairman and acts as a trusted intermediary for the Directors as required;
- Meets with the Non-Executive Directors (without the Chairman present) when necessary and at least once a year to appraise the Chairman's performance and communicates the results to the Chairman; and
- Together with the Nominations and Governance Committee (excluding the Chairman), leads an orderly succession process for the Chairman.

Non-Executive Directors

- Monitor and challenge the performance of management;
- Assist in development, approval and review of strategy;
- Review Group financial information and provide advice to management;
- Engage with stakeholders and provide insight as to their views including in relation to employees and the culture of Vodafone; and
- As part of the Nominations and Governance Committee, review the succession plans for the Board and key members of senior management.

Company Secretary

- Ensures compliance with Board procedures and provides support to the Chairman, to ensure Board effectiveness;
- Assists the Chairman by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information;
- Ensures the Board has high-quality information, adequate time and appropriate resources in order to function effectively and efficiently;
- Provides advice and keeps the Board updated on corporate governance developments; and
- Facilitates the Directors' induction programmes and assists with professional development.

Board of Directors

Experienced, effective and diverse leadership

Our business is led by our Board of Directors. Biographical details of the Directors and senior management as at 14 May 2019 are as follows (with further information available at vodafone.com/board).

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Gerard Kleisterlee (N)

Chairman – Independent on appointment

Tenure: 8 years

Skills and experience:
Gerard has extensive experience of senior leadership of global businesses both in the developed and emerging markets. He brings to the Group a deep understanding of the consumer electronics, technology and lifestyle industries gained from his career with Philips Electronics spanning over 30 years and continues to use this experience to oversee the development of Vodafone's strategy and the effectiveness of its operations as a total communications company.

Other current appointments:
– Royal Dutch Shell, deputy chair, senior independent director, chair of the remuneration committee and member of the nomination and succession committee
– ASML, chairman of supervisory board

Nick Read

Chief Executive – Executive Director

Tenure: <1 year (as Chief Executive)

Skills and experience:
As Chief Executive, Nick combines strong commercial and operational leadership with a detailed understanding of the industry and its opportunities and challenges. Prior to becoming Chief Executive in October 2018, Nick served as Group Chief Financial Officer from April 2014, and held a variety of senior roles including Chief Executive for Africa, Middle East and Asia Pacific for five years and Chief Executive of Vodafone UK. Prior to joining Vodafone, he held senior global finance positions with United Business Media Plc and Federal Express Worldwide.

Other current appointments:
– Booking Holdings Inc., non-executive director

Margherita Della Valle

Chief Financial Officer – Executive Director

Tenure: <1 year

Skills and experience:
Margherita brings considerable corporate finance and accounting experience to the Board. She was Deputy Chief Financial Officer from 2015 to 2018, Group Financial Controller from 2010 to 2015, Chief Financial Officer of Vodafone's European region from 2007 to 2010 and Chief Financial Officer of Vodafone Italy from 2004 to 2007. Margherita joined Omnitel Pronto Italia in Italy in 1994 and held various consumer marketing positions in business analytics and customer base management before moving to finance. Omnitel was acquired by Vodafone in 2000.

Other current appointments:
– None

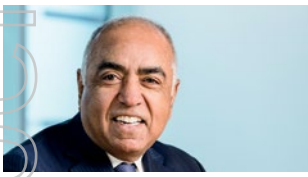
Valerie Gooding CBE (N) (R)

Senior Independent Director

Tenure: 5 years

Skills and experience:
Valerie brings a wealth of international business experience obtained at companies with high levels of customer service including British Airways and as chief executive of BUPA which, together with her focus on leadership and talent, is valuable to Board discussions.

Other current appointments:
– TUI AG, non-executive director
– Aviva UK Insurance Ltd, chairman
– English National Ballet, trustee
– ENB Productions Limited, director
– Royal Botanical Gardens, Kew, Queen's trustee



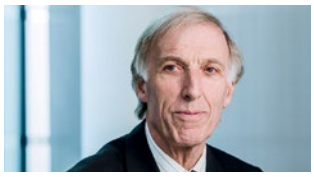
Sanjiv Ahuja

Non-Executive Director

Tenure: <1 year

Skills and experience:
Sanjiv has broad telecoms expertise, having led mobile, broadband and infrastructure companies, such as Telcordia (formerly Bellcore), Orange Plc and Tillman Global, as well as considerable international experience from operating in Europe, the United States, Africa and Asia. He is the founder and chairman of Tillman Global Holdings, which provides telecommunications and renewable energy project development services. His comprehensive knowledge of the telecoms sector is valuable to Board discussions.

Other current appointments:
– Tillman Global Holdings LLC, chairman
– JCDecaux Small Cells Limited, director



Sir Crispin Davis (A) (N)

Non-Executive Director

Tenure: 4 years

Skills and experience:
Sir Crispin has broad-ranging experience as a business leader within international content and technology markets from his roles as chief executive of RELX Group (formerly Reed Elsevier) and the digital agency, Aegis Group plc, and group managing director of Guinness PLC (now Diageo plc). He was knighted in 2004 for services to publishing and information. He brings a strong commercial perspective to Board discussions.

Other current appointments:
– Hasbro, non-executive director
– Oxford University, trustee and member of the university board
– CVC Capital Partners, adviser
– Rentokil Initial plc, non-executive director

Michel Demaré (R)

Non-Executive Director

Tenure: 1 year

Skills and experience:
Michel brings extensive international finance, strategy and M&A experience to the Board, gained during his 18-year career at Dow Chemical, as CFO of Baxter International (Europe), and as CFO and head of global markets of ABB Group. He was the non-executive chairman of Syngenta until the company was sold to ChemChina in 2017 and was the vice chairman of UBS Group AG for 10 years.

Other current appointments:
– Louis Dreyfus Company Holdings BV, non-executive director
– IMD Business School in Lausanne, vice chairman of the supervisory board
– Department of Banking and Finance at the University of Zurich, advisory board member

Dame Clara Furse (A)

Non-Executive Director

Tenure: 4 years

Skills and experience:
Dame Clara brings to the Board a deep understanding of international capital markets, regulation, service industries and business transformation developed from her previous roles as chief executive officer of the London Stock Exchange Group plc and Credit Lyonnais Rouse Ltd. Her financial proficiency is highly valued as a member of the Audit and Risk Committee. In 2008 she was appointed Dame Commander of the Order of the British Empire.

Other current appointments:
– HSBC UK, non-executive chairman
– Amadeus IT Group SA, non-executive director

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Committee Key:

(A) Audit and Risk Committee (N) Nominations and Governance Committee (R) Remuneration Committee ● Solid background signifies Committee Chair

Renee James (N) (R)
Non-Executive Director

Tenure: 8 years

Skills and experience:
Renee brings comprehensive knowledge of the high technology sector developed from her long career at Intel Corporation where she was president. She is currently the chairman and CEO of Ampere Computing. Her extensive experience of international management, technology and the development and implementation of corporate strategy is an asset to the Board and the Committees of which she is a member.

Other current appointments:
- The National Security Telecommunications Advisory Committee, chairman
- Carlyle Group, operating executive
- Oracle Corporation, non-executive director
- Citigroup Inc., non-executive director

Samuel Jonah KBE (R)
Non-Executive Director

Tenure: 10 years

Skills and experience:
Samuel brings experience and understanding of business operations in emerging markets, particularly Africa. Previously executive president of AngloGold Ashanti Ltd, he provides an international, commercial perspective to Board discussions.

Other current appointments:
- Global Advisory Council of Bank of America, member
- President of Togo, adviser
- Iron Mineral Beneficiation Services, non-executive chairman
- Jonah Capital (Pty) Limited, executive chairman
- Hollard (formerly Metropolitan) Insurance Company Limited, chairman
- The Investment Climate Facility, member of trustee board

Amparo Moraleda (A)
Non-Executive Director

Tenure: 1 year

Skills and experience:
Amparo brings strong international technology experience to the Board from her previous role as chief executive officer of the international division of Iberdola and a career spanning 20 years at IBM, where she held a number of positions across a range of global locations.

Other current appointments:
- Airbus Group, non-executive director, chair of the nominations, governance and remuneration committees
- CaixaBank, non-executive director and chair of the remuneration committee
- Solvay, non-executive director
- Royal Academy of Economic and Financial Services, member

David Nish (A)
Non-Executive Director

Tenure: 3 years

Skills and experience:
David has wide-ranging operational and strategic experience as a senior leader and has a strong understanding of financial and capital markets through his previous directorships which include chief executive officer and chief financial officer of Standard Life plc and chief financial officer of Scottish Power plc.

Other current appointments:
- HSBC Holdings plc, non-executive director
- University of Dundee, honorary professor

Board and Committee meeting attendance

	Board	Audit and Risk Committee	Nominations and Governance Committee	Remuneration Committee
Gerard Kleisterlee	7/7	–	5/5	–
Vittorio Colao[1]	3/3	–	–	–
Nick Read	7/7	–	–	–
Margherita Della Valle[2]	5/5	–	–	–
Sanjiv Ahuja[3]	3/3	–	–	–
Sir Crispin Davis[4]	5/7	4/5	4/5	–
Michel Demaré[5]	7/7	–	–	3/3
Dr Mathias Döpfner[6]	1/2	–	–	1/2
Dame Clara Furse	7/7	5/5	–	–
Valerie Gooding CBE	7/7	–	5/5	5/5
Renee James	7/7	–	5/5	5/5
Samuel Jonah KBE	7/7	–	–	5/5
Amparo Moraleda[7]	7/7	4/5	–	–
David Nish	7/7	5/5	–	–

Notes:
The maximum number of scheduled meetings held during the year that each Director could attend is shown next to the number attended. Additional meetings were held as required.
1 Vittorio Colao stepped down from the Board on 30 September 2018.
2 Margherita Della Valle was appointed on 27 July 2018.
3 Sanjiv Ahuja was appointed on 9 November 2018.
4 Sir Crispin Davis was unable to attend two Board meetings and one Audit and Risk and Nominations and Governance Committee meeting due to medical reasons.
5 Michel Demaré was appointed to the Remuneration Committee on 27 July 2018.
6 Dr Mathias Döpfner was unable to attend one Board and Remuneration Committee meeting due to a prior business commitment. He stepped down from the Board on 27 July 2018.
7 Amparo Moraleda was unable to attend one Audit and Risk Committee meeting due to a prior business commitment.

Executive Committee

Delivering our strategy, driving performance

Chaired by Nick Read, the Executive Committee focuses on managing Vodafone's business affairs as a whole, which includes delivering a competitive strategy in fulfilment of our purpose, driving financial performance and ensuring good succession planning and a diverse talent pipeline.

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Membership

The Committee is comprised of Nick Read, Chief Executive, Margherita Della Valle, Chief Financial Officer and the senior managers as detailed on these pages. Tenure refers to length of service in role.

Biographies for Nick Read, and Margherita Della Valle can be found on page 56.

Nick Read
Chief Executive

Margherita Della Valle
Chief Financial Officer

Ahmed Essam

Chief Commercial Operations and Strategy Officer

Tenure: <1 year

Responsibilities:
Ahmed is responsible for Vodafone's global commercial operations and strategy, as well as innovation and transformation projects, including the Company's digital transformation programme and the Customer eXperience eXcellence global programme.

Previous roles include:
- Vodafone Chief Executive Officer – Europe Cluster (2016–2018)
- Vodafone Egypt, Chief Executive Officer (2014–2016)
- Vodafone Group, Group Commercial Director (2012–2014)
- Vodafone Egypt, various roles including customer care and consumer business unit director (1999–2012)

Rosemary Martin

Group General Counsel and Company Secretary

Tenure: 9 years

Responsibilities:
Rosemary is responsible for managing Vodafone's legal risk and for providing legal, compliance and company secretariat services to the Group.

Previous roles include:
- Practical Law Company, chief executive officer (2008–2010)
- Reuters Group Plc, various governance roles including group general counsel and company secretary (1997–2008)
- Rowe & Maw, partner (1990–1997)

Leanne Wood

Chief Human Resources Officer

Tenure: <1 year

Responsibilities:
Leanne joined Vodafone on 1 April 2019. She is responsible for leading Vodafone's people and organisation strategy which includes developing strong talent and leadership, effective organisations, strategic capabilities and an engaging culture and work environment, thereby building strong capabilities in Vodafone to deliver growth.

Previous roles include:
- Burberry Plc, chief people, strategy and corporate affairs officer (2015–2019)
- Diageo plc, various roles including group human resources director (2000–2015)

Johan Wibergh

Group Technology Officer

Tenure: 4 years

Responsibilities:
Johan is responsible for leading Vodafone's global technology organisation. His role is integral to developing Vodafone's convergence strategy on a global scale.

Previous roles include:
- Ericsson, various roles including executive VP (1996–2015)

Joakim Reiter

Group External Affairs Director

Tenure: 1 year

Responsibilities:
Joakim leads Vodafone's engagement with external stakeholders (including governments, regulators, international institutions, the media and industry commentators) in order to project Vodafone's position on the contribution of our industry to broader policy objectives and on issues of importance to our customers and to the communities in which we operate. He is also responsible for security, and for the Vodafone Foundation, of which he is a trustee.

Previous roles include:
- United Nations, assistant secretary-general and United Nations Conference on Trade and Development, deputy secretary-general (2015–2017)
- Ministry of Foreign Affairs, Sweden, deputy director-general (2014–2015)
- World Trade Organisation, ambassador (2011–2014)
- Permanent Representation to the European Union, minister councillor (2008–2011)

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Committee Meetings

Each year the Committee conducts a strategy review to identify key strategic issues facing Vodafone to be presented to the Board.

The agreed strategy is then used as a basis for developing the upcoming budget and three year operating plans.

The Committee met ten times during the year and considered the following items:

- Purpose and strategy;
- Substantial business developments and projects;
- Chief Executive's update on the business and the business environment;
- Updates on the Group's financial performance;
- Commercial and business performance updates;
- Brexit preparation;
- Talent and succession plan updates;
- Updates from the head of each Group function including updates on technology, the regulatory environment and preparation for and compliance with GDPR;
- Updates from the Chief Executive Officers of each market and region;
- Updates and reports on health and safety matters; and
- Presentations from senior managers, including from the Group Strategy & Commercial Planning Director, Group Financial Controller and Group Mergers & Acquisitions Director.

Nick Jeffery

Chief Executive Officer – Vodafone UK

Tenure: 2 years

Responsibilities:
Nick is responsible for:
- Defining Vodafone's strategy in the UK in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Vodafone Group Enterprise, Chief Executive Officer (2013–2016)
- Cable & Wireless Worldwide, Chief Executive Officer (2012–2013)
- Vodafone Global Enterprise, Chief Executive Officer (2006–2012)
- Vodafone Group, Director, Business Marketing (2004–2006)

Dr Hannes Ametsreiter

Chief Executive Officer – Vodafone Germany

Tenure: 3 years

Responsibilities:
Hannes is responsible for:
- Defining Vodafone's strategy in Germany in accordance with Group strategy and operating models;
- Positioning Vodafone Germany as a Gigabit company, strengthening its role as Germany's leading TV provider and integrated player;
- Delivering the strategic vision, executing commercial plans and delivery against KPIs; and
- Shaping Vodafone's leadership role in digital technologies.

Previous roles include:
- Telekom Austria, group chief executive officer (2009–2015)
- A1 Telekom, chief executive officer (2009)
- Mobilkom Austria/Telekom Austria, chief marketing officer (2001–2009)

Aldo Bisio

Chief Executive Officer – Vodafone Italy

Tenure: 5 years

Responsibilities:
Aldo is responsible for:
- Defining Vodafone's strategy in Italy in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Ariston Thermo Group, chief executive officer/managing director (2008–2013)
- McKinsey & Company, senior partner (2007–2008)
- RCS Quotidiani, managing director (2004–2006)
- McKinsey & Company, partner (1992–2004)

António Coimbra

Chief Executive Officer – Vodafone Spain

Tenure: 6 years

Responsibilities:
António is responsible for:
- Defining Vodafone's strategy in Spain in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Vodafone Portugal, Chief Executive Officer (2009–2012), Executive Committee member (1995–2009), Marketing and Sales Director (1992–1995)
- Apritel – Telco Association (on behalf of Vodafone Portugal), president (2005–2007)
- Vodafone Japan, Chief Marketing Officer (2004)
- Olivetti Portugal, marketing manager (1991–1992)
- Siemens Portugal, produce and sales manager (1988–1991)

Vivek Badrinath

Chief Executive Officer – Rest of the World and Interim CEO Vodafone Business

Tenure: 2 years

Responsibilities:
Vivek oversees Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya and New Zealand and Vodafone's enterprise business globally. This includes:
- Defining Vodafone's strategy in these local markets in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- AccorHotels, deputy chief executive (2014–2016)
- Orange, deputy chief executive (2013–2014)

Serpil Timuray

Chief Executive Officer – Europe Cluster

Tenure: <1 year

Responsibilities:
Serpil oversees Vodafone's operations in the Netherlands, Portugal, Ireland, Greece, Romania, Czech Republic, Hungary, Albania, Malta and Turkey. This includes:
- Defining Vodafone strategy in these local markets in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Vodafone, Chief Commercial Operations and Strategy Officer (2016–2018)
- Vodafone, Regional Chief Executive Officer – AMAP (2013–2016)
- Vodafone Turkey, Chief Executive Officer (2009–2013)

Board activities

What the Board did this year

Board activities are structured to develop the Group's strategy and to enable the Board to support executive management on the delivery of it within a transparent governance framework. The table below sets out the key areas of focus for the Board's activities and topics discussed during the year.

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Business performance and strategic developments

Strategy

- Reviewed and approved the refreshed purpose and revised strategy;
- Approved the final steps with respect to the Vodafone Idea merger;
- Approved the proposed acquisition of Liberty Global's assets in Germany, Czech Republic, Hungary and Romania;
- Received updates on Vodafone's competitive landscape; and
- Approved the long-term viability statement.

Local market focus

- Reviewed the local markets with a focus on Germany, India, Italy, Spain and Rest of the World; and
- Visited the following local markets either individually or collectively: Egypt, Germany, Ireland, Italy, Romania, Spain, South Africa and Turkey.

Business developments

- Discussed 5G spectrum auctions;
- Monitored the EMF report;
- Reviewed the quarterly reports on market trends; and
- Reviewed and monitored the business development projects in the pipeline.

Financial

Group budget

- Approved the 2019/2020 budget; and
- Monitored performance against the approved budget of the Company and each of Vodafone's businesses.

Approval of the financial statements

- Approved the 2018 Annual Report and Accounts and determined they were fair, balanced and understandable; and
- Approved the 2018/2019 half-year results.

Dividends

- Recommended final dividend for 2017/2018; and
- Approved the 2018/2019 interim dividend.

Governance, risk and regulatory

Group principal risks

- Reviewed and approved the annual risk management report and approved the risk tolerance and risk management plans;
- Reviewed and approved the annual compliance and risk reports, including the assessment system of internal control;
- Reviewed and monitored the material litigation report; and
- Received briefings on cyber security, technology and risk of global economic disruption.

Slavery and Human Trafficking Statement

- Reviewed and approved the Group's Slavery and Human Trafficking Statement, for publication on the Company's website.

Corporate governance

- Reviewed and approved the Notice of AGM and corporate governance disclosures;
- Considered the key provisions of the new UK Corporate Governance Code and the application of it to the Company;
- Reviewed and approved the Matters Reserved for the Board and each of the Committees' terms of reference;
- Discussed the findings of the externally facilitated Board evaluation and agreed actions for the following year; and
- Chairman and Non-Executive Directors met without the Executive Directors present.

General Data Protection Regulation

- Received training on the key provisions of the General Data Protection Regulation and received regular updates on the Group's compliance.

Political/Regulatory

- Monitored the political and regulatory trends and developments and their implications for the business.

Committee oversight

- Received regular reports of the proceedings of the Audit and Risk Committee, Remuneration Committee and the Nominations and Governance Committee.

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People and culture

Diversity and succession planning

- Reviewed and approved the Board Diversity Policy;
- Discussed talent, diversity and succession planning; and
- Reviewed the results of the annual employee opinion survey.

Health and Safety

- Reviewed updates regarding health and safety within the Group.

Approval of the recommendations of the Nominations and Governance Committee

- Approved the appointments of Nick Read, Margherita Della Valle and Sanjiv Ahuja.

Shareholders

Shareholder value

- Reviewed a report on shareholder return;
- Reviewed feedback following the investor roadshows and other institutional shareholder meetings; and
- Received updates from the Investor Relations Director on the current climate.

Further information on stakeholder engagement can be found on pages 62 to 64.

The Board's visit to South Africa

The Board's strategy day is a significant event within the annual calendar and each year it takes place in one of Vodafone's key locations. This year it was held in Johannesburg, South Africa.

Holding the strategy day off-site not only enables the Board the time to focus on Vodafone's strategy, it also facilitates the Board's engagement with employees and the community in the local market. The visit helps the Board to gain a deeper understanding of the operations and culture of the local market.

Strategy day

The annual strategy day provides the Board the opportunity to come together to discuss in detail Vodafone's strategy and implementation plans. This year Nick Read set out his vision for a revised strategy which Board members and Executive Committee members discussed in small groups before coming back together to have a wider discussion. The result of this session was our revised strategy which aims to drive shareholder returns through a focus on operational excellence and organic growth by: deepening customer engagement; transforming our operating model and improving asset utilisation.

Vodacom's business

During the Board's visit to South Africa, Vodacom's senior management showcased Vodacom World, an interactive exhibition of Vodacom's business areas. The Board, in small groups, received presentations on retail and digital services, financial services, IoT and big data. These sessions gave the Board a chance to interact with Vodacom's senior management, asking questions as they moved through the exhibition to gain a greater understanding of the opportunities available to Vodacom in each area.

Community engagement

In order to understand the work being undertaken with the local community, Board members visited the Lemoshanang Teacher Development Centre which is situated in Atteridgeville, "Oustaat" and supported by the Vodacom Foundation. The training centre offers ICT training for teachers, including curriculum implementation. This is a nationwide teacher development initiative to improve the quality of instruction at all levels with a particular emphasis on mathematics and ICT literacy. Their primary objective is to improve the youth IT skills in various regions of South Africa. The Directors also received a briefing about other projects supported by the Foundation including New Beginningz, a Gender Based Violence Command Centre and Children's Home, which supports children affected by HIV/Aids including abandoned babies.

Stakeholder engagement

At the end of the Board's visit. a gala dinner was held which the Directors, Executive Committee, senior management from Vodacom and a selection of stakeholders including key suppliers, customers and government officials attended. This provided an informal opportunity for the Board to interact with stakeholders in the local market directly.

Engaging with our stakeholders

Committed to effective engagement with all of our stakeholders

We are committed to maintaining good communications and building positive relationships with all our stakeholders as we see this as fundamental to building a sustainable business.

Our customers

Our customers are made up of individuals from multiple nationalities, gender, age group, income strata and ethnicity. We also serve a range of organisations across the globe from small enterprises to large multinationals.

Our engagements are insight based and our offerings contextual and tailored for the communication needs of our consumers. We believe in an inclusive digital society that our technologies can enable and we invite our consumers to join us on the journey to this exciting future by constantly improving their experience and delivering efficient and cost effective solutions.

Each year, we interview in excess of one million customers and potential customers across our markets. Our NPS programme is one of the largest global customer satisfaction benchmarks running.

How we engaged with our customers during the year

- We track consideration of our brand and customer satisfaction continuously in all of our markets, 12 months a year, and in a competitive context. This allows us to respond to ongoing issues, challenges and competitive threats, and also to share ideas that have been proven effective in moving customer experience or perception from one to many markets This year we supplemented our "Future is exciting. Ready?" brand promise with a dedicated identity for our enterprise customers in the form of "Vodafone Business" and significantly increased our digital marketing capabilities to connect with consumers in their channel of choice across various digital platforms.
- All new products, services and initiatives are thoroughly tested before launch, from deriving a customer need qualitatively, through to quantitative testing of appeal and optimal pricing before launch. We now have over 25 million customers on our unique offering "Pass" and 148 million consumers on our 4G offering.
- All of our markets have an independent youth offering, with 21 markets using the Future Jobs Finder to engage with our customers.
- We continue to work towards our goal of connecting an additional 50 million women living in emerging markets to mobile by 2025.

14 **Read more** about deepening customer engagement on pages 14 to 17

Our people

Our people are critical to the successful delivery of our strategy. It is essential that they are engaged and connected to our purpose and values. Throughout the year we focused on a number of areas to ensure that our people are highly engaged in group and our local markets.

How we engaged with our people during the year

- It is important for our employees to feel connected to our purpose, and this year we launched our refreshed purpose – "We connect for a better future" – which encourages and allows all our employees to get involved and contribute.
- Our HR initiatives are focused on ensuring we have good managers, the right recognition and incentives and learning and development opportunities particularly in relation to building digital skills where we launched a range of content.
- Every year, we invite all of our people to participate in our online Global People Survey which helps us to assess our employees' concerns and aspirations. Our overall Engagement Index score reached 80% – demonstrating our employees' desire to continue working with us and their inclination to recommend us as an employer.

42 **Read more** about how we engage with our employees on pages 42 to 43

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Our suppliers

Our business is helped by more than 10,800 suppliers who partner with us, ranging from start-ups and small businesses to large multinational companies. Our annual expenditure across this diverse supply chain is €22 billion for FY19, providing us with equipment and software to run our networks, products and services to connect to our network and other services to serve our customers and colleagues.

We actively engage our suppliers to comply with our requirements given they can have a social, environmental and ethical impact.

How we engaged with our suppliers during the year

- We recognise we can make a difference working with our suppliers and regularly hold events and conferences on key issues. We held safety forums in different countries every quarter and an LGBT+ event called "Partners in Pride" to encourage adoption of UN Global LGBT+ standards.
- Over 3,500 suppliers have enrolled to access supply chain financing facilities and free e-invoicing tools we have made available. Our suppliers have the opportunity to take up early invoice payments on a completely voluntary basis, where payment can be taken in advance of agreed terms at much lower rates than they are likely to receive under traditional factoring or borrowing arrangements.
- In April 2019, we hosted a premier technology event, the Arch Summit, in Luxembourg. This event encourages our suppliers to explore the latest technologies, network with peers, engage with business leaders and, for ambitious start-ups, an opportunity to secure investment. Visit archsummit.lu for further details of the event.
- We recognise that small, innovative technology start-ups are particularly sensitive to cash flow and to support them we introduced an "Innovation Fast Lane" scheme, which has simplified contracting and enables lower payment terms, capped at a maximum of 21 days from date of receipt of invoice.

39 **Read more** about how we work with our suppliers on social, environmental and ethical impact on page 39

Our local communities and non-governmental organisations ('NGOs')

We believe that the long-term success of our business is closely tied to the success of the communities in which we operate.

Through our products and services, we interact with local communities on a daily basis. Whether in communities in some of Europe's largest cities or remote villages in Africa, we seek to be a force for good wherever we operate.

We also actively engage and work with many different NGOs around the world, on a variety of topics that range from conflict minerals to digital human rights. This engagement is essential to help us understand broader societal concerns and perspectives.

How we engaged with our local communities during the year

- Through its "Connecting for Good" programme, the Vodafone Foundation supports local community projects around the world, often run in partnership with charitable organisations and local NGOs.
- Vodafone is a Board member of the multi-stakeholder Global Network Initiative which brings together ICT companies, civil society groups, academics and investors with a shared commitment to promote and advance freedom of expression and privacy worldwide. Read more on page 40.
- We work to understand and address any public concerns about the location of our base stations. With the development of 5G technology and in preparation for commercial launches, we have worked across industry to ensure that our technology continues to be compliant with national regulations and international guidelines.

Read more about our local communities and NGOs at **vodafone.com/sbreporting**

Engaging with our stakeholders (continued)

Regulators and governments

We engage on an ongoing basis with our regulators, government stakeholders and political representatives.

This includes responding to policy consultations and formal information requests: attending, speaking at and hosting events; taking part in industry meetings; and engaging in one-to-one meetings with ministers, elected representatives, policy officials and regulators.

We also engage with industry bodies and trade associations.

How we engaged with regulators and governments during the year

- Our engagement has been focused on building an understanding of the telecoms and digital market, and its contribution to the economy and society.
- We have sought to influence the shape of the regulatory, legislative and public policy environment in a way that reflects the needs of our customers. This has included making the case for an environment that facilitates investment in technology, such as a 5G, full fibre and IoT, and promoting competition.
- We have also engaged on issues such as the allocation of spectrum and the protection of consumers. In addition, our engagement has involved identifying and putting forward areas of potential partnership between businesses, governments, regulators and others to tackle public policy issues, such as extending geographic coverage and connecting the disconnected in society.

46 **Read more** about how we mitigate political and regulatory risk on page 46

Our shareholders

We maintain an active dialogue with our shareholders throughout the year through a planned programme of investor relations activities. This ensures the views of our investors are taken into account when Board decisions are taken. In addition to the direct engagement undertaken, the Board is provided with regular updates of investor relations activities.

We respond to daily queries from shareholders and analysts through our investor relations team and have a section of our website which is dedicated to shareholders and analysts: vodafone.com/investor which includes all of our financial results presentations.

Our registrars, Computershare and Deutsche Bank (as custodians of our ADR programme) also have a team of people to answer shareholder and ADR holder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances.

How we engaged with our shareholders during the year

Institutional shareholder meetings

- We held meetings with major institutional shareholders, individual shareholder groups and financial analysts throughout the year in various geographic locations to discuss the business performance and strategy. These were attended by the appropriate mix of Directors and senior management, including our Chairman, Senior Independent Director, Chief Executive, Chief Financial Officer, Executive Committee members, senior leaders and the Investor Relations team. Institutional shareholders also met with the Chairman to discuss matters of governance.
- In addition, webcasts and conference calls were held in respect of our quarterly results, with the Chief Executive and Chief Financial Officer hosting briefing sessions for our half-year and full-year results respectively.

Retail shareholders

- We continue to communicate with our retail shareholders through our dividend communications and our website.
- During 2018 we undertook a programme to reunite our shareholders with their unclaimed payments. By 31 March 2019 we had returned £2.87 million.

AGM

- The AGM is an important event in our annual programme of engagement activities. The AGM is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A summary presentation of financial results is given before the Chairman deals with the formal business of the meeting. All shareholders present can ask questions of the Board during the meeting. Customer Services and Investor Relations representatives are also available before and after the meeting to answer any additional questions shareholders may have.
- At the 2018 AGM, all of the resolutions put to shareholders to vote on a poll passed with percentages ranging from 92.47% to 99.91%.

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Induction, development and evaluation

Board induction and development

We are committed to ensuring that our Directors have a full understanding of all aspects of our business so they can be effective in their roles, through their induction and ongoing training.

Board induction

We have a comprehensive induction programme in place for our newly appointed Directors. Each new Director is provided with a tailored induction programme to suit their individual needs. This involves meetings with other members of the Board, Executive Committee members and senior management, it also covers technical briefings and site visits. During the induction, each Director is encouraged to identify areas which they would like additional information on, or further meetings, which are then arranged by the Company Secretary. On completion of the induction programme, all new Directors have sufficient knowledge and understanding of the business to enable them to effectively contribute to strategic discussions and oversight of the Group.

On joining the Board, Sanjiv Ahuja was provided with an induction programme which has been designed to ensure he gains a full understanding of the Group, including our business, culture and values, strategy, governance and financial position.

Board training and development

To assist the Board in undertaking its responsibilities, ongoing training is provided for all Directors and training needs are assessed as part of the Board evaluation procedure. The Board programme includes regular presentations from management, site visits and informal meetings, to build their understanding of the business and sector. This year the Directors received training on the following:

Local markets

The annual strategy day is a significant event within the annual calendar. This year the Board held its strategy day in Johannesburg, South Africa. There they interacted with senior management and were given an interactive overview of Vodacom's business. Further information on the Board's visit to South Africa can be found on page 61.

Directors are also given the opportunity to visit other local markets individually. During the year, site visits were made by Board members to the following local markets: Egypt, Germany, Ireland, Italy, Romania, Spain, South Africa and Turkey. These visits help to improve the breadth and depth of their knowledge of Vodafone and engagement on an individual level with senior management and employees in the respective markets.

Local market focus sessions were also held during Board meetings covering the German, Indian, Italian, Spanish and Rest of the World markets.

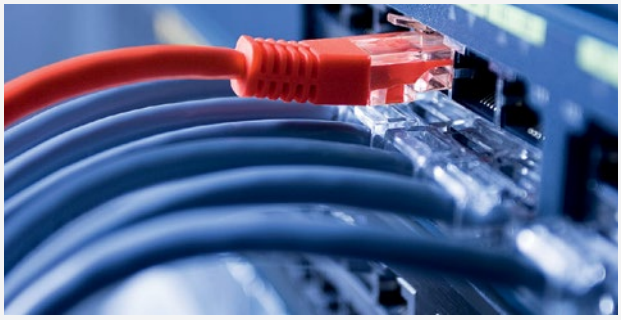
Operating environment

Board meetings also included sessions on Vodafone's competitive landscape and political and regulatory trends and developments and their implications for Vodafone in addition to the regular updates provided on business development.

Legal and governance updates

The Group General Counsel and Company Secretary provided updates on current legal and governance issues. These included updates on the General Data Protection Regulation, the Regulations and the new Code.

All Directors have access to the advice and services of the Group General Counsel and Company Secretary. Directors may take independent legal and/or financial advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2019 financial year.



Training opportunity: Cyber security and technology

The 2018 Board evaluation highlighted the Board's desire for further focus on developments in technology and the benefits and risks that these could pose.

As one of Vodafone's top ten principal risks, cyber threat and information security is a key area of focus. Vodafone aims for a secure digital future for our customers. Security underpins our commitment to protecting our customers with reliable connections and keeping their data safe.

This year, the Board visited Vodafone's Cyber Defence Centre and received training on cyber security from the Head of Global Cyber Defence. The training provided an insight into the changes taking place in the cyber security landscape, external and internal cyber threats and Vodafone's key activities to managing cyber security risks. Regular briefings were also provided on cyber security throughout the year.

In addition to cyber security, the Board also received regular briefings on emerging technology, including 5G connectivity and governance of technology. The Board received a technical briefing from the Group Chief Technology Officer, ahead of the launch of 5G in 19 trial sites in March 2019.

44 See pages 44 to 51 for further details of Vodafone's principal risks

Continually monitoring and improving our performance

The Board recognises that it needs to continually monitor and improve its performance. This is achieved through the annual performance evaluation, full induction of new Board members and ongoing Board development. The conclusions of this year's review have been positive and confirmed that the Board remains effective.

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Process undertaken for our external evaluation

In accordance with the 2016 UK Corporate Governance Code and our three year cycle, the 2019 Board evaluation was externally facilitated. Below is an overview of the how the evaluation was conducted.

Step 1 Appointment

The Group General Counsel and Company Secretary provided a list of external board evaluation providers to the Board. Following discussion, Raymond Dinkin of Consilium was selected to undertake the Board's external evaluation in respect of financial year 2019. Consilium has no other connection with Vodafone.

Step 2 Evaluation process

The objectives of the review were to provide an independent assessment of Vodafone Group's Board effectiveness and governance, including the effectiveness of its Committees.

Mr Dinkin reviewed the prior 12 months' Board and Committee agenda, minutes, Board packs, strategy papers and analysts' reports. All Directors, the Group General Counsel and Company Secretary, Group HR Director and Group Chief Technology Officer completed a questionnaire and were interviewed by Mr Dinkin, who also consulted the Group Investor Relations Director and the Executive Committee.

In addition, Mr Dinkin attended a Board Meeting, a Nominations and Governance Committee and part of an Audit and Risk Committee meeting to observe the interactions between Directors and also with Executive Committee members and senior management.

Step 3 Evaluation findings

Following completion of the report outlining the findings of the review, it was circulated to the Board for its consideration. Mr Dinkin provided feedback to the Chairman and Senior Independent Director and facilitated a discussion of the report with the Board in March 2019 in order to agree the priority actions for the financial year 2020 which can be found on these pages. The Senior Independent Director also met with the Non-Executive Directors to review the Chairman's performance.

Board expertise

Progress against 2018 actions

It was identified that the Board would benefit from more updates in respect of Vodafone Business as it was evolving and this was built into the annual calendar.

60 See page 60 to 61 for details on the Board's activities during the year

Board composition

Progress against 2018 actions

Following a thorough search to identify an appropriate Non-Executive Director with telecommunications experience, Sanjiv Ahuja was appointed to the Board in November 2018. Sanjiv brings extensive telecommunications experience having worked in various telecom companies including Telcordia and Orange Plc.

69 See page 69 for details of Sanjiv's appointment process

Board training and development

Progress against 2018 actions

It was acknowledged that the Board would benefit from ongoing training, particularly on developments in technology. Accordingly, this year the Board received regular training sessions from the Group Chief Technology Officer and Cyber Security team, culminating in a Board visit to Vodafone's Cyber Defence Centre.

65 See page 65 for details of the Board's visit to the Cyber Defence Centre

Strategy

Progress against 2018 actions

In order to balance focus on organic growth and portfolio management, the Board agenda has been carefully managed with the Chairman and Chief Executive to allocate appropriate time.

60 See pages 60 to 61 for details of the Board's activities during the year

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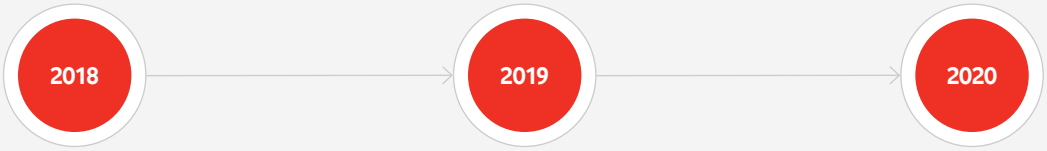
Our three year Board evaluation cycle



Internal evaluation:
with the assistance of Lintstock Limited, a London-based firm, which has no other connection with Vodafone.

External evaluation:
facilitated by Raymond Dinkin of Consilium which has no other connection with Vodafone. Further information can be found below.

Internal evaluation:
further details will be provided in next year's report.

This year's findings

Consideration should be given to further engagement between Non-Executive Directors and the business including more individual visits to local markets and interactions with senior management.

Action for 2020

Opportunities for more Non-Executive Director local market visits are being developed. After each visit Directors will give feedback to the Chief Executive. Going forward more senior managers will present at Board meetings to enable direct engagement with the Board.

This year's findings

Focus should continue to be placed on broadening the perspective of the Board and ensuring continuity of knowledge during Board changes. The Board remains intent on ensuring its composition has the diversity and skills required to be effective.

Action for 2020

The Board will continue to use opportunities in its natural lifecycle to address identified skills gaps to ensure that the Board's composition is aligned with the Company's strategic goals, including to further strengthen the telecommunications experience on the Board.

This year's findings

To ensure that the Board is kept informed and up to date with the latest developments impacting Vodafone's operating environment, the Board may benefit from more engagement with other technology companies. External speakers at Board meetings on topics such as developments in regulation and technology may also be beneficial.

Action for 2020

Arrangements are being made for speakers from other technology companies to meet with the Board. Efforts are being made to ensure Directors are provided with timely and informative material on developments impacting Vodafone's operating environment during the year.

This year's findings

To ensure continued focus on execution of the Company's strategy, more time should be found on the Board's agenda to review progress on delivery of the strategy.

Action for 2020

When deciding the agenda for Board meetings during the year, the Chairman and Chief Executive together with the Group General Counsel and Company Secretary will ensure that sufficient time is allocated to items relating to the execution of the strategy to allow time for deeper discussion.

Nominations and Governance Committee

The Nominations and Governance Committee ('the Committee') continues its work of evaluating the composition of the Board and ensuring that our governance is effective.

Chairman
Gerard Kleisterlee
Chairman of the Board

Members
Sir Crispin Davis
Valerie Gooding
Renee James

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

Responsibilities:

- Assessing the composition, structure and size of the Board and its Committees and making recommendations on appointments to the Board;
- Succession planning for the Board and Executive Committee;
- Overseeing the performance evaluation of the Board, its Committees and individual Directors; and
- Monitoring developments in all matters relating to corporate governance, bringing any issues to the attention of the Board.

The Committee is composed solely of independent Non-Executive Directors. The Committee had five scheduled meetings and one additional meeting during the year, and attendance by members at Committee meetings can be seen on page 57. Committee meetings were attended by Committee members, with other individuals and external advisers invited to attend all or part of the meetings as appropriate.

FY19 highlights:

- Overseeing the appointment of the new Chief Executive and Chief Financial Officer;
- Appointment of Sanjiv Ahuja as a Non-Executive Director;
- Planning the succession of the Chief Human Resources Officer; and
- Responding to the 2018 UK Corporate Governance Code consultation and assessing how the new Code will impact the Company and the role of the Committee.

The Committee's key areas of focus for the next financial year are as follows:

FY20 key areas of focus:

- Board and Executive Committee succession planning in order to maintain the necessary balance of skills, knowledge and experience to remain effective; and
- Continuing to monitor compliance with the new Code and Regulations.

The terms of reference of the Committee, which were reviewed and updated in March 2019, are available on the Vodafone website at vodafone.com/governance.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Nominations and Governance Committee report for the year ended 31 March 2019.

This year, the main focus of the Committee has been Board composition, succession planning and corporate governance matters. As I mentioned in my Chairman's letter on page 52, at the end of September 2018 we said farewell to Vittorio Colao and, on behalf of the Board, I would like to record our gratitude to Vittorio for an outstanding tenure and to express our confidence in Nick Read and Margherita Della Valle in the creation of and moving forward with the Company's refreshed strategy. Additionally, Samuel Jonah will be standing down from the Board following the 2019 AGM after ten years of service and on behalf of the Board, I would also like to thank Samuel for his valuable contribution to Board discussions.

The Committee is also delighted to welcome Sanjiv Ahuja to the Board who was appointed as a new Non-Executive Director in November 2018. Sanjiv brings extensive telecoms experience, having led mobile, broadband and infrastructure companies, as well as considerable international experience from operating in Europe, the US, Africa and Asia. An insight into the Committee's appointment process for Sanjiv can be found on page 69.

To find the most suitable candidates for the Board, the Committee considers the skills, experience and attributes required to create a diverse Board which is capable of driving the Company forward successfully in fulfilment of its purpose and strategic goals. The Committee also ensures that initiatives are in place to develop the talent pipeline. As Chairman of the Committee, I take an active role in overseeing the progress made towards improving diversity in appointments to the Board and Executive Committee in a way that is consistent with the long-term strategy of the Group. The Committee will continue to monitor the balance of the Board to ensure that broad expertise is available from the existing members, and will recommend further appointments as and when appropriate.

Lastly, following the publication of the new Code and Regulations in 2018, the Committee reviewed the impact of the changes on the Company.

Changes to the Board and Committees

During the year to the date of this report, the following changes were made to the Board:

Following the 2018 AGM:

- Margherita was appointed as a Director and Chief Financial Officer;
- Nick's role changed to Chief Executive Officer-Designate before he became Chief Executive in October 2018;
- Michel Demaré became a member of our Remuneration Committee; and
- Dr Mathias Döpfner stepped down from the Board after more than three years of service.

On 30 September 2018 Vittorio resigned as the Chief Executive and as a Director of the Company and was succeeded by Nick.

Additionally, as announced on 27 March 2019, at our AGM on 23 July 2019:

- Samuel Jonah will not seek re-election after ten years of service;
- Dame Clara Furse will become a member of the Remuneration Committee and step down from the Audit and Risk Committee; and
- Sanjiv Ahuja and Michel Demaré will become members of the Audit and Risk Committee.

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Assessment of the independence of the Non-Executive Directors

All Non-Executive Directors have submitted themselves for re-election at the 2019 AGM, with the exception of Samuel Jonah who is standing down at the AGM. Sanjiv will be subject to election for the first time in accordance with our Articles of Association.

The Committee reviewed the independence of all the Non-Executive Directors. All are considered independent in accordance with UK requirements and they continue to make effective contributions and effectively challenge management. During the course of the financial year, Samuel Jonah's tenure exceeded nine years, however the Committee was confident that he was able to demonstrate independent judgement in Board discussions during this period.

The Executive Directors' service contracts and Non-Executive Directors' appointment letters are available for inspection at our registered office and will be available at the 2019 AGM.

Management of Conflicts of Interest

The Committee and the Board are satisfied that the external commitments of the Non-Executive Directors and of me, your Chairman, do not conflict with our duties and commitments as Directors of the Company, and that each Non-Executive Director is able to dedicate sufficient time to the Company's affairs.

Directors have a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company.

Our Directors must: report any changes to their commitments to the Board; immediately notify the Company of actual or potential conflicts or a change in circumstances relating to an existing authorisation; and complete an annual conflicts questionnaire. Any conflicts or potential conflicts identified are considered and, as appropriate, authorised by the Board in accordance with the Company's Articles of Association. A register of authorised conflicts is also reviewed periodically.

During the financial year, no actual conflicts were identified and one new potential conflict was identified and duly authorised by the Board. The Committee is comfortable that it has measures in place to manage and mitigate this potential conflict.

Board evaluation

In accordance with the 2016 UK Corporate Governance Code (the '2016 Code'), Vodafone conducts an annual evaluation of Board and Board Committee performance, which is facilitated by an independent third party at least once every three years. This year the performance of the Board and Committees was assessed by Raymond Dinkin from Consilium. The Committee oversaw the evaluation process and was involved in the selection of the external provider for the review. Further details of the review, the process followed to appoint Consilium and the actions to be taken over the next 12 months as a result of the review can be found on pages 66 and 67. The Committee is pleased to report that the performance evaluation concluded that the Committee operated well.

Succession planning

The Committee monitors the length of tenure and the skills and experience of the Non-Executive Directors to assist in succession planning. Details of the length of tenure of each of the Directors can be found on pages 56 and 57 and a summary of the skills and experience of the Non-Executive Directors can be found opposite. The Committee is confident that the Board has the necessary mix of skills and experience to contribute to the Company's strategic objectives but aims to further strengthen the telecommunications experience on the Board during the next financial year.

Experience and skills

Non-Executive Directors

Consumer goods and services/Marketing	3	Media	1
Finance	4	Technology/ Telecoms	5
Emerging markets	4	Political/ Regulatory	3

Further to the publication of the new Code and the requirement that the chair should not remain in post beyond nine years from the date of their first appointment to the Board, a subset of the Committee led by our Senior Independent Director, Valerie Gooding, and excluding me, your Chairman, has instructed an external executive search consultancy MWM Consulting to assist in the search for my successor. MWM Consulting has no other connection with Vodafone and is an accredited firm under the Enhanced Code of Conduct for Executive Search Firms. No decision has currently been taken as to when I may step down from the Board and shareholders will be kept informed as required.

In addition to the succession planning for Board roles, the Committee received several presentations during the year relating to the succession planning for the Executive Committee. The Group HR Director informed the Committee of his intention to leave the Company after ten years of service and a successor, Leanne Wood, was identified. Potential successors have been identified for other top senior management positions and the Committee will continue to review succession planning and monitor the progress and success of the development plans which have been established for relevant employees.

Appointment process

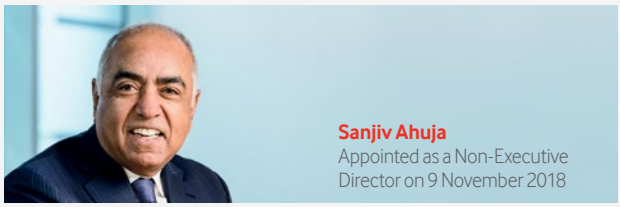
When considering the recruitment of new members of the Board, the Committee adopts a formal and transparent procedure with due regard to the skills, knowledge and level of experience required as well as diversity.

Sanjiv Ahuja – Non-Executive Director

The Committee had previously identified that the addition of a Non-Executive Director with telecommunications experience would be beneficial to the composition of the Board.

During the search for a new Non-Executive Director external search consultancy, Russell Reynolds Associates, was engaged to support the recruitment process. They have no other connection with the Company other than providing recruitment services and are an accredited firm under the Enhanced Code of Conduct for Executive Search Firms.

Details of the stages of the appointment process that were followed in respect of Sanjiv Ahuja can be found below:



Sanjiv Ahuja
Appointed as a Non-Executive Director on 9 November 2018

Nominations and Governance Committee (continued)

Board diversity

The Committee through Vodafone's Board Diversity Policy is committed to supporting diversity and inclusion in the Boardroom in compliance with the 2016 Code and acknowledges the importance of diversity and inclusion to the effective functioning of the Board. As set out in our Board Diversity Policy, Vodafone's long-term ambition is to increase diversity on our Board in all forms. This includes diversity of skills and experience, age, gender, disability, sexual orientation, gender identity, cultural background or belief. When selecting new members for the Board, the Committee takes these considerations into account, as well as professional background.

The Committee annually reviews and agrees the Board Diversity Policy and monitors the progress made at Board and senior management levels during the financial year.

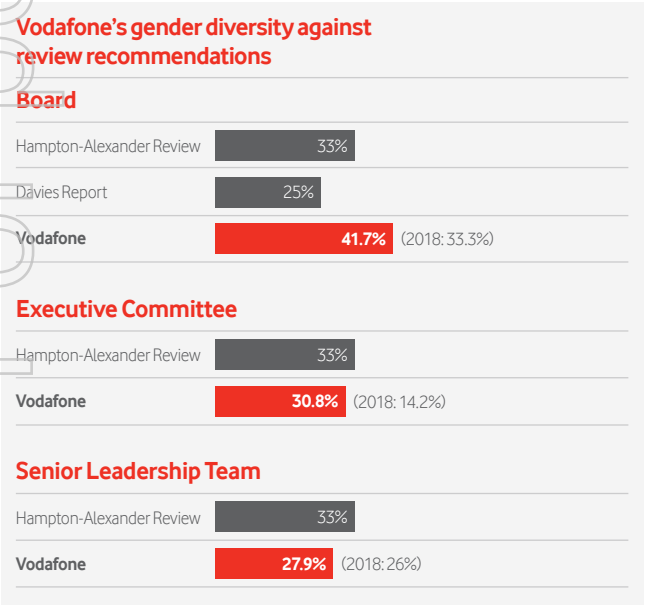
Implementation of the FY19 policy

The Committee has been and continues to monitor Vodafone's compliance with gender diversity targets set out in the Davies Report and Hampton-Alexander Review in relation to gender diversity and the Parker Review in relation to ethnic diversity.

We aspire to increase the representation of women in leadership roles to meet the Davies Report recommendation that 25% of Directors on the Board be women and to meet the target in the Hampton-Alexander Review that by 2020 at least 33% of Board and Executive Committee positions, and direct reports of the Executive Committee (the 'Senior Leadership Team') are held by women. Following the appointment of Margherita as a Director in July 2018, 41.7% of our Board roles are currently held by women which exceeds both targets. At 31 March 2019, five women and seven men served on the Board.

Margherita was also appointed to our Executive Committee and, following the appointment of Leanne Wood as Chief Human Resources Officer, 4 (30.8%) Executive Committee positions are currently held by women, an improvement compared to 2018 (14.2%) demonstrating the Committee's commitment to increase female representation at this level. Lastly, 48 (27.9%) of Senior Leadership Team positions are currently held by women which has increased since 2018 (26%).

The below chart illustrates the current gender diversity statistics for our Board, Executive Committee and the Senior Leadership Team against the Hampton-Alexander Review and Davies Report:



The Board is mindful of the recommendation of the Parker Review Report to have at least one Director from a non-white ethnic minority by 2021 and is satisfied that it meets this requirement.

Diversity extends beyond the Boardroom and the Committee is supportive of management's efforts to build a diverse organisation and maintain a diverse talent pipeline. Vodafone's ambition is to become the world's best employer for women by 2025. While our focus has been gender and nationality, following the recommendations from the McGregor-Smith Review, Vodafone has now implemented Black, Asian and Minority Ethnic ('BAME') reporting in our people system in the UK and at Group. Additionally, we are committed to leading the way by developing the pipeline of BAME candidates through talent programmes and our BAME network. Further details on Vodafone's diversity initiatives to build a diverse organisation can be found in the "Our People" section on pages 42 and 43.

Governance

The Committee reviewed Vodafone's compliance with the 2016 Code and was satisfied that Vodafone complied with the 2016 Code during the year. The Committee also received regular updates on corporate governance developments and has considered the impact of those developments on Vodafone, including the approaches the Company has taken to comply with the Regulations and the revised elements of the new Code, which was published in July 2018. During the year, the Board and Executive Committee reviewed and approved Vodafone's revised strategy and refreshed purpose, and its alignment with Vodafone's culture. Going forward the Board will also be provided with updates on the ways in which Vodafone's culture is embedded throughout the organisation, the recognised cultural challenges and the corrective action being taken to address any material whistleblowing incidents identified through Vodafone's Speak Up programme.

In her role as Senior Independent Director, Valerie Gooding will be attending a number of employee forums including the European Workers Council and South African National Consultative Committee. In addition to this, the Board will receive updates on the actions being taken to ensure there is sufficient engagement with employees, including the results of the annual employee opinion survey. As mentioned above, the Board is committed to promoting diversity in all forms and the Committee will continue to oversee the development of a diverse pipeline at Board and Executive Committee level.

The Matters Reserved for the Board and the Terms of Reference of the Committee, the Audit and Risk Committee and the Remuneration Committee have been updated to take into account the revised elements of the new Code and were formally approved by the Board in March 2019.

During the course of the next financial year, the Committee will continue to monitor its compliance with the Regulations and the new Code, review succession plans for Non-Executive Director roles as well as continuing to ensure that adequate succession planning is in place for the Executive Directors and senior management.

Gerard Kleisterlee
On behalf of the Nominations and Governance Committee
14 May 2019

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Audit and Risk Committee

The Committee plays a key role in the governance of the Group's financial reporting, risk management, control and assurance processes and the external audit. During the year, the Committee concluded an audit tender process for the next financial year. In addition, there was particular focus on the implementation of new accounting standards and how the Group is addressing cyber security threats.

Chairman and financial expert
David Nish

Members
Sir Crispin Davis
Dame Clara Furse
Amparo Moraleda

Key objectives
Provision of effective governance over the appropriateness of financial reporting of the Group, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditors and oversight of the Group's systems of internal control, business risks and related compliance activities.

Responsibilities
The Committee's terms of reference are available on vodafone.com/governance. Responsibilities of the Committee are to:

- Monitor the integrity of the financial statements, including the review of significant financial reporting judgements;
- Provide advice to the Board on whether the Annual Report is fair, balanced and understandable and the appropriateness of the long-term viability statement;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit;
- Review the system of internal financial control and compliance with section 404 of the US Sarbanes-Oxley Act;
- Monitor the activities and review the effectiveness of the Internal Audit function; and
- Monitor the Group's risk management system, review of the principal risks and the management of those risks.

Dear Shareholder,

This report provides an overview of how the Committee operated, an insight into the Committee's activities and its role in ensuring the integrity of the Group's published financial information and ensuring the effectiveness of its risk management, controls and related processes.

Committee structure
The membership of the Committee, which remained unchanged during the year, has been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities. Given my recent and relevant financial experience, I continue to be designated as the financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. We believe that the Committee as a whole continues to have competence relevant to the sector in which the Group operates.

Meetings
The Committee had five scheduled meetings during the year and two additional meetings to oversee the audit tender process. The attendance by members at Committee meetings can be seen on page 57.

Meetings of the Committee normally take place the day before Board meetings. I report to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance and the Board receives copies of the Committee minutes. The external auditor is invited to each meeting and I also meet with the external lead audit partner outside the formal Committee process throughout the year. The Committee also regularly meets separately with each of PwC, the Chief Financial Officer, the Group Risk and Compliance Director and the Group Audit Director without others being present.

We routinely conduct deep dive reviews, together with specific risk management activities as set out below:

- In September and March, we assess issues affecting the Group's half-year and year end reporting and approve the principal risks;
- In November and May, we conclude this work and advise the Board on the Group's external financial reporting; and
- While each meeting has reviews of risk and compliance related matters, the January meeting is particularly focused on these.

Areas of focus
This year, the Committee has focused on the following areas:

- The adoption in the year of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments";
- Preparations for the adoption of IFRS 16 in the next financial year;
- Cyber security given the need to ensure the Group is well placed to meet the risks and external threats in this area;
- The accounting, reporting and disclosure implications of the merger of Vodafone India with Idea Cellular to form the Vodafone Idea joint venture; and
- Assessing the continued independence of the external auditors.

Next financial year, the Committee will also focus on the accounting, reporting and disclosure implications of the proposed acquisition of Liberty Global's assets in Germany and in Central and Eastern Europe.

External audit
In early December 2018, the Committee was informed of likely developments in relation to the potential legal action between the Company and a company for which a number of PwC partners are acting as administrators. Given uncertainties over how this matter would develop, the Committee launched a competitive tender process for the statutory audit for the year ending 31 March 2020. A legal action was filed by the administrators on behalf of this company against Vodafone and others on 18 December 2018. On the 15 February 2019 it was announced that the Board had approved the appointment of Ernst & Young LLP, subject to the approval by shareholders at the Annual General Meeting on 23 July 2019. Further detail is provided on page 74.

Committee effectiveness
In order to ensure that the Committee remains effective, every three years the Board appoints an external organisation to perform an independent review of the Committee to evaluate its performance. The last review was performed in March 2019 and concluded that the Board members considered the Committee to be thorough and fully effective in meeting its objectives.

David Nish
On behalf of the Audit and Risk Committee

Audit and Risk Committee (continued)

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the external auditor, the appropriateness of the half-year and annual financial statements. The Committee focuses on:

- The quality and acceptability of accounting policies and practices;
- Material areas in which significant judgments have been applied or where significant issues have been discussed with the external auditor;
- An assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Providing advice to the Board on the form and basis underlying the long-term viability statement; and
- Any correspondence from regulators in relation to our financial reporting.

Accounting policies and practices

The Committee received reports from management in relation to:

- The identification of critical accounting judgments and key sources of estimation uncertainty;
- Significant accounting policies;
- The adoption of IFRS 9 and IFRS 15 during the current financial year;
- The implementation programme for the adoption of IFRS 16 for the 2020 financial year; and
- Proposed disclosures in relation to these matters in the 2019 Annual Report.

Following discussions with management and the external auditor, the Committee approved the disclosures of the accounting policies and practices set out in note 1 "Basis of preparation" to the consolidated financial statements, which include details of the impacts of adopting IFRS 9, IFRS 15 and IFRS 16.

Fair, balanced and understandable

The Committee assessed whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reviewed the processes and controls that underpin its preparation, ensuring that all contributors, the core reporting team and senior management are fully aware of the requirements and their responsibilities. This included the use and disclosure of alternative performance measures (or "non-GAAP" measures) and the financial reporting responsibilities of the Directors under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as well as considering the interests of other stakeholders which will have an impact on the Company's long-term success of the entity.

The Committee reviewed an early draft of the Annual Report to enable early input and comment. The Committee also reviewed the financial results announcements, supported by the work of the Group's Disclosure Committee which reviews and assesses the Annual Report and investor communications.

This work enabled the Committee to provide positive assurance to the Board to assist them in making the statement required by the 2016 UK Corporate Governance Code.

Long term viability statement

As part of the Committee's responsibility to provide advice to the Board on the form and basis underlying the long-term viability statement as set out on pages 50 and 51, the Committee reviewed the process and assessment of the Group's prospects made by management, including:

- The review period and alignment with the Group's internal long-term forecasts;
- The assessment of the capacity of the Group to remain viable after consideration of future cash flows, expected debt service requirements, undrawn facilities and access to capital markets;
- The modelling of the financial impact of certain of the Group's principal risks materialising using severe but plausible scenarios; and
- Ensuring clear and enhanced disclosures in the Annual Report as to why the assessment period selected was appropriate to the Group, what qualifications and assumptions were made and how the underlying analysis was performed, consistent with recent FRC pronouncements.

Regulators and our financial reporting

The FRC published thematic reviews to help companies improve the quality of corporate reporting around new accounting standards, notably IFRS 9 and IFRS 15. The FRC also issued a range of guidance and performed a number of detailed reviews related to the year-end reporting process across public companies. The Group has reviewed the impact of each and whilst the Group already complied with the majority of the recommendations, the 2019 Annual Report seeks to ensure new disclosures are in line with best practice.

There has been no correspondence from regulators, including the FRC's Corporate Reporting Review Team ('CRRT'), commenting on our financial reporting during the 2019 financial year. We have been informed however that the CRRT will review the disclosures in relation to the adoption of IFRS 15 that are included in the financial statements within this Annual Report.

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Significant financial reporting judgments

The areas considered and actions taken by the Committee in relation to the 2019 Annual Report are outlined below: For each area, the Committee was satisfied with the accounting and disclosures in the financial statements.

Area of focus	Actions taken/conclusion
Revenue recognition The timing of revenue recognition, presentation on a gross or net basis and the treatment of discounts, incentives and commissions are complex areas of accounting. In addition, there is inherent risk following the implementation of IFRS 15 "Revenue from Contracts with Customers". See note 1 "Basis of preparation".	The Committee reviewed and discussed with management the new accounting policy for, and related disclosure requirements of, IFRS 15 that have been presented in the Annual Report and challenged management on the systems and processes implemented for reporting. Management confirmed that controls over IFRS 15 reporting were effective for the year.
Taxation The Group is subject to a range of tax claims and related legal actions across a number of jurisdictions where it operates. The most material claim continues to be from the Indian tax authorities in relation to our acquisition of Vodafone India Limited in 2007. Further, the Group has extensive accumulated tax losses and a key management judgement is whether a deferred tax asset should be recognised in respect of these losses. See note 6 "Taxation" and note 28 "Contingent liabilities and legal proceedings".	The Group Tax Director presented on both provisioning and disclosure of tax contingencies and deferred tax asset recognition at the November 2018 and May 2019 Committee meetings. The Committee challenged the judgements underpinning both the provisioning and disclosures adopted for the most significant components of contingent taxation liabilities and the underlying assumptions for the recognition of deferred tax assets, principally the availability of future taxable profits. During the year, the Group derecognised a deferred tax asset in Spain of €1.2 billion.
Liability provisioning The Group is subject to a range of claims and legal actions from a number of sources, including competitors, regulators, customers, suppliers and, on occasion, fellow shareholders in Group subsidiaries. See note 16 "Provisions" and note 28 "Contingent liabilities and legal proceedings".	The Committee met with the Group's Counsel and Company Secretary and the Director of Litigation in both November 2018 and May 2019. The Committee reviewed and challenged management's assessment of the most significant claims, together with relevant legal advice received by the Group, to form a view on the level of provisioning.
Impairments Judgements in relation to impairment testing relate primarily to the assumptions underlying the calculation of the value in use of the Group's businesses, being the achievability of the long-term business plans and the macroeconomic and related modelling assumptions underlying the valuation process. See note 4 "Impairment losses".	The Committee reviewed and discussed detailed reporting with management and challenged the appropriateness of the assumptions made, including: – The consistent application of management's methodology; – The achievability of the business plans; – Assumptions in relation to terminal growth in the businesses at the end of the plan period; and – Discount rates. During the year the Group has recorded impairments in respect of its investments in Spain (€2.9 billion), Romania (€0.3 billion) and Vodafone Idea (€0.3 billion). These judgements included the assessment of the recoverable amount of the Group's investment in Vodafone Idea at 31 March 2019.
Significant one-off transactions The judgements in relation to the accounting and the reporting implications of the merger of Vodafone India with Idea Cellular to create the Vodafone Idea joint venture. See note 7 "Discontinued operations and assets and liabilities held for sale" and note 26 "Acquisitions and disposals".	The Committee challenged the judgements presented by management in relation to the key accounting and disclosure impacts of the merger. As a result of the transaction, the Group recognised a net loss on the formation of Vodafone Idea Limited of €3.4 billion.

Audit and Risk Committee (continued)

External audit

The Committee has primary responsibility for overseeing the relationship with the external auditor, PwC. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis, involvement in fee negotiations, approving the statutory audit fee, the scope of the statutory audit and appointment of the lead audit engagement partner.

PwC was appointed by shareholders as the Group's external auditor in July 2014 following a formal tender process. The lead audit partner, Andrew Kemp, has held the position for five years and, under FRC ethical rules, would have rotated off had PwC remained as statutory auditors for the year ending 31 March 2020.

Independence and objectivity

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

As previously reported, the Committee has been aware that a company for which a number of PwC partners are acting as administrators, was considering litigation against the Group. As a safeguard against a number of related risks, the Committee had agreed a range of measures to preserve both Company confidentiality and auditor independence. This included the separate storage of audit working papers and other highly confidential material and the lead Group engagement partner taking sole responsible for the audit implications of the potential litigation. The Committee also agreed that both PwC's Compliance Department and its independent non-executives provide oversight of the effectiveness of the safeguards put in place and report to the Committee on these safeguards on a regular basis.

PwC confirmed to the Committee that these safeguards were in place, were monitored internally and operated effectively throughout the year. As in prior years the Committee concluded that PwC's appointment was not prohibited and that PwC remained independent for the purpose of the audit for the 2019 financial year.

In December 2018, the Committee was informed of likely developments in relation to the potential for legal action. Given uncertainties over how this matter would develop, the Committee decided to launch a competitive tender process for the statutory audit for the year ending 31 March 2020.

The Committee approved the tender participants, process, timetable and assessment criteria. As a first phase, the participants were provided access to a data room which contained information to enable the participants to gain a better understanding of how the Group is structured and operates. This information was supplemented by meetings with senior management. This process ran in parallel with each firm conducting an audit independence assessment for the purpose of the 2020 financial year. The second phase of the process included discussions as to how the firms would structure their audit at an operational level and work with our management team. The Committee then reviewed the written proposals and met with the participants who were assessed against a range of criteria, including how the participants responded in their proposal to the scale and complexity of the Group, the strength and depth of the engagement team and the opportunities arising from the use of digital tools and techniques in the audit approach.

On the 15 February 2019 it was announced that the Board had approved the appointment of Ernst & Young LLP as statutory auditor for the year ending 31 Match 2020. The appointment is subject to the approval by shareholders at the Annual General Meeting on 23 July 2019.

Going forward, the Committee anticipates that the audit will be put out to tender at least every ten years.

Audit risk

The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process and during the 2019 financial year we received a detailed audit plan from PwC identifying its audit scope, planning materiality and assessment of key risks which are set outlined in the Audit Report on pages 102 to 110.

The key audit risks for the 2019 financial year were broadly consistent with those for the 2018 financial year, updated to reflect business developments as follows:

- A new risk relating to significant one-off transactions following the merger of Vodafone India with Idea Cellular to create the Vodafone Idea joint venture; and
- The removal of the risk relating to capitalisation and asset lives.

These risks were challenged by the Committee to ensure the external auditor's areas of audit focus remain appropriate. The Committee also receives reporting from PwC on its assessment of the accounting and disclosures in the financial statements.

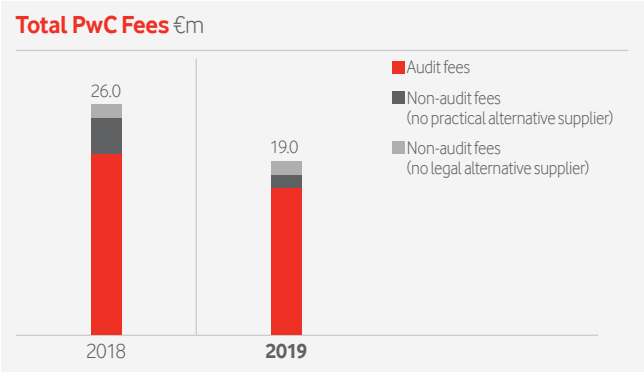
Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of PwC, taking into account the Committee's own assessment and feedback, the results of a detailed survey of senior finance personnel across the Group focusing on a range of factors we considered relevant to audit quality, feedback from the auditor on its' performance against its own performance objectives and the firm-wide audit quality inspection report issued by the FRC in June 2018. Based on these reviews, the Committee concluded that there had been appropriate focus and challenge by PwC on the primary areas of the audit and that it had applied robust challenge and scepticism throughout the audit.

The Company has complied with the Statutory Audit Services Order 2014 for the financial year under review.

PwC audit and non-audit fees

Total fees payable during the year for audit and non-audit services amounted to €19 million (2018: €26 million).



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Audit fees

For the 2019 financial year, the Committee reviewed and discussed the fee proposal, was actively engaged in agreeing audit scope changes and, following the receipt of formal assurance that their fees were appropriate for the scope of the work required, agreed a charge from PwC and related member firms of €17 million (2018: €21 million) for statutory audit services. The prior year included €5 million of fees in respect of advance audit procedures for the implementation of IFRS 15 and IFRS 16.

Non-audit fees

As one of the ways in which it seeks to protect the independence and objectivity of the external auditor, the Committee has a policy governing the engagement of the external auditor to provide non-audit services which precludes PwC from playing any part in management or decision-making, providing certain services such as valuation work and the provision of accounting services. It also sets a presumption that PwC should only be engaged for non-audit services where there is no legal or practical alternative supplier and includes a cap on the amount of non-audit fees that can be billed. The Committee has pre-approved that PwC can be engaged by management, subject to the policies set out above, and subject to:

- A €60,000 fee limit for individual engagements;
- A €500,000 total fee limit for services where there is no legal alternative; and
- A €500,000 total fee limit for services where there is no practical alternative supplier.

For all other services, or those permitted services that exceed these specified fee limits, the Chairman pre-approves the service.

Non-audit fees were €2 million (2018: €5 million) of which €1 million (2018: €1 million) was for services where there was no legal alternative and €1 million (2018: €4 million) was for services where there was no practical alternative supplier. Non-audit fees represented 12% of audit fees for the 2019 financial year (2018: 24%, 2017: 24%).

The amount for the year ended 31 March 2019 is primarily in respect of certification procedures to meet routine regulatory and legal filing requirements. The amount for year ended 31 March 2018 also includes non-recurring fees that were incurred during the preparations for a potential IPO of Vodafone New Zealand and the merger of Vodafone India and Idea Cellular.

See note 3 "Operating (loss)/profit" for further details.

Ernst & Young LLP has historically provided the Group with a wide range of consulting and assurance services. Given the number and complexity of certain of these relationships, following the decision to appoint the firm as auditor for the 2020 financial year, the Committee and EY agreed a number of steps to ensure EY was independent for the purpose of conducting the audit of the 2020 financial year. The primary elements of this were that all existing EY services should cease by 31 March 2019 unless subject to a specific exemption from this requirement and all new EY services would immediately be subject to the Group's non-audit services policy. As a result of this approach, three in flight EY services which would not ordinarily have been approved under the Group's non-audit services policy, but where it was deemed to be significantly advantageous for the service to be completed, were allowed to continue into the 2020 financial year. Each was a permitted service under audit regulations with each service terminating in that year.

Internal control and risk management

The Committee has the primary responsibility for the oversight of the Group's system of internal control, including the risk management framework, the compliance framework and the work of the Internal Audit function.

Internal audit

The Internal Audit function provides independent and objective assurance over the design and operating effectiveness of the system of internal control, through a risk based approach. The function reports into the Committee and, administratively, to the Group Chief Financial Officer. The function is composed of teams across Group functions and local markets. This enables access to specialist skills through centres of excellence and ensures local knowledge and experience. The function has a high level of qualified personnel with a wide range of different professional qualifications and experience. A co-sourcing agreement with a professional firm has ensured access to additional specialist skills and an advanced knowledge base.

Internal Audit activities are based on a robust methodology and subject to ongoing internal quality assurance reviews to ensure compliance with the standards of the Institute of Internal Auditors. The function has invested in several initiatives to continuously improve its effectiveness, particularly in the adoption of new technologies. The increased use of data analytics has provided deeper audit testing and driven increased insights. In September 2018 an independent effectiveness review was performed by a professional firm and they concluded positively on the effectiveness of the function.

The Committee has a permanent agenda item to cover Internal Audit related topics. Prior to the start of each financial year, the Committee reviews and approves the annual audit plan, assesses the adequacy of the budget and resources and reviews the operational initiatives for the continuous improvement of the function's effectiveness.

The Committee reviews the progress against the approved audit plan and the results of audit activities, with a focus on unsatisfactory audit results and "cross entity audits", being audits performed across multiple markets with the same scope. Audit results are analysed by risk, process and geography to highlight movements in the control environment and areas that require attention.

During the year, Internal Audit coverage focused on principal risks, which include cyber threat and information security, data privacy, technology resilience and digital and technological transformations. Relevant audit results are reported at the same time as the Committee's in-depth review with the risk owner, which allows the Committee to have an integrated view on the way the risk is managed.

Assurance was also provided across a range of areas, including competition law, economic sanctions, employment law and core financial processes, balance sheet reconciliations and the implementation of IFRS 15 "Revenue from Contracts with Customers". There has been focus on Vodafone Business and M-Pesa, given the complexity of processes, products and services. The activities performed by the shared service organisation also received attention due to their significant bearing on the effectiveness of global processes.

Management is responsible for ensuring that issues raised by Internal Audit are addressed within an agreed timetable, and their timely completion is reviewed by the Committee.

Audit and Risk Committee (continued)

Compliance with section 404 of the US Sarbanes-Oxley Act

Oversight of the Group's compliance activities in relation to section 404 of the US Sarbanes-Oxley Act and policy compliance reviews also fall within the Committee's remit.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. This is achieved by taking an active role in monitoring the Group's compliance activities, receiving reports from management in the year covering programme-level changes, the scope of work performed and the results of control testing performed. The external auditor also reports the status of its' work in each of their reports to the Committee.

Assessment of Group's system of internal control, including the risk management framework

The Group's risk assessment process and the way in which significant business risks are managed is an area of focus for the Committee. The Committee's activity here was led primarily, but not solely, by the Group's assessment of its principal and emerging risks and uncertainties, as set out on pages 44 to 51. The subjects of the reviews are outlined below and included reports from the Group Risk and Compliance Director and the Group's cyber security team, with whom the Committee Chairman met regularly during the year. Cyber security has been a major area of focus for the Committee during the year and this will continue going forward given the ongoing risks in this area. The Committee also visited the Group's Cyber Defence Centre.

The Group has an internal control environment designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls and the Committee has responsibility for ensuring the effectiveness of these controls.

The Committee reviewed the process by which the Group evaluated its control environment, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. Activity here was driven primarily by reports from the Group Audit Director on the effectiveness of internal controls. Although not relevant in the financial period, this would include any identified incident and fraud, including those involving management or employees with a significant role in internal controls.

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report. The review covered all material controls including financial, operating and compliance controls. The Committee confirms that the system of internal control operated effectively for the 2019 financial year. Where specific areas for improvement were identified, there was reliance on mitigating or alternative controls and processes were in place to ensure sustainable remediation. This allows us to provide positive assurance to the Board to assist its obligations under the 2016 UK Corporate Governance Code.

Subject of review	Principal risk (see pages 44 to 51)
Cyber security and information security, including user security, external threats, customer security and cyber defence.	Cyber threat and information security.
Compliance risk in Vodafone Business, including review of internal audit findings, off footprint governance and data privacy.	Legal compliance.
Control environment in Vodafone Italy and key risks facing the business including the threat of a new entrant, regulatory pressure and the success of the IT digital transformation project.	Market disruption. Digital transformation and simplification.
Anti-money laundering and M-Pesa programme improvements including new products and services risk assessments, thematic reviews and training for M-Pesa agents.	Legal compliance.
Technology, including the Group's continuing mobile and fixed resilience programme and the improvements in the IT resilience programme.	Technology resilience.
Supply Chain Management, including the operational model and risks, including Brexit.	Geo-political risk in supply chain.
The Group Policy Compliance Review assurance process and alignment with the Group's principal risks from the Group's Risk and Compliance Director.	Legal compliance.
The risk of fraud in the organisation and how it is being managed from an overview by the Group Corporate Security Director.	Legal compliance.
Local market audit and risk committee activities and alignment with the Group Committee's activities.	–
Results of the use of Speak Up channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues and the outputs of any resulting investigations.	Legal compliance.
The local market compliance environment from the Regional Finance Directors, including joint venture entities.	Successful integration of new assets and management of joint ventures.

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Remuneration Committee

During the year the Committee has continued to ensure that decisions on executive remuneration are made in line with our shareholder approved policy and in the context of arrangements elsewhere in our business.

Chairman
Valerie Gooding

Members
Renee James
Samuel Jonah
Michel Demaré

Key objectives:
To assess and make recommendations to the Board on the policies for executive remuneration and reward packages for the individual Executive Directors.

Responsibilities:

- Determining, on behalf of the Board, the policy on the remuneration of the Chairman of the Board, the Executive Directors and the senior management team;
- Determining the total remuneration packages for these individuals including any compensation on termination of office;
- Operating within recognised principles of good governance; and
- Preparing an Annual Report on Directors' remuneration.

The Committee met five times during the year and each meeting had full attendance with the exception of the May 2018 meeting where Mathias Döpfner was unable to attend due to a prior business commitment. The terms of reference of the Committee are available on vodafone.com/governance.

Contents of the Remuneration Report

80	**At a glance – 2019 compared to 2020**
81	**Remuneration Policy**
82	The Remuneration Policy table
86	Chairman and Non-Executive Directors' remuneration
87	**Annual Report on Remuneration**
87	Remuneration Committee
88	2019 remuneration (including information on Executive Director shareholdings on page 91)
95	2020 remuneration
96	Further remuneration information

Letter from the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I present our 2019 Directors' Remuneration Report. This report includes both our Policy Report (as approved by shareholders at the 2017 AGM), and our 2019 Annual Report on Remuneration, which sets out how our policy was implemented during the year under review, and how it will be applied for the year ahead.

The Committee remains satisfied that the current policy is operating effectively and it is our intention to keep this framework in place until its full three year term, which concludes at the 2020 AGM, is fulfilled. This is in line with the planned approach set out to shareholders prior to the current policy's approval and helps ensure that our approach to remuneration remains both transparent and stable.

In implementing the current policy during the year, the Committee continued to base its decision-making on its core principles of:

- Ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviours that support our strategy and business objectives;
- Maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are justified by business performance;
- Aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term; and
- Offering competitive and fair rates of pay and benefits to all of our people, in line with our Fair Pay principles (which are set out in this letter below).

Alignment with our Strategic Framework

As highlighted in the principles set out above, ensuring our Remuneration Policy supports and drives our strategic and business objectives remains a core focus for the Committee.

Our strategic objective is to be a converged communications leader and an enabler of a digital society. In order to achieve this we need to build a leading Gigabit network and drive customer growth for our converged offerings across all markets. Our core priorities are therefore:

Deepening customer engagement to improve loyalty and drive revenue growth

Achieving this priority will require us to develop deeper relationships with our customers, particularly our existing user base. The importance of customer relationships is reflected in the inclusion of a customer appreciation metric in our short-term incentive. This metric was introduced in the 2015/16 financial year with a weighting of 40%.

To date the 40% weighting has reflected the significant focus on Customer Experience and Customer Obsession which has formed the core of our CXX strategic programme. As part of this year's review, the Committee considered the appropriateness of this weighting in light of the current strategic priorities. It was agreed that given the key aims of the CXX programme are now embedded in our day-to-day business, it was appropriate to rebalance the performance measures so that all four metrics are equally weighted at 25%. Further details can be found on page 95.

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Remuneration Committee (continued)

Transforming our operating model for greater efficiency and agility & Improving asset utilisation with sustained network leadership

The Committee recognises that the success of our efforts to fulfil the priorities of transforming our operating model and improving asset utilisation will both rely on, and be measured against, our key financial indicators. Through creating a radically simpler Digital 'First' operating model, leveraging our Group scale, and investing in capital smart infrastructure relationships, we intend to create the foundation required for sustainable, long-term, financial growth.

Underpinning this approach is the fact that cash generation remains the key driver of value creation in our business. The importance of this particular measure is reflected through its presence as a measure in both our short-term and long-term incentive plans. Service revenue and adjusted EBIT also continue to be important financial measures, both for measuring the impact of our strategic initiatives and in helping us deliver long-term value to our shareholders.

To reflect the importance of such metrics, all three of these financial measures will see their weighting increased from 20% to 25% for the 2020 performance year. As a result, 75% of our short-term incentive will now be subject to financial performance (compared to 60% in recent years).

External considerations

Trends and guidelines

During the year the Committee received regular corporate governance updates on developing trends and guidelines in the market. It also invited the Reward Director of a peer company to attend the November meeting where the Committee received an insight into the remuneration arrangements and processes at this FTSE 30 organisation. Such an external insight is now an annual agenda item and allows the Committee to get an open and honest insight into the different ways of working and thinking at other leading businesses of a similar size and geographical scope.

Pensions

Amongst recent corporate governance developments is the desire of stakeholders to reduce the gap between executive and wider employee pension arrangements.

This is an area of governance that the Committee fully supports, and has done for many years. Executive pensions were first reduced in 2015 from 30% to 24% of salary to align with the then pension levels for senior management. After a further review in July 2018, our executive arrangements are now aligned with those of our wider UK population at 10% of base salary.

Such levels will be maintained for the year ahead and the Policy Report will be amended prior to its submission at the 2020 AGM to fully reflect this approach.

Shareholder engagement

The Committee is fully aware of the concerns that have been voiced in the external market over the last decade, and particularly in recent years, in respect of executive pay. Whilst this has generally led to positive changes in both market practices and governance structures, it is also evident that in some organisations this has led to a divide between management and stakeholders.

It is the Committee's strong belief that through genuine engagement the relationship between Committee and shareholders can be mutually beneficial. On a personal note, I have always found discussions with our stakeholders to be informative, considered, and productive, and I would like to thank you, our shareholders, for your ongoing support in this respect.

Internal considerations

Fair pay at Vodafone

As part of its review of executive remuneration arrangements, the Committee takes account of the pay policies in place across the wider business. This includes considering the structure of remuneration offerings at each level of the business to ensure there is a strong rationale for how packages evolve across the different levels of the organisation.

In addition to being a core principle of the Committee, there is a clear culture in our business of ensuring we offer competitive and fair pay to all employees. Our approach, across our business, is guided by six principles:

1. Market competitive
2. Free from discrimination
3. Ensure a good standard of living
4. Share in our success
5. Provide benefits for all
6. Open and transparent

CEO pay ratio

Whilst the revised reporting requirements are not applicable to us until 2020, the Committee requested that the CEO pay ratio be calculated for the 2019 year in line with the regulatory method. Full details of the approach taken and resulting ratios can be found on page 94.

The Committee considered the ratio as part of a wider discussion on remuneration at Vodafone which included the aforementioned fair pay topics. Such discussion preceded the decision-making on executive arrangements for the year ahead, ensuring the Committee's decision-making on executive arrangements was made in the context of wider employee arrangements.

Employee engagement

As part of the Board's aim to continually improve employee engagement, I will be attending a number of employee forums in my capacity as Senior Independent Director. This will include engaging with both our European Workers Council, to hear the views of our European colleagues, and our South African National Consultative Committee which acts as a forum for our African markets.

Such engagement will encompass matters wider than just pay arrangements, with the outputs being reported directly to the Board. Nonetheless this role will have an added benefit in respect of my capacity as Chairman of the Remuneration Committee, in providing a first-hand insight into our people's priorities.

These views will add further colour to the context in which the Committee's decision-making occurs and, on a broader note, I look forward to working with the wider Board on ensuring such engagement leads to tangible and measurable improvements in areas that matter most to our people

Arrangements for 2020

Following a March review of the executive remuneration arrangements, the Committee agreed that there would be no increase to base salary for either the Chief Executive or the Chief Financial Officer and as such their salaries will remain unchanged for the year ahead.

As set out above, whilst the Committee determined that no changes should be made to the measures used under the short-term or long-term incentive plans, it was agreed that in order to reflect the importance of our strategic priorities a re-weighting of the measures under the former to equally weighted was appropriate.

The Committee remains committed to a robust target setting basis which ensures pay and performance are linked. This is evidenced through our historic incentive payouts, the levels of which reflect our use of genuinely stretching targets (see page 93 for a ten year history).

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The Committee will conduct a further detailed review of the current executive remuneration framework as part of its work and engagement ahead of the 2020 AGM where a new Policy Report will be submitted for approval.

Further information on the forward-looking arrangements for our Board can be found on pages 95 and 96 of the Annual Report on Remuneration.

Performance outcomes during 2019

Annual bonus ('GSTIP')

Annual bonus performance during the year was assessed against both financial and strategic measures. The financial metrics had a weighting of 60% which was spread across the three equally weighted metrics of service revenue, adjusted EBIT and adjusted free cash flow. The strategic measure carried a weighting of 40% of total opportunity and was linked to customer appreciation KPIs. The KPIs themselves covered metrics including net promoter score, brand consideration, churn, revenue market share and Average Revenue Per User – further details of which can be found on page 89.

During the year free cash flow performed in line with target, with a number of our markets recording above target performance, including Italy, Egypt and Turkey, with overall performance offset by particularly challenging results in Spain. Service revenue and adjusted EBIT results were below target, mainly driven by below target performance in Spain and the UK.

Our Customer Appreciation KPI performance was below target, with a detailed assessment of performance under this measure provided on page 89. The combined performance under all of these measures during the year resulted in an overall payout of 43.9% of maximum. Further details on our performance under each measure can be found on pages 88 and 89 of the Annual Report on Remuneration.

Long-term incentive ('GLTI')

The 2017 Global Long-Term Incentive award was subject to free cash flow and TSR performance, both of which were measured over the three year period ending 31 March 2019. The free cash flow measure finished in line with target during this period whilst TSR performance was below the median of our TSR peer group. Such TSR performance means there will be no additional uplift from the TSR multiplier as part of the vesting – an outcome which the Committee agreed was appropriate. Overall payout for the award was 40.1% of maximum – further details can be found on page 90.

Consideration of the use of downward discretion

Prior to approving the incentive outcomes, the Committee had a thorough discussion regarding whether the use of discretion was appropriate for the year under review.

During this discussion the Committee noted that the Chief Executive was strongly aligned with the investor experience through:

1. The impact of Total Shareholder Return performance on the upcoming GLTI vesting which will have no TSR multiplier uplift.

2. The impact of recent share price performance on the Chief Executive's shareholding which, on a like-for-like basis, has decreased in value by over 25% since 1 April 2018. During this period, the Chief Executive has continued to personally invest in Vodafone, including retaining 100% of his post-tax shares from the GLTI award vesting in June 2018, and an additional market purchase of 150,151 shares, at a cost to him of c.£250k, in September 2018.

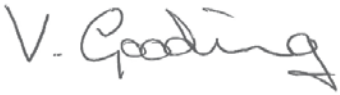
3. The Chief Executive's commitment to retain all of his post-tax shares in respect of the GLTI award vesting in June 2019, and his further commitment to take his full post-tax bonus for 2019 in the form of Vodafone shares.

4. The decrease in the Chief Executive's single figure, which has fallen by over £1.1 million compared to 2018, despite the latter solely reflecting payments received in respect of his previous position. In the Committee's view, this illustrates that our incentive plans are operating as intended by delivering pay linked to performance and ensuring total pay of our executives is aligned with the shareholder experience.

In light of the above, the Committee agreed that the payouts under both the GSTIP, which reflects a below target payout, and the GLTI, which reflects an overall target payout but with no TSR multiplier uplift, were appropriate and that the use of downward discretion was not required on this occasion.

Changes to the Committee

Finally, as previously announced, Samuel Jonah will be stepping down from the Board at the 2019 AGM. I would like to take this opportunity to thank Samuel for his long service to both this Committee and the wider Board. Dame Clara Furse will join the Committee following the 2019 AGM and I look forward to working with both Dame Clara, and the rest of the Committee, during the year ahead.



Valerie Gooding
Chairman of the Remuneration Committee

14 May 2019

Remuneration Committee (continued)

Total target remuneration at a glance – 2019 compared to 2020

The below table illustrates the arrangements in place during the year under review (2019) compared to those which will be in place for 2020.

	2019 (y/e 31 March 2019)	2020 (y/e 31 March 2020)
Base salary	**Effective 27 July 2018:** Chief Executive: £1,050,000 (8.7% decrease to the role). Chief Financial Officer: £700,000 (3.4% decrease to the role).	**Effective 1 July 2019:** Chief Executive: £1,050,000 (no increase). Chief Financial Officer: £700,000 (no increase).
Benefits	Travel related benefits and private medical cover.	Travel related benefits and private medical cover.
Pension	Pension contribution of 24% of salary for all Executive Directors until 27 July 2018 from which date contributions were reduced to 10% of salary for new executive incumbents.	Pension contribution of 10% of salary for all Executive Directors.
GSTIP	**Opportunity (% of salary):** Target: 100% Maximum: 200% **Measures:** Service revenue (20%), adjusted EBIT (20%), adjusted FCF (20%), and customer appreciation KPIs (40%).	**Opportunity (% of salary):** Target: 100% Maximum: 200% **Measures:** Service revenue (25%), adjusted EBIT (25%), adjusted FCF (25%), and customer appreciation KPIs (25%).
GLTI	**Opportunity (% of salary):** Target: Chief Executive – 230% Other Executive Directors – 210% Maximum: Chief Executive – 575% Other Executive Directors – 525% **Measures:** Adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award).	**Opportunity (% of salary):** Target: Chief Executive – 230% Other Executive Directors – 210% Maximum: Chief Executive – 575% Other Executive Directors – 525% **Measures:** Adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award).
Total target remuneration	Chief Executive – £4.6m (effective 27 July 2018) Chief Financial Officer – £3.0m (effective 27 July 2018)	Chief Executive – £4.6m Chief Financial Officer – £3.0m
Shareholding guidelines	Chief Executive – 500% of salary Chief Financial Officer – 400% of salary Include post employment holding requirements.	Chief Executive – 500% of salary Chief Financial Officer – 400% of salary Include post employment holding requirements.
Shareholding information	**Share ownership (as at 31 March 2018)** The share ownership values reflect an average share price over the six months to 31 March 2018 of 217.58 pence: Chief Executive (Vittorio Colao): 12,190,562 shares (2,306% of salary) Chief Financial Officer (Nick Read): 2,113,416 shares (634% of salary) **Directors' interests (as at 31 March 2018)** The following Directors' interests include both owned shares and the maximum number of unvested shares (as disclosed on page 83 of the 2018 Annual Report): Chief Executive (Vittorio Colao) – 21,274,490 shares Chief Financial Officer (Nick Read) – 6,822,235 shares	**Share ownership (as at 31 March 2019)** The share ownership values reflect an average share price over the six months to 31 March 2019 of 149.27 pence: Chief Executive (Nick Read): 2,825,550 shares (402% of salary) Chief Financial Officer (Margherita Della Valle): 846,302 shares (180% of salary) **Directors' interests (as at 31 March 2019)** The following Directors' interests include both owned shares and the maximum number of unvested shares (see page 91 for further information): Chief Executive (Nick Read) – 9,222,245 shares Chief Financial Officer (Margherita Della Valle) – 3,573,007 shares

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Remuneration Policy

Remuneration policy – notes to reader

No changes have been made to our policy since its approval at the 2017 annual general meeting which was held on 28 July 2017. Our approved Policy Report is available on our website at vodafone.com, and has been reproduced below in the shaded boxes exactly as it was set out in the 2017 Annual Report. As such, a few phrases/disclosures are now out of date, including:

- **Dates/Page numbers** – Including references to the 2017 annual general meeting and page number references.
- **Pensions** – As set out on page 80, our Executive Directors receive pension contributions equivalent to 10% of salary. The policy approved at the 2017 annual general meeting allowed for 24% of salary, and this will be amended to reflect our actual arrangements when the policy is next submitted for approval.
- **Charts** – The charts on page 85 reflect the incumbents at the time of the 2017 annual general meeting.

Remuneration policy (first published in the 2017 Annual Report)

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

We will be seeking shareholder approval for our Remuneration Policy at the 2017 AGM and we intend to implement at that point. A summary and explanation of the proposed changes to the current remuneration policy is provided on pages 67 to 70. Subject to approval, we will review our policy each year to ensure that it continues to support our company strategy and if we feel it is necessary to make a change to our policy within the next three years, we will seek shareholder approval.

Considerations when determining remuneration policy

Our remuneration principles which are outlined on page 67 are the context for our policy. Our principal consideration when determining remuneration policy is to ensure that it supports our company strategy and business objectives.

The views of our shareholders are also taken into account when determining executive pay. In advance of asking for approval for the remuneration policy we have consulted with our major shareholders. We invited our top 20 shareholders and a number of key governance stakeholders to comment on remuneration at Vodafone and to provide feedback on the proposed changes to the current policy which was approved at the 2014 AGM. A number of meetings between shareholders and the Remuneration Committee Chairman took place during this consultation period. Further details of this consultation are provided on pages 67 to 69 whilst a summary of the proposed changes to our current policy, which are incorporated in this revised Remuneration Policy section, is provided on page 70.

Listening to and consulting with our employees is very important. This can take different forms in different markets but always includes our annual people survey which attracts very high levels of participation and engagement. We do not consult directly with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for Executive Directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 74.

Performance measures and targets

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

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

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

In addition, the Remuneration Committee reviews the incentive plan results before any payments are made to executives or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe circumstances warrant it. In particular, the Committee has the discretion to use either malus or clawback as it sees appropriate. In the case of malus, the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested or vesting may be delayed. In the case of clawback, the Committee may recover bonus amounts that have been paid up to three years after the relevant payment date, or recover share awards that have vested up to two years after the relevant vesting date. The key trigger events for the use of the clawback arrangements include material misstatement of performance, material miscalculation of performance condition outcomes, and gross misconduct. Subject to approval of this Remuneration Policy, the clawback arrangements will be applicable to all future bonus amounts paid, or share awards granted, following the 2017 AGM.

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Remuneration Policy (continued)

The remuneration policy table

The table below summarises the main components of the reward package for Executive Directors.

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

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	Opportunity	Performance metrics
	– Average salary increases for existing Executive Committee members (including Executive Directors) will not normally exceed average increases for employees in other appropriate parts of the Group. Increases above this level may be made in specific situations. These situations could include (but are not limited to) internal promotions, changes to role, material changes to the business and exceptional company performance.	None.
	– The pension contribution or cash payment is equal to 24% of annual gross salary.	None.
	– Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment. – We expect to maintain benefits at the current level but the value of benefit may fluctuate depending on, amongst other things, personal situation, insurance premiums and other external factors.	None.
	– Bonuses can range from 0–200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance.	– Performance over each financial year is measured against stretching targets set at the beginning of the year. – The performance measures normally comprise of a mix of financial and strategic measures. Financial measures may include (but are not limited to) profit, revenue and cash flow with a weighting of no less than 50%. Strategic measures may include (but are not limited to) customer appreciation KPIs such as net promoter score and brand consideration.

	– The target award level is 230% of base salary for the Chief Executive and 210% for other Executive Directors.
	– Minimum vesting is 0% of the target award level, threshold vesting is 45% of the target award level, and maximum vesting is 250% of the target award level.
	– Maximum long-term incentive face value at award of 575% of base salary for the Chief Executive and 525% for others Executive Directors.
	– The Committee has the discretion to reduce long-term incentive grant levels for directors who have neither met their shareholding guideline nor increased their shareholding by 100% of salary during the year.
	– The awards that vest accrue cash dividend equivalents over the three year vesting period.
	– Awards vest to the extent performance conditions are satisfied. There is a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary.
		– Performance is measured against stretching targets set at the beginning of the performance period.
		– Vesting is determined based on the following measures:
		  – adjusted free cash flow as our operational performance measure; and
		  – relative TSR against a peer group of companies as our external performance measure.
		– Measures will normally be weighted 2/3 to adjusted free cash flow and 1/3 to relative TSR.

Remuneration Policy (continued)

Notes to the remuneration policy table

Existing arrangements

We will honour existing awards to Executive Directors, and incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board and/or prior to the approval and implementation of this policy. For the avoidance of doubt this includes payments in respect of any award granted under the previous remuneration policy. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

Long-Term Incentive ('GLTI')

When referring to our long-term incentive awards we use the financial year end in which the award was made. For example, the "2017 award" was made in the financial year ending 31 March 2017. The awards are usually made in the first half of the financial year (the 2017 award was made in June 2016).

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

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

Adjusted free cash flow

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

The cumulative adjusted free cash flow vesting levels as a percentage of the award subject to this performance element are shown in the table below (with linear interpolation between points):

Performance	Vesting percentage (% of FCF element)
Below threshold	0%
Threshold	18%
Target	40%
Maximum	100%

TSR outperformance of a peer group median

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

The TSR vesting levels as a percentage of the award subject to this performance element are shown in the table below (with linear interpolation between points):

	Vesting percentage (% of TSR element)
Below median	0%
Median	18%
Percentage outperformance of the peer group median equivalent to 65th percentile	40%
Percentage outperformance of the peer group median equivalent to 80th percentile	100%

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

Remuneration policy for other employees

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

For example, the remuneration package elements for our Executive Committee are essentially the same as for the Executive Directors with some minor differences, for example smaller levels of share awards and local or regional performance conditions where appropriate. The remuneration for the next level of management, our senior leadership team, again follows the same principles with local and individual performance aspects in the annual bonus targets and performance share awards. They also receive lower levels of share awards which are partly delivered in conditional share awards without performance conditions.

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Estimates of total future potential remuneration from 2018 pay packages

The tables below provide estimates of the potential future remuneration for each of the Executive Directors based on the remuneration opportunity to be granted in the 2018 financial year. Potential outcomes based on different performance scenarios are provided for each Executive Director.

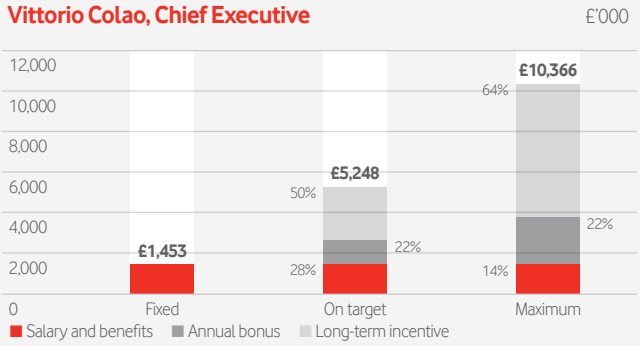
The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2017.
	Benefits are valued using the figures in the total remuneration for the 2017 financial year table on page 78 (of the 2017 report).
	Pensions are valued by applying cash allowance rate of 24% of base salary at 1 July 2017.

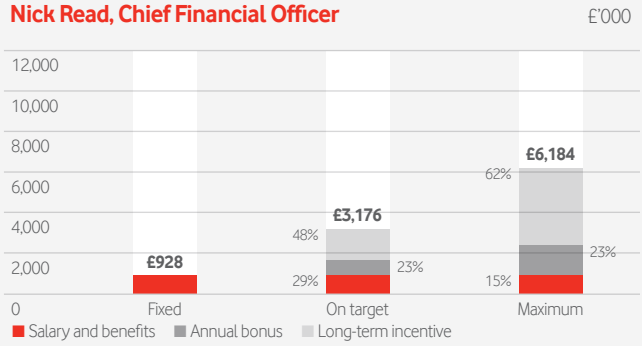
	Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
Chief Executive	1,150	27	276	1,453
Chief Financial Officer	725	29	174	928

On target	Based on what a Director would receive if performance was in line with plan.
	The target award opportunity for the annual bonus ('GSTIP') is 100% of base salary.
	The target award opportunity for the long-term incentive ('GLTI') is 230% of base salary for the Chief Executive and 210% for the Chief Financial Officer. We assumed that TSR performance was at median.
Maximum	Two times the target award opportunity is payable under the annual bonus ('GSTIP').
	The maximum levels of performance for the long-term incentive ('GLTI') are 250% of target award opportunity. We assumed that TSR performance was at or above the 80th percentile equivalent.
All scenarios	Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for increase in share price or cash dividend equivalents payable.

Vittorio Colao, Chief Executive



Nick Read, Chief Financial Officer



Recruitment remuneration

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

The remuneration policy table (pages 72 and 73) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Any new Director's remuneration package would include the same elements, and be subject to the same constraints, as those of the existing Directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 575% of base salary.

When considering the remuneration arrangements of individuals recruited from external roles to the Board, we will take into account the remuneration package of that individual in their prior role. We only provide additional compensation to individuals for awards foregone. If necessary we will seek to replicate, as far as practicable, the level and timing of such remuneration, taking into account also any remaining performance requirements applying to it. This will be achieved by granting awards of cash or shares that vest over a timeframe similar to those forfeited and if appropriate based on performance conditions. A commensurate reduction in quantum will be applied where it is determined that the new awards are either not subject to performance conditions or subject to performance conditions that are not as stretching as those of the awards forfeited.

Service contracts of Executive Directors

After an initial term of up to two years Executive Directors' contracts have rolling terms and are terminable on no more than 12 months' notice.

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

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

Remuneration Policy (continued)

Payments for departing executives

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

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

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

Chairman and Non-Executive Directors' remuneration

Our policy is for the Chairman to review the remuneration of Non-Executive Directors annually following consultation with the Remuneration Committee Chairman. Fees for the Chairman are set by the Remuneration Committee.

Element	Policy
Fees	– We aim to pay competitively for the role including consideration of the time commitment required. We benchmark the fees against an appropriate external comparator group. We pay fees to our Chairman and Senior Independent Director that include fees for chairmanship of any committees. We pay a fee to each of our other Non-Executive Directors and they receive an additional fee if they chair a committee. Non-executive fee levels are set within the maximum level as approved by shareholders as part of our Articles of Association.
Allowances	– An allowance is payable each time a non-Europe-based Non-Executive Director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved.
Incentives	– Non-Executive Directors do not participate in any incentive plans.
Benefits	– Non-Executive Directors do not participate in any benefit plans. The Company does not provide any contribution to their pension arrangements. The Chairman is entitled to the use of a car and a driver whenever and wherever he is providing his services to or representing the Company. We have been advised that for Non-Executive Directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit therefore we also cover the tax liability for these expenses.

Non-Executive Director service contracts

Non-Executive Directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of Non-Executive Directors may be terminated without compensation. Non-Executive Directors are generally not expected to serve for a period exceeding nine years. For further information refer to the "Nomination and Governance Committee" section of the Annual Report.

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Annual Report on Remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 2019 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent Non-Executive Directors:

Chairman: Valerie Gooding
Committee members: Michel Demaré (appointed 27 July 2018), Dr Mathias Döpfner (until 27 July 2018), Renee James and Samuel Jonah

The Committee regularly consults with Nick Read, the Chief Executive, and Leanne Wood, the Chief Human Resources Officer, on various matters relating to the appropriateness of awards for Executive Directors and senior executives, though they are not present when their own compensation is discussed. During the year, and up until they stepped down from their respective positions, the Committee also consulted with Vittorio Colao and Ronald Schellekens, who were the previous incumbents of these positions, on these same matters. In addition, Adrian Jackson, the Group Reward and Policy Director, provides a perspective on information provided to the Committee, and requests information and analysis from external advisers as required. Rosemary Martin, the Group General Counsel and Company Secretary, advises the Committee on corporate governance guidelines and acts as secretary to the Committee.

External advisers

The Remuneration Committee seeks and considers advice from independent remuneration advisers where appropriate. The appointed advisers, Willis Towers Watson, were selected through a thorough process led by the Chairman of the Remuneration Committee at the time and were appointed by the Committee in 2007. The Chairman of the Remuneration Committee has direct access to the advisers as and when required, and the Committee determines the protocols by which the advisers interact with management in support of the Committee. The advice and recommendations of the external advisers are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisers attend Committee meetings occasionally, as and when required by the Committee.

Willis Towers Watson is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Willis Towers Watson has confirmed that it adheres to that Code of Conduct throughout the year for all remuneration services provided to Vodafone and therefore the Committee is satisfied that it is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com.

Adviser	Appointed by	Services provided to the Committee	Fees for services provided to the Committee £'000[1]	Other services provided to the Company
Willis Towers Watson	Remuneration Committee in 2007	Advice on market practice; governance; provision of market data on executive reward; reward consultancy; and performance analysis.	87	Reward and benefits consultancy; provision of benchmark data; pension administration; and insurance consultancy services.

Note:
1 Fees are determined on a time spent basis.

2017 annual general meeting – Remuneration Policy voting results

At the 2017 annual general meeting there was a binding vote on our Remuneration Policy. Details of the voting outcomes are provided in the table below.

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Policy	17,581,245,488	97.19	507,704,367	2.81	18,088,949,855	55,312,703

2018 annual general meeting – Remuneration Report voting results

At the 2018 annual general meeting there was an advisory vote on our Remuneration Report. Details of the voting outcomes are provided in the table below.

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Report	16,474,188,042	97.12	488,883,471	2.88	16,963,071,513	463,720,332

Meetings

The Remuneration Committee had five formal meetings and four formal conference calls during the year. In addition, informal conference calls can also take place. The principal agenda items at the formal meetings were as follows:

Meeting	Agenda items	
May 2018	– 2018 annual bonus achievement and 2019 targets/ranges – 2016 long-term incentive award vesting and 2019 targets/ranges	– 2018 Directors' Remuneration Report – Shareholder Update
July 2018	– 2019 long-term incentive awards	– Corporate governance matters
November 2018	– 2020 annual bonus framework	– External insights
January 2019	– Corporate governance matters – Gender Pay Gap	– Review of Remuneration Policy
March 2019	– Remuneration arrangements across Vodafone – 2020 reward packages for the Executive Committee – Chairman and Non-Executive Director fee levels – 2019 Directors' Remuneration Report	– Fair Pay at Vodafone – Committee's Terms of Reference – Risk assessment

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Annual Report on Remuneration (continued)

2019 remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2019 financial year versus 2018. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the annual bonus ('GSTIP') reflects what was earned in respect of the year but will be paid out in cash in the following year. Similarly the value of the long-term incentive ('GLTI') reflects the share awards which will vest in June 2019 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2019.

The Remuneration Committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate. If circumstances warrant it, the Committee may adjust the final payment or vesting downwards. On this occasion, based on the fact that final annual bonus payout and final vesting level of long-term incentives awards under the GLTI were deemed to be an accurate reflection of performance and were considered fair and appropriate, the Committee did not use its discretion to adjust final outcomes. Further information on the Committee's rationale for this decision can be found on page 79.

Board changes

Nick Read was appointed Chief Executive-Designate on 27 July 2018, and became Chief Executive on 1 October 2018. Nick's 2019 single figure therefore reflects remuneration received both in respect of his current role, as well as in respect of his previous role as Chief Financial Officer. By comparison, Nick's 2018 single figure solely reflects remuneration received in respect of his role as Chief Financial Officer.

Margherita Della Valle joined the Board as Chief Financial Officer on 27 July 2018. In line with the reporting regulations, the single figure for Margherita reflects remuneration received in respect of services rendered as a Board Director (i.e. from 27 July 2018 to 31 March 2019). This includes the value of performance share awards granted to her prior to her appointment to the Board which vest based on adjusted free cash flow performance over the three-year period to 31 March 2019.

Vittorio Colao retired from the Board on 30 September 2018. In line with the reporting regulations, the single figure for Vittorio reflects remuneration received in respect of services rendered as a Board Director (i.e. from 1 April 2018 to 30 September 2018). The single figure table does not include values in respect of Vittorio's contractual loss of office payments which can instead be found on page 93.

Total remuneration for the 2019 financial year (audited)

	Nick Read		Margherita Della Valle		Vittorio Colao	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Salary/fees	947	722	476	–	575	1,150
Taxable benefits[1]	29	24	13	–	13	25
Annual bonus: GSTIP (see below for further detail)	922	927	418	–	505	1,471
Total long-term incentive:	1,012	2,337	220	–	1,632	4,466
GLTI vesting during the year[2]	816	1,936	186	–	1,316	3,700
GLTI dividends[3]	196	401	34	–	316	766
Cash in lieu of pension	129	173	48	–	138	276
Other[4]	1	1	–	–	1	1
Total	**3,040**	**4,184**	**1,175**[5]	–	**2,864**	**7,389**

Notes:
1 Taxable benefits include amounts in respect of: – Private healthcare (2019: Nick Read £2,612, Margherita Della Valle £1,760, Vittorio Colao £937; 2018: Nick Read £2,482; Vittorio Colao £2,482);
– Cash car allowance £19,200 p.a.; and
– Travel (2019: Nick Read £6,797, Margherita Della Valle £194, Vittorio Colao £1,663; 2018: Nick Read £2,479, Vittorio Colao £2,864).
2 The value shown in the 2018 column is the award which vested on 26 June 2018 and is valued using the execution share price on 26 June 2018 of 182.42 pence. The value shown in the 2019 column is the award which vests on 30 June 2019 and is valued using an average closing share price over the last quarter of the 2019 financial year of 142.25 pence.
3 Nick Read and Vittorio Colao also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest . The dividend value shown in 2019 relates to awards vesting on 30 June 2019. Margherita Della Valle's figure reflects the value of dividend equivalent awards accrued during the performance period in respect of the award vesting on 30 June 2019.
4 Reflects the value of the SAYE benefit which is calculated as £375 x 12 months x 20% to reflect the discount applied based on savings made during the year.
5 In line with our SEC reporting requirements, total remuneration received by Margherita Della Valle in respect of the period 1 April 2018 to 31 March 2019, inclusive of payments received whilst Deputy Chief Financial Officer, was £1,488k.

2019 annual bonus ('GSTIP') payout (audited)

In the table below we disclose our achievement against each of the performance measures and targets in our annual bonus ('GSTIP') and the resulting total annual bonus payout level for the year ended 31 March 2019 of 87.8% of target. This is applied to the target bonus level of 100% of base salary for each executive. Commentary on our performance against each measure is provided below the table.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout (% of target)	Threshold performance level €bn	Target performance level €bn	Maximum performance level €bn	Actual performance level[1] €bn
Service revenue	20%	40%	14.3%	37.4	39.4	41.3	38.8
Adjusted EBIT	20%	40%	16.3%	3.4	4.4	5.3	4.2
Adjusted free cash flow	20%	40%	20.2%	4.5	5.4	6.2	5.4
Customer appreciation KPIs	40%	80%	37.0%	See below for further details			
Total annual bonus payout level	**100%**	**200%**	**87.8%**				

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

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Financial metrics

During the year under review, free cash flow performance was in line with target performance level. A number of our European markets recorded above target performance, including Italy and Hungary, whilst Egypt and Turkey also recorded above target performance. This was however offset by particularly challenging results in Spain.

Service revenue and adjusted EBIT results were below target, mainly driven by below target performance in Spain and the UK.

Customer appreciation KPIs

An assessment of performance under the customer appreciation KPIs measure was conducted on a market by market basis. Each market was assessed against a number of different metrics which included:

- Net Promoter Score for both Consumer and Enterprise business units.
- Brand consideration for Enterprise and both Consumer user and Consumer non-user.
- Churn, revenue market share and ARPU.

In respect of the measures included under the customer appreciation KPIs, net promoter score is used as a measure of the extent to which our customers would recommend us, whilst brand consideration acts as a measure of the percentage of people who would consider using a certain brand as their telecoms provider.

Both measures utilise data from our local markets which is collected and validated for quality and consistency by independent third party agencies. The data is sourced from studies involving both our own customers and customers of our competitors for the NPS measure, and both Vodafone users and non-users for the brand consideration measure. In formulating a final assessment of performance under the customer appreciation KPIs other relevant customer factors such as churn, revenue market share, and service levels are considered.

Overall Group performance was below target for the year reflecting our current market positions, in the markets where such metrics are measured, of:

- Being ranked number 1 for Consumer NPS in 17 of 25 markets.
- Being ranked number 1 for Business NPS in 15 of 20 markets.
- Being ranked number 1 for Non-User Consumer Brand Consideration in 17 of 24 markets.

Once these figures are adjusted to reflect changes in measured markets, they illustrate a decrease in the number of markets where we are leaders for Consumer NPS, an increase in the number of markets where we are leaders for Business NPS, and a maintenance in the number of markets where we are number 1 for non-user consumer brand consideration compared to last year. Further information on specific region and market performance is provided below.

Although the continued work and passion of our people has seen us gain or retain leadership positions in a number of our markets, the Committee continues to assess performance against stretching targets reflecting our strategic ambitions in customer engagement in what remains a highly competitive market.

It is within this context that overall performance against our Customer Appreciation KPIs metrics during the year was judged to be below target. The aggregated performance for the regions and the Group is calculated on a revenue-weighted average to give an overall achievement

	Customer appreciation KPIs Achievement (% of target)
Europe	90.0%
Rest of the World ('RoW')	102.5%
Group	92.5%

The achievement percentage for Europe includes strong performance in Hungary and Portugal with the former extending our leadership position in both Consumer and Business NPS, and the latter now positioned as clear first place in non-user brand consideration. In the UK we retained our number 1 spot in Business NPS and improved our Consumer NPS although further improvement is required to gain leadership on this metric.

The achievement percentage for RoW reflects strong performance in Turkey where we regained our leadership position in Consumer NPS and significantly improved our score in Business NPS. Performance in this region also reflects improved performance in Egypt where we increased our scores and retained leadership in both NPS categories.

2019 annual bonus ('GSTIP') amounts	Base salary £'000	Target bonus % of base salary	2019 payout % of target	Actual payment £'000
Nick Read	1,050	100%	87.8%	922
Margherita Della Valle[1]	700	100%	87.8%	418
Vittorio Colao[2]	1,150	100%	87.8%	505

Notes:
1 Reflects annual bonus amounts in respect of the period 27 July 2018 to 31 March 2019.
2 Reflects pro-rated bonus (for further details see page 93).

Annual Report on Remuneration (continued)

Long-term incentive ('GLTI') award vesting in June 2019 (audited)

The 2017 long-term incentive ('GLTI') awards which were made in June 2016 will vest at 40.1% of maximum (100.2% of target) in June 2019. The performance conditions for the three year period ending in the 2019 financial year are as follows:

		TSR outperformance		
Adjusted free cash flow measure	£bn	0.0% p.a. (Up to median)	4.5% p.a. (65th percentile equivalent)	9.0% p.a. (80th percentile equivalent)
Below threshold	<9.95	0%	0%	0%
Threshold	9.95	50%	75%	100%
Target	11.80	100%	150%	200%
Maximum	13.65	125%	187.5%	250%

TSR peer group	
Bharti	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
MTN	

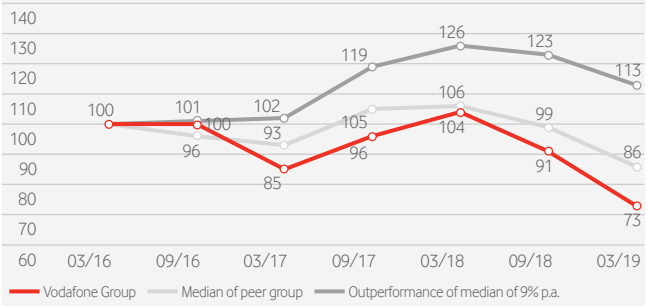
The adjusted free cash flow for the three year period ended on 31 March 2019 was £11.81 billion. This compares with a target of £11.80 billion and a threshold of £9.95 billion.

The chart to the right shows that our TSR performance over the three year period ended on 31 March 2019 was below that of the median of our comparator group resulting in no additional uplift from the TSR multiplier as part of the vesting.

Using the combined payout matrix above, this performance resulted in a payout of 100.2% of target (40.1% of maximum).

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

2017 GLTI award: TSR performance
(growth in the value of a hypothetical US$100 holding over the performance period, six month averaging)



2017 GLTI performance share awards vesting in June 2019	Maximum number of shares	Target number of shares	Adjusted free cash flow performance payout % of target	TSR multiplier	Overall vesting % of target	Number of shares vesting	Value of shares vesting ('000)
Nick Read	1,432,123	572,849	100.2%	1.00 times	100.2%	573,708	£816
Margherita Della Valle[1]	306,547	153,273	100.6%	N/A	100.6%	154,254	£220
Vittorio Colao[2]	3,078,938	1,231,575	100.2%	1.00 times	100.2%	925,066	£1,316

Notes:
1 These performance shares reflect an award granted to Margherita Della Valle prior to her appointment to the Board (including indicative dividend equivalent shares). The award was subject to adjusted free cash flow performance in line with the ranges outlined above.
2 The number and value of shares vesting for Vittorio Colao reflect the pro-rated amount paid in respect of time served.

These share awards will vest on 30 June 2019. Specified procedures are performed by PricewaterhouseCoopers LLP over the adjusted free cash flow to assist with the Committee's assessment of performance. The performance assessment in respect of the TSR measure is undertaken by Willis Towers Watson. Details of how the plan works can be found in the Policy Report that was approved at the 2014 AGM.

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

The independent performance conditions for the 2019 long-term incentive awards made in June 2018 are adjusted free cash flow and TSR performance as follows:

Adjusted FCF Performance (2/3 of total award)	Adjusted FCF performance (€bn)	Vesting percentage (% of FCF element)
Below threshold	<15.15	0%
Threshold	15.15	18%
Target	17.00	40%
Maximum	18.85	100%

TSR Performance (1/3 of total award)	TSR outperformance	Vesting percentage (% of TSR element)
Below threshold	Below median	0%
Threshold	Median	18%
Target	5.0% p.a. (65th percentile equivalent)	40%
Maximum	10.0% p.a. (80th percentile equivalent)	100%

TSR peer group				
Bharti	BT Group	Deutsche Telekom	Liberty Global	MTN
Orange	Royal KPN	Telecom Italia	Telefónica	

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Conditional awards of shares made to Executive Directors in June 2018 were as follows:

2019 GLTI performance share awards made in June 2018	Number of shares awarded: Target vesting level (40% of max)	Number of shares awarded: Maximum vesting level	Face value of shares awarded[1]: Target vesting level	Face value of shares awarded[1]: Maximum vesting level	Proportion of maximum award vesting at minimum performance	Performance period end
Nick Read	**1,311,217**	3,278,043	**£2,415,262**	£6,038,155	1/5th	31 Mar 2021
Margherita Della Valle	**798,132**	1,995,330	**£1,470,159**	£3,675,398	1/5th	31 Mar 2021

Note:
1 Face value calculated based on the closing share price on 25 June 2018 (day immediately preceding the date of grant) of 184.2 pence.

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

Outstanding awards

The structure for awards made in August 2017 (vesting August 2020) and June 2018 (vesting June 2021) is set out on the previous page. Further details on the structure of these awards, and relevant targets, can be found in the Annual Report on Remuneration of the relevant year.

All-employee share plans

During the year the Executive Directors were eligible to participate in the Vodafone Group Sharesave Plan which is open to UK all-employees.

The Vodafone Sharesave Plan is an HM Revenue & Customs ('HMRC') approved scheme open to all staff permanently employed by a Vodafone company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive Directors' participation is included in the option table on page 92.

Pensions (audited)

During the 2019 financial year the Executive Directors received a cash allowance of 24% of base salary until 27 July 2018, after which they received a cash allowance of 10% of base salary.

Margherita Della Valle accrued benefits of £6,801 under the defined contribution pension plan in respect of the period she served on the Board during the year. Neither Nick Read, Margherita Della Valle, or Vittorio Colao have participated in a defined benefit scheme whilst an Executive Director.

The Executive Directors are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which 2/3 of base salary, up to a maximum benefit determined by the insurer, would be provided until the state pension age. In respect of the Executive Committee members, the Group has made aggregate contributions of £264,818 (2018: £256,913) into defined contribution pension schemes.

Alignment to shareholder interests (audited)

Current levels of ownership by the Executive Directors, and the date by which the goal should be or should have been achieved, are shown below. The values are calculated using an average share price over the six months to 31 March 2019 of 149.27 pence.

Based on this valuation price, both Executive Directors are currently below their shareholding goals. In respect of Nick Read, this reflects a decrease in the valuation of his holding from 634% of salary, as stated in the 2018 report, to 402% as stated in the table below. This decrease is due to the 2019 measurement being calculated on Nick's latest base salary since becoming Chief Executive (compared to the 2018 figure which was based on his salary as Chief Financial Officer), and the movement in share price since the previous measurement date. The number of shares Nick has beneficial ownership of has increased from 2,113,416 to 2,825,550 over the same period.

Margherita Della Valle joined the Board on 27 July 2018 and will continue to work towards achieving her goal prior to July 2023.

At 31 March 2019	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of shares owned	Value of shareholding	Date for goal to be achieved
Nick Read	500%	402%	80%	2,825,550	£4.2m	July 2023
Margherita Della Valle	400%	180%	45%	846,302	£1.3m	July 2023
Vittorio Colao (position at retirement)	N/A	N/A	N/A	13,263,145	£19.8m	N/A

The shareholding goals include a post employment condition whereby the Executive Directors will be required to continue to meet their guideline until all long-term incentives have vested. If this condition is not met, then any unvested GLTI awards will normally be forfeited.

Collectively the Executive Committee including the Executive Directors owned 17,221,392 million Vodafone shares at 31 March 2019, with a value of over £25.7 million. None of the Executive Committee members' shareholdings amounts to more than 1% of the issued shares in that class of share, excluding treasury shares.

Directors' interests in the shares of the Company (audited)

A summary of interests in shares and scheme interests of the Directors who served during the year is given below. Margherita Della Valle's outstanding GLTR shares were granted prior to her appointment to the Board. More details of the performance shares and options follows.

At 31 March 2019	Total number of interests in shares (at maximum)[1]	Share Plans: Unvested without performance conditions (Granted prior to appointment to the Board)	Share Plans: Unvested with performance conditions (at target)	Share Plans: Unvested with performance conditions (at maximum)	Share options: SAYE (unvested without performance conditions)
Executive Directors					
Nick Read	9,222,245	–	2,553,440	6,383,603	13,292
Margherita Della Valle	3,573,007	146,276	1,090,679	2,580,429	–
Vittorio Colao (position at retirement)	19,307,917	–	2,412,378	6,030,946	13,826
Total	**32,103,169**	**146,276**	**6,056,497**	**14,994,978**	**27,118**

Note:
1 This includes both owned shares and the maximum number of unvested shares.

Annual Report on Remuneration (continued)

The total number of interests in shares includes interests of connected persons, unvested share awards and share options.

At 31 March 2019	Total number of interests in shares
Non-Executive Directors	
Sanjiv Ahuja	14,000 (ADRs)[1]
Sir Crispin Davis	34,500
Michel Demaré	100,000
Dr Mathias Döpfner (position upon retirement)	11,500
Dame Clara Furse	75,000
Valerie Gooding	28,970
Renee James	27,272
Samuel Jonah	30,190
Gerard Kleisterlee	220,000
Maria Amparo Moraleda Martinez	30,000
David Nish	107,018

Note:
1 One ADR is equivalent to ten ordinary shares.

At 14 May 2019 and during the period from 1 April 2019 to 14 May 2019, no Director had any interest in the shares of any subsidiary company. Other than those individuals included in the tables above who were Board members at 31 March 2019 members of the Group's Executive Committee at 31 March 2019 had an aggregate beneficial interest in 13,549,540 ordinary shares of the Company. At 14 May 2019 the Directors had an aggregate beneficial interest in 4,464,802 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 12,801,032 ordinary shares of the Company. The change in the number of shares held by the Executive Committee reflects a change in membership during this period. None of the Directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company's ordinary shares.

The Directors' total number of interests in shares did not change during the period from 1 April 2019 to 14 May 2019.

Performance shares

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

GLTI performance share awards	2017 award Awarded: June 2016 Performance period ending: March 2019 Vesting date: June 2019 Share price at grant: 216.8 pence	2018 award Awarded: August 2017[1] Performance period ending: March 2020 Vesting date: August 2020[1] Share price at grant: 224.0 pence[1]	2019 award Awarded: June 2018 Performance period ending: March 2021 Vesting date: June 2021 Share price at grant: 184.2 pence
Nick Read	1,432,123	1,673,437	3,278,043
Margherita Della Valle[1]	259,174	260,764	1,995,330
Vittorio Colao	3,078,938	2,952,008	–

Note:
1 Margherita Della Valle's 2018 award was granted in June 2017 at a price of 223.7 pence and will subsequently vest in June 2020.

Details of the performance conditions for the awards can be found on page 90. Margherita Della Valle's 2017 and 2018 awards are subject to adjusted free cash flow only.

Share options

The following information summarises the Executive Directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE'). HMRC approved awards may be made under all of the schemes mentioned. No other Directors have options under any schemes and, other than under the SAYE, no options have been granted since 2007. Options under the Vodafone Group 2008 Sharesave Plan were granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

	Grant date	At 1 April 2018 or date of appointment Number of shares	Options granted during the 2019 financial year Number of shares	Options exercised during the 2019 financial year Number of shares	Options lapsed during the 2019 financial year Number of shares	Options held at 31 March 2019 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence	Gain on exercise
Nick Read											
SAYE	Mar 2017	4,854	–	–	–	4,854	154.51	Apr 2022	Sep 2022	–	–
SAYE	Jul 2017	8,438	–	–	–	8,438	177.75	Sep 2022	Feb 2023	–	–
Total		**13,292**	**–**	**–**	**–**	**13,292**				**–**	**–**

Note:
1 The closing trade share price on 31 March 2019 was 139.80 pence. The highest trade share price during the year was 213.95 pence and the lowest price was 131.36 pence.

At 14 May 2019 there had been no change to the Directors' interests in share options from 31 March 2019.

Other than those individuals included in the table above, at 14 May 2019 members of the Group's Executive Committee held options for 36,952 ordinary shares at prices ranging from 154.5 pence to 189.2 pence per ordinary share, with a weighted average exercise price of 162.4 pence per ordinary share exercisable at dates ranging from 1 September 2019 to 1 April 2022.

Margherita Della Valle, Hannes Ametsreiter, Aldo Bisio, António Coimbra, Ahmed Essam, Rosemary Martin, Joakim Reiter, Serpil Timuray and Leanne Wood held no options at 14 May 2019.

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Loss of office payments (audited)

Vittorio Colao retired on 30 September 2018 having worked four months and 17 days of his 12 month notice period. Vittorio was entitled to receive payments in lieu of notice each month for the remainder of his notice period subject to mitigation. Vittorio received the equivalent of six months salary (£575,000) for the period 1 October 2018 to 31 March 2019. The remaining payments in lieu of notice in respect of the period from 1 April 2019 to 14 May 2019 (£139,113) were paid in April 2019 and May 2019 respectively.

Since Vittorio was employed for part of the 2019 financial year his annual bonus payment (as disclosed on pages 88 and 89) was pro-rated for time served (i.e. to 30 September 2018). Vittorio's 2017 GLTI award, the final vesting of which is described on page 90, will also be pro-rated for time worked and will vest at the normal vesting date.

Vittorio's outstanding 2018 GLTI award will be pro-rated on a time worked basis and will vest, subject to performance, at the normal vesting date in accordance with the share plan rules.

Vittorio received no further payments other than those stated above, and, other than the pro-rated 2018 GLTI award detailed above, will receive no further payments or benefits aside from the provision of a SIM card for his personal use at the Company's expense for a period of three years commencing 1 October 2018.

Payments to past Directors (audited)

During the 2019 financial year Lord MacLaurin received benefit payments in respect of security costs as per his contractual arrangements. These costs exceeded our de minimis threshold of £5,000 p.a. and, including the tax paid, were £23,186 (2018: £9,411).

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

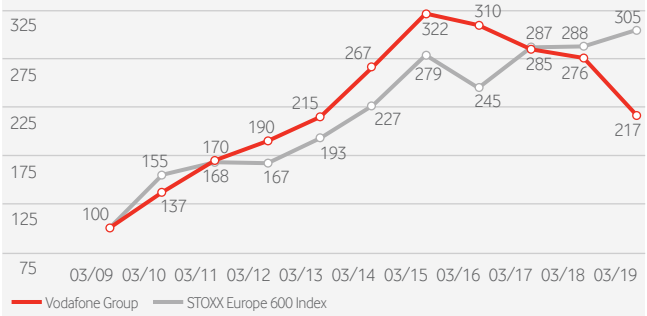
During the year ended 31 March 2019 Nick Read served as a non-executive director on the board of Booker Holdings Inc. where he retained fees of $335,000. Margherita Della Valle served as a non-executive director on the board of Centrica plc where she retained fees of £66,651 in respect of the period since 27 July 2018. Margherita stepped down from the board of Centrica plc on 12 May 2019.

Vittorio Colao served as a non-executive director on the boards of Unilever N.V. and Unilever PLC. Vittorio retained fees of €63,500 in respect of the period to 30 September 2018 (2017: €54,474 and £42,500).

Assessing pay and performance

In the table below we summarise the Chief Executive's single figure remuneration over the past ten years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period. The chart below shows the performance of the Company relative to the STOXX Europe 600 Index over a ten year period. The STOXX Europe 600 Index was selected as this is a broad-based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the chart on page 90 and not this chart.

Ten year historical TSR performance
(growth in the value of a hypothetical €100 holding over ten years)



Financial year remuneration for Chief Executive	2010[1]	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Single figure of total remuneration £'000	3,350	7,022	15,767	11,099	8,014	2,810	5,224	6,332	7,389	2,864[2]	1,657[3]
Annual variable element (actual award versus max opportunity)	64%	62%	47%	33%	44%	56%	58%	47%	64%	44%	
Long-term incentive (vesting versus max opportunity)	25%	31%	100%	57%	37%	0%	23%	44%	67%	40%	

Notes:
1 The single figure reflects share awards which were granted in 2006 and 2007, prior to Vittorio Colao's appointment to Chief Executive in 2008.
2 Reflects the single figure in respect of Vittorio Colao for the period to 30 September 2018.
3 Reflects the single figure in respect of Nick Read for the period from 1 October 2018.

Change in the Chief Executive's remuneration between 2018 and 2019

In the table below we show the percentage change in the Chief Executive's remuneration (salary, taxable benefits and annual bonus payment) between the 2018 and 2019 financial years compared to the average for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2018 (per capita). Vodafone has employees based all around the world and some of these individuals work in countries with very high inflation therefore a comparison to Vodafone's UK-based Group employees is more appropriate than to all employees.

In line with the regulations, the table below calculates the percentage change in the Chief Executive's remuneration by comparing Nick Read's 2019 remuneration with Vittorio Colao's 2018 remuneration. This reflects the change in incumbent as detailed on page 88.

	Percentage change from 2018 to 2019	
Item	Chief Executive	Other Vodafone Group employees employed in the UK
Base salary	-17.7%	5.1%
Taxable benefits	16.0%	1.5%
Annual bonus	-37.3%	-23.9%

Annual Report on Remuneration (continued)

CEO pay ratio

The following table sets out our CEO pay ratio figures in respect of 2019. Although disclosure in this area is not required until 2020, the Committee agreed that given the methodology for calculating these figures is now available, it was appropriate to disclose early.

The CEO single figure used in the calculation of the 2019 ratios reflects a blended figure for Vittorio Colao and Nick Read, recognising the change in incumbency for this role during the year.

CEO Single Figure: £4,522k

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option B	174:1	111:1	60:1

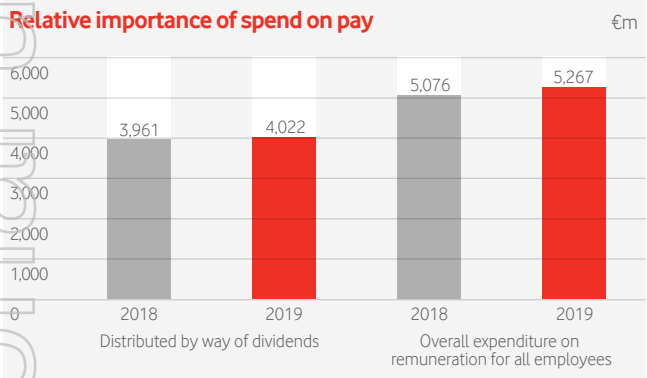
The calculation methodology used reflects Option B as defined under the relevant regulations. This utilises data analysed within our Gender Pay Gap report, with employees at the three quartiles identified from this analysis and their respective single figure values calculated.

To ensure this data accurately reflects individuals at such quartiles, the single figure values for individuals immediately above and below the identified employee at each quartile within the Gender Pay Gap analysis were also reviewed.

Year	Supporting information	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Salary	£22.7k	£36.4k	£65.0k
	Total pay	£26.1k	£40.8k	£75.5k

Relative spend on pay

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



For more details on dividends and expenditure on remuneration for all employees, please see pages 144 and 171 respectively.

2019 remuneration for the Chairman and Non-Executive Directors (audited)

	Salary/fees		Benefits[1]		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Chairman						
Gerard Kleisterlee	644	625	86	85	730	710
Senior Independent Director						
Valerie Gooding	165	157	7	10	172	167
Non-Executive Directors						
Sanjiv Ahuja (appointed 9 November 2018)	45	–	–	–	45	–
Sir Crispin Davis	115	115	1	5	116	120
Michel Demaré (appointed 1 February 2018)	115	19	17	6	132	25
Dame Clara Furse	115	115	2	6	117	121
Renee James[2]	139	139	17	19	156	158
Samuel Jonah[2]	151	151	15	12	166	163
Maria Amparo Moraleda Martinez (appointed 1 June 2017)	115	96	18	21	133	117
David Nish	140	132	37	24	177	156
Former Non-Executive Directors						
Dr Mathias Döpfner (retired 27 July 2018)	38	115	–	5	38	120
Total	**1,782**	**1,664**	**200**	**193**	**1,982**	**1,857**

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

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2020 remuneration

Details of how the Remuneration Policy will be implemented for the 2020 financial year are set out below.

As set out in the Letter from the Remuneration Committee Chairman, prior to reviewing executive remuneration arrangements the Committee was fully briefed on remuneration arrangements elsewhere in the business. This included a detailed discussion on the structure of remuneration offerings at each level of the business and how pay at these levels is determined.

The cumulative effect of these discussions was that the Committee was able to make decisions in respect of executive remuneration within the context of how, and appreciating the rationale for why, remuneration arrangements evolve across the different levels within the organisation.

2020 base salaries

In March 2019 the Committee reviewed executive remuneration arrangements against the following comparator groups:

1) A EuroTop peer group constituting the top 50 European companies (excluding financial services companies) and a few other select companies relevant to the TelCo sector; and

2) The FTSE 30 (excluding financial services companies).

Following this review, the Committee agreed that the salaries for both the Chief Executive and Chief Financial Officer would remain unchanged at:

- Chief Executive: Nick Read £1,050,000; and
- Chief Financial Officer: Margherita Della Valle £700,000.

The average salary increase for Executive Committee members will be 1.6% – this compares to a budget of 2.1% which is based on an average of the relevant local market budget for each Executive Committee member,

Pension

Pension arrangements for both the Chief Executive and the Chief Financial Officer will remain unchanged at 10% of salary, in line with the level for the wider UK population.

2020 annual bonus ('GSTIP')

The performance measures and weightings for 2020, are outlined below.

- service revenue (25%);
- adjusted EBIT (25%);
- adjusted free cash flow (25%); and
- customer appreciation KPIs (25%). This includes an assessment of churn, revenue market share, and Net Promoter Score[1] ('NPS').

Note:
1 The assessment of NPS utilises data collected in our local markets which is validated for quality and consistency by independent third party agencies.

The customer appreciation metric was introduced in the 2016 financial year with a weighting of 40%. This reflected our significant focus at the time on Customer Experience and Customer Obsession which formed the core of our CXX strategic programme.

Whilst customer experience remains crucial to our future success, the key aims of the CXX programme are now embedded in our day-to-day business. As such, for 2020, we will rebalance the performance conditions by equally weighting all measures at 25%.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2020 Remuneration Report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2020

Awards for 2020 will be made in line with the arrangements described in our policy on pages 82 to 84. Vesting of the 2020 award will be subject to the performance of adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award). The details for the 2020 award targets are provided in the table below (with linear interpolation between points).

Following the annual review of the performance measures which included a review of analysis provided by the Committee's external advisers, the Committee decided that, in light of its geographical focus compared to our own strategic priorities, Bharti should be removed from the peer group for the 2020 award. Full details of the peer group for the 2020 award are provided on the following page.

The Committee further determined that the TSR outperformance range for the 2020 award should continue to be set at the 65th and 80th percentile equivalents for target and maximum performance respectively. For the 2020 award, this equates to outperformance of 4.25% p.a. at target and 8.50% p.a. at maximum.

Adjusted FCF Performance (2/3 of total award)	Adjusted FCF performance (€bn)	Vesting percentage (% of FCF element)
Below threshold	<15.85	0%
Threshold	15.85	18%
Target	17.70	40%
Maximum	19.55	100%

Annual Report on Remuneration (continued)

TSR Performance (1/3 of total award)	TSR outperformance	Vesting percentage (% of TSR element)
Below threshold	Below median	0%
Threshold	Median	18%
Target	4.25% p.a. (65th percentile equivalent)	40%
Maximum	8.50% p.a. (80th percentile equivalent)	100%

TSR peer group			
BT Group	Deutsche Telekom	Liberty Global	MTN
Orange	Royal KPN	Telecom Italia	Telefónica

2020 remuneration for the Chairman and Non-Executive Directors

For the 2019 review the fees for our Chairman and non-executives have been benchmarked against the FTSE 30 (excluding financial services companies). Following the review it was agreed that no changes will be made to the current fee levels which are set out in the table below.

Position/role	Fee payable £'000
Chairman[1]	650
Non-Executive Director	115
Additional combined fee for Senior Independent Director and Chairman of the Remuneration Committee	50
Additional fee for Chairmanship of Audit and Risk Committee	25

Note:
1 The Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.

For 2020 the allowance payable each time a non-Europe-based Non-Executive Director is required to travel to attend Board and Committee meetings to reflect the additional time commitment involved is £6,000.

Further remuneration information

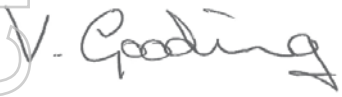
Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Investment Association. The current estimated dilution from subsisting executive awards, including the planned June 2019 awards, is approximately 2.7% of the Company's share capital at 31 March 2019 (2.7% at 31 March 2018), whilst from all-employee share awards it is approximately 0.3% (0.4% at 31 March 2018). This gives a total dilution of 3.0% (3.1% at 31 March 2018).

Service contracts

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

This report on remuneration has been approved by the Board of Directors and signed on its behalf by:



Valerie Gooding
Chairman of the Remuneration Committee
14 May 2019

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Our US listing requirements

As Vodafone's American depositary shares are listed on NASDAQ Stock Market LLC ('NASDAQ'), we are required to disclose a summary of any material differences between the corporate governance practices we follow and those of US companies listed on NASDAQ. Vodafone's corporate governance practices are primarily based on UK requirements but substantially conform to those required of US companies listed on NASDAQ. The material differences are set out in the following table:

Board member independence	Different tests of independence for Board members are applied under the 2016 UK Corporate Governance Code (the 'Code') and the NASDAQ listing rules. The Board is not required to take into consideration NASDAQ's detailed definitions of independence as set out in the NASDAQ listing rules. The Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, each of Vodafone's Non-Executive Directors is independent within the meaning of those requirements.
Committees	The NASDAQ listing rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee's purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisers. – Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent Non-Executive Directors. – Our Remuneration Committee is composed entirely of independent Non-Executive Directors. – Our Audit and Risk Committee is composed entirely of Non-Executive Directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Securities Exchange Act 1934. – We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website at vodafone.com/governance. – These terms of reference are generally responsive to the relevant NASDAQ listing rules, but may not address all aspects of these rules.
Code of Ethics and Code of Conduct	Under the NASDAQ listing rules, US companies must adopt a Code of Conduct applicable to all directors, officers and employees that complies with the definition of a "code of ethics" set out in section 406 of the Sarbanes-Oxley Act. – We have adopted a Code of Ethics that complies with section 406 of the Sarbanes-Oxley Act which is applicable only to the senior financial and principal executive officers, and which is available on our website at vodafone.com/governance. – We have also adopted a separate Code of Conduct which applies to all employees.
Quorum	The quorum required for shareholder meetings, in accordance with our Articles of Association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ listing rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.
Related party transactions	In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ listing rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the 'Listing Rules'), the Companies Act 2006 and our Articles of Association. Further, we use the definition of a transaction with a related party as set out in the Listing Rules, which differs in certain respects from the definition of related party transaction in the NASDAQ listing rules.
Shareholder approval	When determining whether shareholder approval is required for a proposed transaction, we comply with both the NASDAQ listing rules and the Listing Rules. Under the NASDAQ listing rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

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Directors' report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 31 March 2019.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure Guidance and Transparency Rule ('DTR') 4. Certain information that fulfils the requirements of the Directors' report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' report by reference.

Responsibility statement

As required under the DTRs, a statement made by the Board regarding the preparation of the financial statements is set out on pages 100 and 101 which also provides details regarding the disclosure of information to the Company's auditors and management's report on internal control over financial information.

Going concern

The going concern statement required by the Listing Rules and the UK Corporate Governance Code (the 'Code') is set out in the "Directors' statement of responsibility" on page 101.

System of risk management and internal control

The Board is responsible for maintaining a risk management and internal control system and for managing principal risks faced by the Group. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material mistreatment or loss. This is described in more detail in the Audit and Risk Committee report on pages 71 to 76.

The Board has implemented in full the FRC "Guidance on Risk Management Internal Control and related Financial and Business Reporting" for the year and to the date of this Annual Report. The resulting procedures, which are subject to regular monitoring and review, provide an ongoing process for identifying, evaluating and managing the Company's principal risks (which can be found on pages 44 to 51).

Corporate governance statement

The corporate governance statement setting out how the Company complies with the Code and which includes a description of the main features of our internal control and risk management arrangements in relation to the financial reporting process is set out on pages 52 to 96. The information required by DTR 7.2.6R can be found in the "Shareholder information" section on pages 214 to 220. A description of the composition and operation of the Board and its Committees including the Board Diversity Policy is set out on pages 68 to 70. The Code can be viewed in full at frc.org.uk.

Strategic Report

The Strategic Report is set out on pages 6 to 51 and is incorporated into this Directors' report by reference.

Directors and their interests

The Directors of the Company who served during the financial year ended 31 March 2019 and up to the date of signing the financial statements are as follows: Gerard Kleisterlee, Vittorio Colao, Nick Read, Margherita Della Valle, Sanjiv Ahuja, Sir Crispin Davis, Michel Demaré, Dr Mathias Döpfner, Dame Clara Furse, Valerie Gooding, Renee James, Samuel Jonah, Amparo Moraleda and David Nish. A summary of the rules relating to the appointment and replacement of Directors and Directors' powers can be found on page 216. Details of Directors' interests in the Company's ordinary shares, options held over ordinary shares, interests in share options and long-term incentive plans are set out on pages 77 to 96.

Directors' conflicts of interest

Established within the Company is a procedure for managing and monitoring conflicts of interest for Directors. Details of this procedure are set out on page 69.

Directors' indemnities

In accordance with our Articles of Association and to the extent permitted by law, Directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. In addition, we maintained a Directors' and officers' liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Disclosures required under Listing Rule 9.8.4

The information on the amount of interest capitalised and the treatment of tax relief can be found in notes 5 and 6 to the consolidated financial statements respectively. The remaining disclosures required by Listing Rule 9.8.4 are not applicable to Vodafone.

Capital structure and rights attaching to shares

All information relating to the Company's capital structure, rights attaching to shares, dividends, the policy to repurchase the Company's own shares, details of Company share repurchases and other shareholder information is contained on pages 34 and 214 to 220.

Change of control

Details of change of control provisions in the Company's revolving credit facilities are set out in note 21 "Capital and financial risk management".

Information on agreements between the Company and its Directors providing for compensation for loss of office of employment (including details of change of control provisions in share schemes) is set out on pages 85 and 86. Subject to that, there are no agreements between the Company and its employees providing for compensation for loss of office of employment that occurs because of a takeover bid.

Dividends

Full details of the Company's dividend policy and proposed final dividend payment for the year ended 31 March 2019 are set out on page 34 and note 9 to the consolidated financial statements.

Sustainability

Information about the Company's approach to sustainability risks and opportunities is set out on pages 36 to 41. Also included on these pages are details of our greenhouse gas emissions.

Political donations

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

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 21 to the consolidated financial statements and disclosures relating to exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 21.

Important events since the end of the financial year

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in the Strategic Report and note 30 to the consolidated financial statements.

Future developments within the Group

The Strategic Report contains details of likely future developments within the Group.

Group policy compliance

Each Group policy is owned by a member of the Executive Committee so that there is clear accountability and authority for ensuring the associated business risk is adequately managed. Regional Chief Executives and the senior leadership team member responsible for each Group function have primary accountability for ensuring compliance with all Group policies by all our markets and entities. Our Group compliance team and policy champions support the policy owners and local markets in implementing policies and monitoring compliance. All of the key Group policies have been consolidated into the Vodafone Code of Conduct which applies to all employees and those who work for or on behalf of Vodafone. It sets out the standards of behaviour expected in relation to areas such as insider dealing, bribery and raising concerns through the whistle blowing process (known internally as Speak Up).

Branches

The Group, through various subsidiaries, has branches in a number of different jurisdictions in which the business operates. Further details are included in note 32.

Employee disclosures

Vodafone is an inclusive employer and diversity is important to us. We give full and fair consideration to applications for employment by disabled persons and the continued employment of anyone incurring a disability while employed by us. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability. Our disclosures relating to the employment of women in senior management roles, diversity, employee engagement and policies are set out on pages 42 and 43.

By Order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

14 May 2019

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Reporting our financial performance

Focus on clear, effective and concise reporting

We continue to review the format of our consolidated financial statements with the aim of making them clearer and easier to follow. To help you navigate to information that might be important to you, three key matters in the year were:

Adoption of IFRS 9 and IFRS 15 Future adoption of IFRS 16

We include detailed disclosures in note 1 "Basis of preparation" relating to the impact of adopting IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" in the current financial year and further information regarding the adoption of IFRS 16 "Leases" in the 2020 financial year.

115 For more information

Vodafone Idea

On 31 August 2018, the Group combined its operations in its subsidiary, Vodafone India with Idea Cellular Limited, to create Vodafone Idea Limited, a company jointly controlled by Vodafone and the Aditya Birla Group. See note 26 "Acquisitions and disposals" for further details.

178 For more information

Impairment

We include details of the €3.5 billion impairment charge recorded in respect of the Group's investments in Spain, Romania and Vodafone Idea in note 4 "Impairment losses".

130 For more information

100 Directors' statement of responsibility

102 Audit report on the consolidated and Company financial statements

111 Consolidated financial statements:

111 Consolidated income statement
111 Consolidated statement of comprehensive income
112 Consolidated statement of financial position
113 Consolidated statement of changes in equity
114 Consolidated statement of cash flows

115 Notes to the consolidated financial statements:

115 1. Basis of preparation

Income statement

124 2. Revenue disaggregation and segmental analysis
129 3. Operating (loss)/profit
130 4. Impairment losses
136 5. Investment income and financing costs
137 6. Taxation
142 7. Discontinued operations and assets and liabilities held for sale
144 8. Earnings per share
144 9. Equity dividends

Financial position

145 10. Intangible assets
147 11. Property, plant and equipment
149 12. Investments in associates and joint arrangements
153 13. Other investments
154 14. Trade and other receivables
155 15. Trade and other payables
156 16. Provisions
157 17. Called up share capital

Cash flows

157 18. Reconciliation of net cash flow from operating activities
158 19. Cash and cash equivalents
159 20. Borrowings and capital resources
162 21. Capital and financial risk management

Employee remuneration

170 22. Directors and key management compensation
171 23. Employees
172 24. Post employment benefits
176 25. Share-based payments

Additional disclosures

178 26. Acquisitions and disposals
180 27. Commitments
182 28. Contingent liabilities and legal proceedings
186 29. Related party transactions
187 30. Subsequent events
188 31. IAS 18 basis primary statements
191 32. Related undertakings
199 33. Subsidiaries exempt from audit

200 Other unaudited financial information:

200 Prior year operating results

206 Company financial statements of Vodafone Group Plc

206 Company statement of financial position of Vodafone Group Plc
207 Company statement of changes in equity of Vodafone Group Plc

208 Notes to the Company financial statements:

208 1. Basis of preparation
210 2. Fixed assets
210 3. Debtors
211 4. Other investments
211 5. Creditors
212 6. Called up share capital
212 7. Share-based payments
212 8. Reserves
213 9. Equity dividends
213 10. Contingent liabilities and legal proceedings
213 11. Other matters

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Directors' statement of responsibility

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations and keeping proper accounting records. Detailed below are statements made by the Directors in relation to their responsibilities, disclosure of information to the Company's auditors, going concern and management's report on internal control over financial reporting.

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Financial statements and accounting records

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the Directors, whose names and functions are listed on pages 56 and 57 confirm that, to the best of their knowledge:

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

The Directors are also responsible under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and in doing so have regard for the needs of wider society and stakeholders, including customers, consistent with the Group's core and sustainable business objectives.

Having taken advice from the Audit and Risk Committee, the Board considers the report and accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

Disclosure of information to the auditors

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

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Going concern

The Group's business activities, performance, position, principal risks and uncertainties and the Directors' assessment of its long-term viability are set out in the Strategic Report on pages 50 and 51.

In addition, the financial position of the Group is included in "Borrowings and capital resources" and "Capital and financial risk management" in notes 20 and 21 respectively to the consolidated financial statements, which include disclosure in relation to the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group believes it adequately manages or mitigates its solvency and liquidity risks through two primary processes, described below.

Business planning process and performance management

The Group's forecasting and planning cycle consists of three in-year forecasts, a budget and a long-range plan. These generate income statement, cash flow and net debt projections for assessment by Group management and the Board.

Each forecast is compared with prior forecasts and actual results so as to identify variances and understand the drivers of the changes and their future impact so as to allow management to take action where appropriate. Additional analysis is undertaken to review and sense check the key assumptions underpinning the forecasts.

Cash flow and liquidity reviews

The business planning process provides outputs for detailed cash flow and liquidity reviews, to ensure that the Group maintains adequate liquidity throughout the forecast periods. The prime output is a one year liquidity forecast which is prepared and updated on a daily basis which highlights the extent of the Group's liquidity based on controlled cash flows and the headroom under the Group's undrawn revolving credit facility ('RCF').

The key inputs into this forecast are:

- free cash flow forecasts, with the first three months' inputs being sourced directly from the operating companies (analysed on a daily basis), with information beyond this taken from the latest forecast/budget cycle;
- bond and other debt maturities; and
- expectations for shareholder returns, spectrum auctions and M&A activity.

The liquidity forecast shows two scenarios assuming either maturing commercial paper is refinanced or no new commercial paper issuance. The liquidity forecast is reviewed by the Group Chief Financial Officer and included in each of her reports to the Board.

In addition, the Group continues to manage its foreign exchange and interest rate risks within the framework of policies and guidelines authorised and reviewed by the Board, with oversight provided by the Treasury Risk Committee.

Conclusion

The Group has considerable financial resources, and the Directors believe that the Group is well placed to manage its business risks successfully. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and accounts.

Controls over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Group's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the Directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

Any internal control framework, no matter how well designed, has inherent limitations including the possibility of human error and the circumvention or overriding of the controls and procedures, and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2019 based on the updated Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in 2013. Based on management's assessment, management has concluded that internal control over financial reporting was effective at 31 March 2019. During the period covered by this document, there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

By Order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

14 May 2019

Audit report on the consolidated and Company financial statements

Independent auditors' report to the members of Vodafone Group Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Vodafone Group Plc's Consolidated Group financial statements and Company financial statements (together the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's loss and cash flows for the year then ended;
- the Consolidated Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Consolidated Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 31 March 2019; the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended; the Consolidated statement of cash flows for the year then ended, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Consolidated Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the Consolidated Group financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 April 2018 to 31 March 2019.

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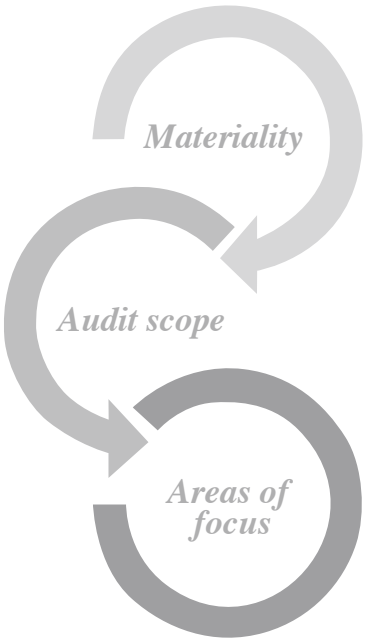
Our audit approach

Overview



Materiality

- Overall Group materiality: €250 million (2018: €225 million), based on 5% of three year average of 'Adjusted Operating Profit' ("AOP") for combined continuing and discontinued operations.
- Overall Company materiality: €185 million (2018: €165 million), based on 1% of total assets, limited so as not to exceed 75% of Group materiality.

Audit scope

- We identified seven local markets, which, in our view, required an audit of their complete financial information, either due to their size or due to their risk characteristics comprising Germany, UK, Vodacom South Africa, Spain, Italy, Turkey and India.
- Further specific audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury and material provisions and contingent liabilities, were performed at the Group's Head Office.

Key audit matters

- Revenue recognition – accuracy of revenue recorded given the complexity of systems and impact of IFRS 15.
- Carrying value of goodwill and intangible assets including impairment charges.
- Taxation matters.
- Provisions and contingent liabilities.
- Significant one-off transactions.
- Accuracy of share of results and valuation of investments in significant joint ventures including Vodafone Idea and VodafoneZiggo.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to privacy, anti-bribery, competition, anti-money laundering and economic sanctions (see page 48 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the UK Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Assessment of matters reported on the Group's whistleblowing log and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in respect of the significant accounting estimates, including the impact of the application the new revenue standard, the carrying value of goodwill and intangible assets including impairment charges, recognition and recoverability of deferred tax assets, and provisions and contingent liabilities related to pending litigations and withholding tax claims (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Audit report on the consolidated and Company financial statements (continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – accuracy of revenue recorded given the complexity of systems and the impact of the application of IFRS 15 There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models (tariff structures, incentive arrangements, discounts etc.). The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates. In addition, the new standard on revenue recognition, IFRS 15, was adopted from 1 April 2018. The new standard has a material impact on the Group. On adoption, Vodafone has applied the cumulative retrospective method to recognise the cumulative effect of the transition directly in equity as of 1 April 2018. Initial recognition has led to an increase in retained earnings within total equity of €2.5 billion as of 1 April 2018. Refer to note 1 – "Basis of preparation" of the Group financial statements and Audit and Risk Committee report on pages 71 to 76.	We instructed seven component audit teams in full Group scope to undertake audit procedures over the accuracy of recording of revenue including procedures related to the changes in revenue recognition resulting from the adoption of IFRS 15. Our audit approach included assessing the design and testing the operating effectiveness of controls and substantive procedures covering, in particular: – testing the IT environment in which rating, billing, revenue recognition adjustments and other relevant support systems reside, including the change control procedures in place around systems relating to material revenue streams. This included systems related to the reporting of revenue in accordance with IFRS 15; – testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing included validating material journals processed between the billing systems and general ledger; – performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills; – testing cash receipts for a sample of customers back to the customer invoice; and – performing tests on the accuracy of revenue recognition adjustments arising from the adoption of IFRS 15 on a sample basis. Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year. We also considered the application of the Group's accounting policies to amounts billed and the accounting implications of new business models to assess whether the Group's accounting policies were appropriate for these models and were followed.
Carrying value of goodwill and intangible assets including impairment charges The Group has goodwill of €23.4 billion contained within 18 cash generating units ('CGUs'). With the continued difficult macro-economic environment in Europe and the changing regulatory environment globally the risk that goodwill and intangible assets are impaired increases. As a result, impairment charges amounting to €3.2 billion to goodwill have been recognised in respect of Spain and Romania in the current period. For the CGUs which contain goodwill, the determination of recoverable amount, being the higher of fair value less costs of disposal and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's view of variables such as future average revenue per user, average customer numbers and customer churn, timing and approval of future capital, spectrum and operating expenditure and the most appropriate discount rate. Refer to note 4 – "Impairment losses" and note 10 – "Intangible assets" of the Group financial statements and the Audit and Risk Committee report on pages 71 to 76.	We evaluated the appropriateness of management's identification of the Group's CGUs and tested the design and operating effectiveness of controls over the impairment assessment process, including indicators of impairment. With the support of our valuation experts, we benchmarked and challenged key assumptions in management's valuation models used to determine recoverable amount against external data, including assumptions of projected EBITDA, projected capital expenditure, projected licence and spectrum payments, projected long-term growth rates and projected discount rates. We compared the accuracy of historical forecasting to actual results and we performed testing of the mathematical accuracy of the cash flow models and challenged and agreed the inclusion of the key assumptions to the Board approved long-term plan. Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range. We evaluated the impairment charges recorded during the year with reference to the relevant long-term plan including consideration of how local market conditions had been incorporated in the plan. We performed detailed testing on the impairment charges recorded, including assessment of the key assumptions in management's valuation models included in the long-term plan. We validated the appropriateness of the related disclosures in note 4 and note 10 of the financial statements.

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Key audit matter	How our audit addressed the key audit matter
Taxation matters The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transfer pricing, indirect taxes and transaction-related tax matters. We focused on matters relating to the legal claim in respect of withholding tax on the acquisition of Hutchison Essar Limited and the recognition and recoverability of deferred tax assets in Luxembourg, Germany and Spain as follows: Provisioning claim for withholding tax – there continues to be uncertainty regarding the resolution of the legal claim from the Indian authorities in respect of withholding tax on the acquisition of Hutchison Essar Limited. Recognition and recoverability of deferred tax assets in Luxembourg, Germany and Spain- significant judgement is required in relation to the recognition and recoverability of deferred tax assets, particularly in respect of losses in Luxembourg and Germany amounting to €21.4 billion and €2.7 billion respectively. Refer to note 6 – "Taxation" and note 28 – "Contingent liabilities and legal proceedings" of the Group financial statements and Audit and Risk Committee report on pages 71 to 76.	We gained an understanding of the status of the Indian tax investigations and monitored changes in the disputes including consideration of external advice received by the Group, where relevant, to establish that the tax provisions were appropriately adjusted to reflect the latest external developments. We evaluated the design and implementation of controls in respect of the recognition and recoverability of deferred tax assets. In respect of deferred tax assets, we used our tax specialists to assess the recoverability of losses from a tax perspective through performing the following: – understanding how losses arose and where they are located, including to which sub-groups they are attributed; – considering whether the losses can be reversed based on the ability to generate profits in excess of past losses; – comparing historical forecasting to actual results; – considering the impact of recent regulatory developments, as applicable; – assessing any restrictions on future use of losses; and – determining whether any of the losses will expire. In addition, we assessed the application of International Accounting Standard 12 – Income Taxes including: – understanding the triggers for recognition of deferred tax assets; – considering the effects of tax planning strategies; – testing the mathematical accuracy of the cash flow models and challenging and agreeing the key assumptions in the board approved management plan; – in respect of the Luxembourg deferred tax assets we assessed management's view of the Group's likelihood of generating future taxable profits to support the recoverability of the deferred tax asset; and – in respect of the derecognition of the Spain deferred tax asset, we assessed management's view of the recoverability period and the probability of losses being utilised. We determined that the carrying value of deferred tax assets at 31 March 2019 was supported by management's plans, including intercompany funding arrangements. We validated the appropriateness of the related disclosures in note 6 and note 28 of the financial statements, including the disclosures made in respect of the utilisation period of deferred tax assets.

Audit report on the consolidated and Company financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities There are a number of threatened and actual legal, regulatory and tax cases against the Group. There is a high level of judgement required in estimating the level of provisioning required in certain of these cases. Refer to note 1 – " Basis of preparation", note 16 – "Provisions" and note 28 – "Contingent liabilities and legal proceedings" of the Group financial statements and Audit and Risk Committee report on pages 71 to 76.	For legal, regulatory and tax matters our procedures included the following: – testing key controls over litigation, regulatory and tax matters; – performing substantive procedures on the underlying calculations supporting the provisions recorded; – where relevant, reading external legal opinions obtained by management; – meeting with regional and local management and reading relevant Group correspondence; – discussing open matters with the Group litigation, regulatory, general counsel and tax teams; – assessing management's conclusions through understanding precedents set in similar cases; and – circularisation, where appropriate, of relevant third party legal representatives and direct discussion with them regarding certain material cases. We used our tax specialists to gain an understanding of the current status of the tax cases and monitored changes in the disputes by reading external advice received by the Group, where relevant, to establish that the tax provisions had been appropriately adjusted to reflect the latest external developments. Based on the evidence obtained, while noting the inherent uncertainty with such legal, regulatory and tax matters, we determined the level of provisioning at 31 March 2019 to be appropriate. We validated the completeness and appropriateness of the related disclosures in note 16 and note 28 of the financial statements and concluded that the disclosure was sufficient.
Significant one-off transactions Accounting for acquisitions, disposals and other forms of collaboration, requires the exercise of judgements over the accounting and disclosure for the transactions specific to the Vodafone India – Idea Cellular merger. Refer to note 7 – "Discontinued operations and assets and liabilities held for sale" and note 26 – "Acquisitions and disposals" of the Group financial statements and Audit and Risk Committee report on pages 71 to 76.	We evaluated the appropriateness of the accounting treatment and challenged management's basis for accounting for the loss on disposal of the Vodafone India operations. We assessed the accounting in the Group financial statements in respect of the Group's investment in Vodafone Idea including management's determination that the investment should be accounted for as a joint venture. We engaged our valuation specialists to assess the valuation methodology in determining the fair value of the Group's investment in Vodafone Idea and validated the accounting on formation of the joint venture. We reviewed the relevant disclosures in the Annual Report.
Accuracy of share of results and valuation of investments in significant joint ventures including Vodafone Idea and VodafoneZiggo The share of results of equity accounted associates and joint ventures was material as of 31 March 2019. The majority was contributed by the Group's share of the results from Vodafone Idea and VodafoneZiggo. The carrying values of the investments in Vodafone Idea and VodafoneZiggo are assessed for impairment with reference to the recoverable amounts. Refer to note 12 – "Investment in associates and joint arrangements" of the Group financial statements and Audit and Risk Committee report on pages 71 to 76.	We obtained a full scope audit opinion from the local auditors of Vodafone Idea. We instructed the local auditors and performed oversight and review of their audit work. This included meeting with the local auditors and understanding the audit risks, approach and results of their work. We challenged management's assessment of the carrying value of its investment in Vodafone Idea at 31 March 2019 and satisfied ourselves that the recoverable amount exceeded the carrying value with reference to the share price of Vodafone Idea. We performed specified audit procedures for VodafoneZiggo and assessed management's review of the carrying value of the Group's investment in VodafoneZiggo with reference to the relevant long-term plan for the business. We tested the equity accounting of joint ventures and we reviewed the relevant disclosures in the Annual Report.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

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How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates in 25 countries across two regions; "Europe" and "Rest of the World". In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the local operations by us, as the Group engagement team, our component auditors within PwC UK, other PwC network firms and non-PwC firms operating under our instruction. Where component auditors performed the work, we determined the level of involvement we needed to have in the audit work at those local operations to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

The Group's local operations vary in size, with the seven local markets in Group scope (Germany including KDG, UK, Vodacom South Africa, Spain, Italy, Turkey and India; being Vodafone India for the five months period to 31 August 2018 and Vodafone Idea for the seven months period to 31 March 2019) representing 77% and 70% of the Group's revenue and AOP including Vodafone India. We identified these seven local markets as those components that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. Specific audit procedures over certain balances and transactions were also performed at both local market component and Group levels to give appropriate coverage of all material balances. The Group engagement team visited all seven local market components in scope for Group reporting during the audit cycle. These visits included meetings with local management, component auditors and review of audit working papers for these components. The lead audit partner or a senior member of the Group engagement team attended the year-end audit clearance meetings for the seven local markets in Group scope. Further specific audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury and material provisions and contingent liabilities, were performed at the Group's Head Office.

In response to the audit risk relating to the accuracy of share of results from joint ventures, we visited the component team of Vodafone Idea and obtained reporting in respect of the special purpose financial information from its auditor. The Group team performed specified audit procedures over the investment in and results of, VodafoneZiggo.

Also, audits for local statutory purposes are performed at a further 14 locations. Where possible, the timing of local statutory audits was accelerated to align to the Group audit timetable, with significant findings reported to the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	€250 million (2018: €225 million).	€185 million (2018: €165 million).
How we determined it	5% of three year average of 'Adjusted Operating Profit' ("AOP"), for combined continuing and discontinued operations.	1% of total assets, limited so as not to exceed 75% of Group materiality.
Rationale for benchmark applied	The Group's principal measure of earnings is operating profit adjusted for a number of items of income and expenditure as disclosed in note 2 of the Group financial statements. Management believes that this is a more helpful measure by which shareholders can assess the underlying performance of the Group. We took this measure into account in determining our materiality. In addition, we used a three year average given volatility in the measure year-on-year.	We believe that total assets is the most appropriate measure as Vodafone Group Plc acts as an investment holding parent company rather than a profit oriented trading company. However, materiality levels have been capped at 75% of Group materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €40 million and €160 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit and Risk Committee that we would report misstatements identified during our audit above €15 million (Group audit) (2018: €15 million) and €15 million (Company audit) (2018: €15 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Audit report on the consolidated and Company financial statements (continued)

Going concern

In accordance with ISAs (UK), we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' Statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06).

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 52) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06).

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 52) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06).

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06).

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The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 100 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 50 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 100, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 71 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The Directors' Statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06).

Audit report on the consolidated and Company financial statements (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' statement of responsibility set out on page 100, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 29 July 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2015 to 31 March 2019.

Andrew Kemp (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London, 14 May 2019

(a) The maintenance and integrity of the Vodafone Group Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
(c) Note that the report set out above is included for the purposes of Vodafone Group Plc's Annual Report for 2019 only and does not form part of Vodafone Group Plc's Annual Report on Form 20-F for 2019.

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Consolidated income statement

for the years ended 31 March

	Note	2019 €m	2018 €m	2017 €m
Revenue	2	**43,666**	**46,571**	**47,631**
Cost of sales		(30,160)	(32,771)	(34,576)
Gross profit		**13,506**	**13,800**	**13,055**
Selling and distribution expenses		(3,891)	(4,011)	(4,349)
Administrative expenses		(5,410)	(5,116)	(5,491)
Net credit losses on financial assets[1]	21	(575)	(528)	(589)
Share of results of equity accounted associates and joint ventures		(908)	(59)	47
Impairment losses	4	(3,525)	–	–
Other (expense)/income	3	(148)	213	1,052
Operating (loss)/profit	3	**(951)**	**4,299**	**3,725**
Non-operating expense		(7)	(32)	(1)
Investment income	5	433	685	474
Financing costs	5	(2,088)	(1,074)	(1,406)
(Loss)/profit before taxation		**(2,613)**	**3,878**	**2,792**
Income tax (expense)/credit	6	(1,496)	879	(4,764)
(Loss)/profit for the financial year from continuing operations		**(4,109)**	**4,757**	**(1,972)**
Loss for the financial year from discontinued operations	7	**(3,535)**	**(1,969)**	**(4,107)**
(Loss)/profit for the financial year		**(7,644)**	**2,788**	**(6,079)**
Attributable to:				
– Owners of the parent		(8,020)	2,439	(6,297)
– Non-controlling interests		376	349	218
(Loss)/profit for the financial year		**(7,644)**	**2,788**	**(6,079)**
(Loss)/earnings per share				
From continuing operations:				
– Basic		(16.25)c	15.87c	(7.83)c
– Diluted		(16.25)c	15.82c	(7.83)c
Total Group:				
– Basic	8	(29.05)c	8.78c	(22.51)c
– Diluted	8	(29.05)c	8.76c	(22.51)c

Notes:
1 Amounts for the years ended 31 March 2018 and 31 March 2017 were previously reported within administration expenses.

Consolidated statement of comprehensive income

for the years ended 31 March

	Note	2019 €m	2018 €m	2017 €m
(Loss)/profit for the financial year:		**(7,644)**	**2,788**	**(6,079)**
Other comprehensive income/(expense):				
Items that may be reclassified to the income statement in subsequent years:				
Gains on revaluation of available-for-sale investments, net of tax[2]		–	9	2
Foreign exchange translation differences, net of tax		(533)	(1,909)	(1,201)
Foreign exchange losses/(gains) transferred to the income statement[1]		2,079	(80)	–
Fair value losses transferred to the income statement		–	–	4
Other, net of tax		243	(339)	110
Total items that may be reclassified to the income statement in subsequent years		**1,789**	**(2,319)**	**(1,085)**
Items that will not be reclassified to the income statement in subsequent years:				
Net actuarial losses on defined benefit pension schemes, net of tax	24	(33)	(70)	(272)
Total items that will not be reclassified to the income statement in subsequent years		**(33)**	**(70)**	**(272)**
Other comprehensive income/(expense)		**1,756**	**(2,389)**	**(1,357)**
Total comprehensive (expense)/income for the year		**(5,888)**	**399**	**(7,436)**
Attributable to:				
– Owners of the parent		(6,333)	187	(7,535)
– Non-controlling interests		445	212	99
		(5,888)	**399**	**(7,436)**

Notes:
1 For further information on the amount for the year ended 31 March 2019 see note 26 "Acquisitions and disposals".
2 Information relating to years ended 31 March 2018 and 31 March 2017 are presented under the Group's IAS 39 accounting policies.

Further details on items in the Consolidated statement of comprehensive income can be found in the consolidated statement of changes in equity on page 113.

Consolidated statement of financial position

at 31 March

	Note	31 March 2019 €m	31 March 2018 €m
Non-current assets			
Goodwill	10	23,353	26,734
Other intangible assets	10	17,652	16,523
Property, plant and equipment	11	27,432	28,325
Investments in associates and joint ventures	12	3,952	2,538
Other investments	13	870	3,204
Deferred tax assets	6	24,753	26,200
Post employment benefits	24	94	110
Trade and other receivables	14	5,170	4,026
		103,276	**107,660**
Current assets			
Inventory		714	581
Taxation recoverable		264	106
Trade and other receivables	14	12,190	9,975
Other investments	13	13,012	8,795
Cash and cash equivalents	19	13,637	4,674
		39,817	**24,131**
Assets held for sale	7	(231)	13,820
Total assets		**142,862**	**145,611**
Equity			
Called up share capital	17	4,796	4,796
Additional paid-in capital		152,503	150,197
Treasury shares		(7,875)	(8,463)
Accumulated losses		(116,725)	(106,695)
Accumulated other comprehensive income		29,519	27,805
Total attributable to owners of the parent		**62,218**	**67,640**
Non-controlling interests		1,227	967
Total non-controlling interests		**1,227**	**967**
Total equity		**63,445**	**68,607**
Non-current liabilities			
Long-term borrowings	20	48,685	32,908
Deferred tax liabilities	6	478	644
Post employment benefits	24	551	520
Provisions	16	1,242	1,065
Trade and other payables	15	2,938	2,843
		53,894	**37,980**
Current liabilities			
Short-term borrowings	20	4,270	8,513
Financial liabilities under put option arrangements[1]	21	1,844	1,838
Taxation liabilities		596	541
Provisions	16	1,160	891
Trade and other payables	15	17,653	16,242
		25,523	**28,025**
Liabilities held for sale	7	–	10,999
Total equity and liabilities		**142,862**	**145,611**

Notes:
1 Financial liabilities under put option arrangements comprise liabilities for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement; the amounts as at 31 March 2018 were previously presented within short-term borrowings.

The consolidated financial statements on pages 111 to 199 were approved by the Board of Directors and authorised for issue on 14 May 2019 and were signed on its behalf by:

Nick Read
Chief Executive

Margherita Della Valle
Chief Financial Officer

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Consolidated statement of changes in equity

for the years ended 31 March

	Share capital[1] €m	Additional paid-in capital[2] €m	Treasury shares €m	Retained losses €m	Other comprehensive income: Currency reserve[3] €m	Pensions reserve €m	Revaluation surplus[4] €m	Other[5] €m	Equity attributable to the owners €m	Non-controlling interests €m	Total equity €m
1 April 2016	4,796	151,694	(8,777)	(95,683)	30,741	(830)	1,227	157	83,325	1,811	85,136
Issue or reissue of shares	–	2	167	(150)	–	–	–	–	19	–	19
Share-based payments[6]	–	112	–	–	–	–	–	–	112	–	112
Transactions with non-controlling interests in subsidiaries	–	–	–	(12)	–	–	–	–	(12)	17	5
Dividends	–	–	–	(3,709)	–	–	–	–	(3,709)	(410)	(4,119)
Comprehensive expense	–	–	–	(6,297)	(1,082)	(272)	–	116	(7,535)	99	(7,436)
(Loss)/profit	–	–	–	(6,297)	–	–	–	–	(6,297)	218	(6,079)
OCI – before tax	–	–	–	–	(1,096)	(274)	–	158	(1,212)	(121)	(1,333)
OCI – taxes	–	–	–	–	14	2	–	(46)	(30)	2	(28)
Transfer to the income statement	–	–	–	–	–	–	–	4	4	–	4
Other	–	–	–	–	–	–	–	–	–	2	2
31 March 2017	**4,796**	**151,808**	**(8,610)**	**(105,851)**	**29,659**	**(1,102)**	**1,227**	**273**	**72,200**	**1,519**	**73,719**
Issue or reissue of shares[6]	–	(1,741)	1,882	(127)	–	–	–	–	14	–	14
Share-based payments[7]	–	130	–	–	–	–	–	–	130	–	130
Transactions with non-controlling interests in subsidiaries[8]	–	–	–	805	–	–	–	–	805	311	1,116
Disposal of subsidiaries[9]	–	–	–	–	–	–	–	–	–	(769)	(769)
Dividends	–	–	–	(3,961)	–	–	–	–	(3,961)	(306)	(4,267)
Comprehensive income	–	–	–	2,439	(1,852)	(70)	–	(330)	187	212	399
Profit	–	–	–	2,439	–	–	–	–	2,439	349	2,788
OCI – before tax	–	–	–	–	(1,641)	(94)	–	(342)	(2,077)	(140)	(2,217)
OCI – taxes	–	–	–	–	(131)	24	–	12	(95)	3	(92)
Transfer to the income statement	–	–	–	–	(80)	–	–	–	(80)	–	(80)
Purchase of treasury shares[10]	–	–	(1,735)	–	–	–	–	–	(1,735)	–	(1,735)
31 March 2018 as reported	**4,796**	**150,197**	**(8,463)**	**(106,695)**	**27,807**	**(1,172)**	**1,227**	**(57)**	**67,640**	**967**	**68,607**
Adoption of IFRS 9[11]	–	–	–	(224)	–	–	–	27	(197)	(5)	(202)
Adoption of IFRS 15[11]	–	–	–	2,457	–	–	–	–	2,457	81	2,538
1 April 2018 brought forward	4,796	150,197	(8,463)	(104,462)	27,807	(1,172)	1,227	(30)	69,900	1,043	70,943
Issue or reissue of shares[6]	–	(1,741)	1,834	(92)	–	–	–	–	1	–	1
Share-based payments[7]	–	199	–	–	–	–	–	–	199	34	233
Issue of mandatory convertible bonds[12]	–	3,848	–	–	–	–	–	–	3,848	–	3,848
Transactions with non-controlling interests in subsidiaries	–	–	–	(129)	–	–	–	–	(129)	307	178
Dividends	–	–	–	(4,022)	–	–	–	–	(4,022)	(602)	(4,624)
Comprehensive expense	–	–	–	(8,020)	1,477	(33)	–	243	(6,333)	445	(5,888)
(Loss)/profit	–	–	–	(8,020)	–	–	–	–	(8,020)	376	(7,644)
OCI – before tax	–	–	–	–	(594)	(33)	–	290	(337)	73	(264)
OCI – taxes	–	–	–	–	(8)	–	–	(47)	(55)	(4)	(59)
Transfer to the income statement	–	–	–	–	2,079	–	–	–	2,079	–	2,079
Purchase of treasury shares[13]	–	–	(1,246)	–	–	–	–	–	(1,246)	–	(1,246)
31 March 2019	4,796	152,503	(7,875)	(116,725)	29,284	(1,205)	1,227	213	62,218	1,227	63,445

Notes:
1 See note 17 "Called up share capital".
2 Includes share premium, capital reserve, capital redemption reserve, merger reserve and share-based payment reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.
3 The currency reserve is used to record cumulative translation differences on the assets and liabilities of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.
4 The revaluation surplus derives from acquisitions of subsidiaries made before the Group's adoption of IFRS 3 (Revised) on 1 April 2010 and comprises the amounts arising from recognising the Group's pre-existing equity interest in the acquired subsidiary at fair value.
5 Principally includes the impact of the Group's cash flow hedges with €1,555 million net gain deferred to other comprehensive income during the year (2018: €1,811 million net loss; 2017: €787 million net gain) and €1,279 million net gain (2018: €1,460 million net loss; 2017: €654 million net gain) recycled to the income statement. These hedges primarily relate to foreign exchange exposure on fixed borrowings, with interest cash flows unwinding to the income statement over the life of the hedges and any foreign exchange on nominal balances impacting income statement at maturity (up to 2056). See note 21 "Capital and financial risk management" for further details.
6 Movements include the re-issue of 729.1 million shares (€1,742 million) in August 2017 and 799.1 million shares (€1,742 million) in February 2019 to satisfy the two tranches of the Mandatory Convertible Bond issued in February 2016.
7 Includes €4 million tax credit (2018: €8 million charge; 2017: €9 million credit).
8 See note 12 "Investments in associates and joint arrangements" for further details.
9 Relates to the disposal of Vodafone Qatar. See note 26 "Acquisitions and disposals" for further details.
10 Represents the irrevocable and non-discretionary share buyback programme announced on 25 August 2017.
11 Impact on adoption of IFRS 9 and IFRS 15 on 1 April 2018. See note 1.
12 Includes the equity component of the subordinated mandatory convertible bonds which were compound instruments issued in the year ended 31 March 2019.
13 Represents the irrevocable and non-discretionary share buyback programme announced on 28 January 2019.

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Consolidated statement of cash flows

for the years ended 31 March

	Note	2019 €m	2018 €m	2017 €m
Inflow from operating activities	18	**12,980**	**13,600**	**14,223**
Cash flows from investing activities				
Purchase of interests in subsidiaries, net of cash acquired	26	(87)	(9)	(28)
Purchase of interests in associates and joint ventures	26	–	(33)	499
Purchase of intangible assets	10	(3,098)	(3,246)	(2,576)
Purchase of property, plant and equipment	11	(5,053)	(4,917)	(6,285)
Purchase of investments	13	(3,629)	(3,901)	(2,219)
Disposal of interests in subsidiaries, net of cash disposed	26	(412)	239	2
Disposal of interests in associates and joint ventures		–	115	4
Disposal of property, plant and equipment	11	45	41	43
Disposal of investments		2,269	1,250	3,597
Dividends received from associates and joint ventures		498	489	433
Interest received		622	378	434
Cash flows from discontinued operations		(372)	(247)	(2,327)
Outflow from investing activities		**(9,217)**	**(9,841)**	**(8,423)**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares	17	7	20	25
Net movement in short-term borrowings		(541)	(534)	1,293
Proceeds from issue of long-term borrowings		14,681	4,440	7,326
Repayment of borrowings		(6,180)	(4,664)	(9,267)
Purchase of treasury shares		(475)	(1,766)	–
Issue of subordinated mandatory convertible bonds[1]		3,848	–	–
Equity dividends paid	9	(4,064)	(3,920)	(3,714)
Dividends paid to non-controlling shareholders in subsidiaries		(584)	(310)	(413)
Other transactions with non-controlling shareholders in subsidiaries		(221)	1,097	5
Other movements in loans with associates and joint ventures		42	(194)	70
Interest paid[2]		(1,297)	(991)	(1,264)
Cash flows from discontinued operations		(779)	(302)	(3,157)
Tax on financing activities		–	(110)	–
Inflow /(outflow) from financing activities		**4,437**	**(7,234)**	**(9,096)**
Net cash inflow/(outflow)		**8,200**	**(3,475)**	**(3,296)**
Cash and cash equivalents at beginning of the financial year	19	5,394	9,302	12,911
Exchange gain/(loss) on cash and cash equivalents		11	(433)	(313)
Cash and cash equivalents at end of the financial year	19	**13,605**	**5,394**	**9,302**

Note:
1 See note 20 "Borrowings and capital resources" for further details.
2 Amount for 2019 includes €131 million of cash outflow on derivative financial instruments for the share buyback related to the second tranche of the mandatory convertible bond that matured during the year. Amount for 2018 includes €140 million of cash inflow on derivative financial instruments for the share buyback related to the first tranche of the mandatory convertible bond that matured during the year.

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Notes to the consolidated financial statements

1. Basis of preparation

This section describes the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the financial statements, the policy is described within that note. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and are also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations. The consolidated financial statements are prepared on a going concern basis.

Vodafone Group Plc is incorporated and domiciled in England and Wales (registration number 1833679). The registered address of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

IFRS requires the Directors to adopt accounting policies that are the most appropriate to the Group's circumstances. These have been applied consistently to all the years presented, unless otherwise stated. In determining and applying accounting policies, Directors and management are required to make judgements and estimates in respect of items where the choice of specific policy, accounting judgement, estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows and disclosure of contingent assets or liabilities during the reporting period; it may later be determined that a different choice may have been more appropriate.

The Group's critical accounting judgements and key sources of estimation uncertainty are detailed below. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the financial statements and the estimates that are considered to be "critical estimates" due to their potential to give rise to material adjustments in the Group's financial statements in the year to 31 March 2020. As at 31 March 2019, management has identified critical judgements in respect of revenue recognition, the accounting for tax disputes in India, the classification of joint arrangements and whether to recognise provisions or to disclose contingent liabilities. In addition, management has identified critical accounting estimates in relation to the recovery of deferred tax assets, post employment benefits and impairments; estimates have also been identified that are not considered to be critical in respect of the allocation of revenue to goods and services, the useful economic lives of finite lived intangibles and property, plant and equipment.

The majority of the Group's provisions are either long term in nature (such as asset retirement obligations) or relate to shorter term liabilities (such as those relating to restructuring and property) where there is not considered to be a significant risk of material adjustment in the next financial year. Critical judgements are exercised in respect of tax disputes in India, including the cases relating to our acquisition of Hutchison Essar Limited (Vodafone India).

These critical accounting judgements, estimates and related disclosures have been discussed with the Group's Audit and Risk Committee.

Critical accounting judgements and key sources of estimation uncertainty

Revenue recognition

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant accounting judgements and source of estimation uncertainty are disclosed below.

Gross versus net presentation

If the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer; otherwise the Group is acting as an agent. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses (see note 2 "Revenue disaggregation and segmental analysis") but do not impact reported assets, liabilities or cash flows. Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group delivers third-party branded services (such as premium music or TV content) to customers.

Allocation of revenue to goods and services provided to customers

Revenue is recognised when goods and services are delivered to customers (see note 2). Goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services on a 'relative standalone selling price basis'; this requires the identification of performance obligations ('obligations') and the determination of standalone selling prices for the identified obligations. The determination of obligations is, for the primary goods and services sold by the Group, not considered to be a critical accounting judgement; the Group's policy on identifying obligations is disclosed in note 2. The determination of standalone selling prices for identified obligations is discussed below.

It is necessary to estimate the standalone price when the Group does not sell equivalent goods or services in similar circumstances on a standalone basis. When estimating the standalone price the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services

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Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves estimation and judgement in respect of certain matters, being principally:

Recognition of deferred tax assets

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses in Luxembourg, Germany and Spain as well as capital allowances in the United Kingdom.

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future.

The Group assesses the availability of future taxable profits using the same undiscounted five year forecasts for the Group's operations as are used in the Group's value in use calculations (see note 4 "Impairment losses").

Where tax losses are forecast to be recovered beyond the five year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

The estimated cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes, such as our ability to acquire and/or renew spectrum licences.

Changes in the estimates which underpin the Group's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

The Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits. See note 6 "Taxation" to the consolidated financial statements.

Uncertain tax positions

The tax impact of a transaction or item can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house tax experts when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The most significant judgement in this area relates to the Group's tax disputes in India, including the cases relating to the Group's acquisition of Hutchison Essar Limited (Vodafone India). Further details of these are included in note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Joint arrangements

The Group participates in a number of joint arrangements where control of the arrangement is shared with one or more other parties. Judgement is required to classify joint arrangements in a separate legal entity as either a joint operation or as a joint venture which depends on management's assessment of the legal form and substance of the arrangement taking into account relevant facts and circumstances such as whether the owners have rights to substantially all the economic outputs and, in substance, settle the liabilities of the entity.

The classification can have a material impact on the consolidated financial statements. The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively. See note 12 "Investments in associates and joint arrangements" to the consolidated financial statements.

Finite lived intangible assets

Other intangible assets include amounts spent by the Group acquiring licences and spectrum, customer bases and the costs of purchasing and developing computer software.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. Management's estimates of useful life have a material impact on the amount of amortisation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of intangible assets in the year to 31 March 2020 if these estimates were revised. The basis for determining the useful life for the most significant categories of intangible assets is discussed overleaf.

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Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Capitalised software

For computer software, the estimated useful life is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence.

Property, plant and equipment

Property, plant and equipment represents 19.2% (2018: 19.5%) of the Group's total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 11 "Property, plant and equipment" to the consolidated financial statements for further details.

Estimation of useful life

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Management's estimates of useful life have a material impact on the amount of depreciation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of property, plant and equipment in the year to 31 March 2020 if these estimates were revised.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology.

Post employment benefits

Management uses estimates when determining the Group's liabilities and expenses arising for defined benefit pension schemes. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in note 24 "Post employment benefits" to the consolidated financial statements.

Contingent liabilities

The Group exercises judgement to determine whether to recognise provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise.

Impairment reviews

IFRS requires management to perform impairment tests annually for indefinite lived assets, for finite lived assets and for equity accounted investments, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of highly uncertain matters including management's expectations of:

- growth in adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and amount of future capital expenditure, licence and spectrum payments;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

Management prepares formal five year forecasts for the Group's operations, which are used to estimate their value in use; a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the long -term compound annual growth rate in adjusted EBITDA in years six to ten estimated by management.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis, are included in note 4 "Impairment losses" to the consolidated financial statements.

For operations that are classified as held for sale, impairment testing requires management to determine whether the carrying value of the discontinued operation can be supported by the fair value less costs to sell. Where not observable in a quoted market, management have determined fair value less costs to sell by reference to the outcomes from the application of a number of potential valuation techniques, determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Accounting convention

The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, subsidiaries controlled by the Company (see note 32 "Related undertakings" to the consolidated financial statements) and joint operations that are subject to joint control (see note 12 "Investments in associates and joint arrangements" to the consolidated financial statements).

Significant new accounting pronouncements

Two significant new accounting standards, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", were adopted by the Group on 1 April 2018. The impact of adopting these new standards on the financial statements at 1 April 2018, and the key changes to the accounting policies previously applied by the Group, are disclosed below within this note on pages 120 to 123.

The Group's new IFRS 15 accounting policy is disclosed in note 2 "Revenue disaggregation and segmental analysis"; the Group's previous revenue accounting policy under IAS 18 "Revenue" is disclosed in note 31 "IAS 18 basis primary statements" together with disclosures of the Group's results for the year to 31 March 2019 on an IAS 18 basis. In addition, the segmental analysis of selected financial data in note 2 "Revenue disaggregation and segmental analysis" is prepared on an IAS 18 basis.

Foreign currencies

The consolidated financial statements are presented in euro, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the consolidated income statement and other changes in carrying amount are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets, such as investments in equity securities classified at fair value through other comprehensive income, are reported as part of the fair value gain or loss and are included in the consolidated statement of comprehensive income.

Share capital, share premium and other capital reserves are initially recorded at the functional currency rate prevailing at the date of the transaction and are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than euro are expressed in euro using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for each month and exchange differences arising are recognised directly in other comprehensive income. On disposal of a foreign entity, the cumulative amount previously recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

The net foreign exchange loss recognised in the consolidated income statement for the year ended 31 March 2019 is €2,277 million (31 March 2018: €476 million gain; 2017: €231 million loss). The net gains and net losses are recorded within operating profit (2019: €1 million charge; 2018: €65 million credit; 2017: €133 million charge), non-operating income and expense (2019: €nil ; 2018: €80 million credit; 2017: €127 million charge), investment and financing income (2019: €190 million charge; 2018: €322 million credit; 2017: €28 million charge), income tax expense (2019: €7 million charge; 2018: €9 million credit; 2017: €1 million credit) and loss for the financial year from discontinued operations 2019: €2,079 million charge (2018: €nil, 2017: €nil). The foreign exchange gains and losses included within other income and expense and non-operating income and expense arise on the disposal of discontinued operations, interests in joint ventures, associates and investments from the recycling of foreign exchange gains previously recognised in the consolidated statement of comprehensive income.

Current or non-current classification

Assets are classified as current in the consolidated statement of financial position where recovery is expected within 12 months of the reporting date. All assets where recovery is expected more than 12 months from the reporting date and all deferred tax assets, goodwill and intangible assets, property, plant and equipment and investments in associates and joint ventures are reported as non-current.

Liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. For provisions, where the timing of settlement is uncertain, amounts are classified as non-current where settlement is expected more than 12 months from the reporting date. In addition, deferred tax liabilities and post-employment benefits are reported as non-current.

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Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

New accounting pronouncements adopted on 1 April 2018

On 1 April 2018 the Group adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" details of the impact of adoption are provided below. In addition the following new accounting pronouncements, none of which were considered by the Group as significant on adoption, were adopted by the Group to comply with amendments to IFRS.

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts";
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (part of "Improvements to IFRS 2014-2016 Cycle");
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"; and
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

New accounting pronouncements to be adopted on 1 April 2019

On 1 April 2019 the Group will adopt IFRS 16 "Leases", which has been issued by the IASB and endorsed by the EU; this standard will have a significant impact on the Group's financial reporting. Additional information on the impact of this standard is discussed below.

The following pronouncements, which have also been issued by the IASB and endorsed by the EU are effective for annual periods beginning on or after 1 January 2019. The Group's financial reporting will be presented in accordance with these new standards, which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group, from 1 April 2019.

- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures";
- IFRIC 23 "Uncertainty over Income Tax Treatments";
- "Improvements to IFRS 2015-2017 Cycle";
- Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"; and
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation".

New accounting pronouncements to be adopted on or after 1 April 2020

In addition, the Group will adopt the following standards, which have been issued by the IASB and although not yet been endorsed by the EU:

- Amendment to IFRS 3 "Definition of a Business"; and
- Amendments to IAS 1 and IAS 8 "Definition of Material".

The Group's financial reporting will be presented in accordance with the new standards above, which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group, from 1 April 2020.

In addition, the Group will adopt IFRS 17 "Insurance contracts", which has been issued by the IASB but not yet been endorsed by the EU and is effective for accounting periods on or after 1 January 2021.

The Group's work to assess the impact of the accounting changes that will arise under IFRS 17 is continuing; however, the changes are not expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

IFRS 16 "Leases"

IFRS 16 "Leases" was issued in January 2016 to replace IAS 17 "Leases" and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group on 1 April 2019.

IFRS 16 changes lease accounting for lessees and will have a material impact on the Group's financial statements in particular:

- Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payments. The liability recorded for future lease payments will be for amounts payable for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Under IAS 17, liabilities are generally not recorded for future operating lease payments, which have been disclosed as commitments, see note 27 "Commitments".
- Lease costs will be recognised in the form of depreciation of the right to use the asset and interest on the lease liability which will generally be discounted at the incremental borrowing rate of the relevant Group entity although the interest rate implicit in the lease will be used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17, operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses (see note 3 "Operating (loss)/profit").
- Net cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as payments made at both lease inception and subsequently will be characterised as repayments of lease liabilities and interest. Net cash flows will not be impacted by IFRS 16.

Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group.

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

A high volume of transactions will be impacted by IFRS 16 and material judgements will be required in identifying and accounting for leases. The most significant judgements in applying IFRS 16 relate to lease identification and the determination of lease term:

- For most contracts there is limited judgement in determining whether an agreement contains a lease; however, where the Group has contracts for the use of fibre and other fixed telecommunication lines, judgement is required to determine whether the Group controls the line and has a lease. Where the Group has exclusive use of a line it is normally determined that the Group can also direct the use of the line and therefore leases will be recognised.
- Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature and purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

  The lease terms for real estate, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and:
  - Between 5 and 10 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
  - To the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
  - The asset life of the connected operations for leases of fibre and other fixed lines providing internal connectivity for the Group's operations; and
  - Service agreement length for individual customers for leases of fibre or other fixed lines used to provide services directly to individual end customers.

IFRS 16 will be adopted with the cumulative retrospective impact recorded as an adjustment to equity on the date of adoption. The Group will apply the following practical expedients allowed under IFRS 16:

- The right-of-use assets will generally be measured at an amount equal to the lease liability at adoption and initial direct costs incurred when obtaining leases will be excluded from this measurement. Existing lease prepayments will also be added to the value of the right of use assets on adoption and existing lease accruals will be deducted;
- The Group will rely on its onerous lease assessments under IAS 37 to impair right-of-use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption; and
- The Group will not be taking the short term or low value expedients in IFRS 16 for either transition or on-going accounting and instead will recognise such leases on the balance sheet.

The Group's current estimate of the primary pre-tax financial impact of these changes on the consolidated statement of financial position on adoption is the recognition of an additional lease liability at 1 April 2019 of between €9.5 billion and €10.5 billion. The additional lease liability does not equal the operating lease commitment disclosed in note 27 primarily because lease terms determined under IFRS 16 may be longer than under IAS 17 and because lease liabilities are discounted under IFRS 16.

The right of use asset recognised at 1 April 2019 is expected to be slightly higher than the lease liability, as the value of existing lease prepayments added to the balance is expected to exceed the value of accruals and provisions for onerous leases that are deducted. Overall, these transactions are expected to have no material impact on Group retained earnings.

The impact on the consolidated income statement for the year to 31 March 2020 will depend on factors that may occur during the year including new leases entered into, changes or reassessments of the Group's existing lease portfolio and changes to exchange rates or discount rates. However, the operating lease charges incurred in the year to 31 March 2019 were €3.8 billion (see note 3 "Operating (loss)/profit") and it is expected that a similar amount of lease depreciation and interest would have been recognised had IFRS 16 been applied in the year to 31 March 2019.

These impacts are based on the assessments undertaken to date. The exact financial impacts of the accounting changes of adopting IFRS 16 at 1 April 2019 may be revised. The Group will issue further details on the impact of adopting IFRS 16 as part of the interim financial statements for the six months ending 30 September 2019.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments", was adopted by the Group on 1 April 2018 and impacts the classification and measurement of the Group's financial instruments, revises the requirements for when hedge accounting can be applied and requires certain additional disclosures.

The primary impacts of applying IFRS 9 in the current financial period are disclosed overleaf and on page 123.

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Primary impacts of applying the IFRS 9 accounting policy

The cumulative retrospective impact of changes to the classification and measurement of financial instruments under IFRS 9 has been reflected by the Group as an adjustment to equity on the date of adoption. The accounting policies for financial instruments following the adoption of IFRS 9 are consistent with the Group's pre-existing policy under IAS 39 "Financial Instruments: Recognition and Measurement", except as set out below:

- Certain other cash and cash equivalent and short term investment amounts previously recorded at amortised cost are now classified as fair value through profit and loss ('FVPL'). The carrying values of these assets approximated to fair value and therefore there is no material impact from this reclassification.
- The carrying values of trade receivables and contract assets are reduced by the lifetime estimated future credit losses at the date of initial recognition where previously credit losses were not recognised on such assets until there was an indicator of impairment, such as a payment default (see page 122 for further information relating to expected credit losses recognised on adoption of IFRS 9).
- When the Group establishes a practice of selling receivables from time to time these portfolios, which were previously recorded at amortised cost, are recorded at fair value through other comprehensive income ('FVOCI'); the impact of this remeasurement is not material (see note 14 "Trade and other receivables").

Whilst hedge accounting requirements are revised under IFRS 9, these result in no material changes to the Group's hedge accounting (see note 21 "Capital and financial risk management").

On the date of initial application, 1 April 2018, the Group assessed which business models apply to the financial assets and financial liabilities held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are detailed in the table below with the impact on the carrying amounts relating solely to the recognition of loss allowances:

	Notes	31 March 2018 measurement category (IAS 39)[1]	1 April 2018 measurement category (IFRS 9)	31 March 2018 Carrying value (IAS 39) €m	Impact of adoption of IFRS 9 €m	1 April 2018 Carrying value (IFRS 9) €m
Financial assets						
Other investments	13					
Equity securities[2]		Available for sale	FVOCI	47	–	47
Long term debt securities		Loans and receivables	Amortised cost	3,157	(12)	3,145
Short term bond and debt securities		Loans and receivables	Amortised cost	830	–	830
Short term bond and debt securities		FVTPL	FVTPL	1,974	–	1,974
Short term bond and debt securities[3]		Loans and receivables	FVTPL	175	–	175
Managed investments funds		FVTPL	FVTPL	3,087	–	3,087
Managed investments funds[3]		Loans and receivables	FVTPL	804	–	804
Other investments – restricted deposits[3]		Loans and receivables	FVTPL	817	–	817
Other investments – restricted deposits		Loans and receivables	Amortised cost	565	–	565
Other investments – public debt and bonds		FVTPL	FVTPL	543	–	543
Trade and other receivables	14					
Trade receivables[4]		Loans and receivables	Amortised cost	5,402	(1,047)	4,355
Trade receivables[4]		Loans and receivables	FVOCI	–	877	877
Other receivables[4, 5]		Loans and receivables	Amortised cost	5,970	(71)	5,899
Derivative financial instruments		FVTPL	FVTPL	2,629	–	2,629
Cash and cash equivalents	19					
Cash at bank and in hand		Loans and receivables	Amortised cost	2,924	–	2,924
Money Market funds[6]		Loans and receivables	FVTPL	2,477	–	2,477
Financial liabilities						
Trade and other payables	15					
Trade and other payables		Loans and receivables	Amortised cost	16,702	–	16,702
Derivative financial instruments		FVTPL	FVTPL	2,383	–	2,383
Borrowings	20	Loans and receivables	Amortised cost	43,259	–	43,259
					(253)	

Notes
1 Under IAS 39, assets classified as held for trading and available-for-sale were stated at fair value. Where securities were held for trading purposes, gains and losses arising from changes in fair value were included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value were recognised directly in other comprehensive income, until the security was disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income, determined using the weighted average cost method, would be included in the net profit or loss for the period. Other assets classified as loans and receivables were stated at amortised cost using the effective interest method, less any impairment.
2 These are investments in other companies.
3 Investments reclassified from loans and receivables to fair value through profit and loss as the returns do not represent solely payment of principal and interest. Fair value approximates carrying value and there is no impact on transition.
4 Trade and other receivables classified as loans and receivables under IAS 39 were measured at amortised cost. The €241 million reduction in carrying value on adoption of IFRS 9 relates to €220 million in current assets and €21 million in non-current assets, See page 123.
5 The impact of adoption of IFRS 9 relates to contract asset balances.
6 Money market funds reclassified from loans and receivables to fair value through profit and loss as the returns on the funds do not represent solely payment of principal and interest. Fair value approximates carrying value and there is no impact on transition.

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Provisions for receivables, reflecting lifetime expected credit losses from the date of first recognition, have increased. The application of IFRS 9 resulted in additional impairment allowances at 1 April 2018 as follows:

	€m
Loss allowance at 31 March 2018 under IAS 39	**1,249**
Recognition of additional allowance on trade and other receivables at 1 April 2018	264
Loss allowance on contract assets recognised on adoption of IFRS 15[1]	78
Release of allowance for trade receivables reclassified to fair value through OCI	(23)
Loss allowance at 1 April 2018 under IFRS 9[1]	**1,568**

Note:
1 The loss allowance on contract assets recognised on adoption of IFRS 15 has increased to €78 million from €34 million disclosed in the condensed consolidated financial statements for the period ended 30 September 2018, published on 13 November 2018. As a result, the total loss allowance at 1 April 2018 has increased from €1,524 million previously reported to €1,568 million. The carrying value of contract assets and receivables at 1 April 2018 is unchanged from that previously reported.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was adopted by the Group on 1 April 2018 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption; the Group has not applied any other expedients in relation to the adoption or ongoing application of IFRS 15.

The primary impacts of applying IFRS 15 in the current financial period are disclosed below, on page 123 and in note 31 "IAS 18 basis primary statements".

Primary impacts of applying the IFRS 15 accounting policy

The primary impacts of applying the IFRS 15 ('current') accounting policy in place of the accounting policy applied in the annual report and accounts for the year ended 31 March 2018 (the 'previous policy') are:

- Under the previous policy, revenue allocated to obligations was restricted to the amount receivable without the delivery of additional goods or services; this restriction no longer applies under the current policy. The primary impact is that revenue allocated to equipment typically increases and revenue subsequently recognised for service delivery during the contract period typically decreases when the Group sells subsidised devices, such as handsets, together with airtime service agreements. The recognition of additional up-front unbilled equipment revenue is the primary driver for the increase in the contract asset value recorded under IFRS 15 (see page 123 and in note 14 "Trade and other receivables").
- Under the current policy, direct and incremental contract acquisition costs, such as commissions, are typically recognised in expenses over the related contract period; this generally leads to the later recognition of charges for such costs compared with the previous policy. The amounts of contract acquisition costs deducted from revenue as they are considered to relate to the funding of customer discounts are higher under the current policy than under the previous policy. Deferred contract acquisition costs recorded under the current policy are disclosed on page 123 and in note 14 "Trade and other receivables".
- Contract fulfilment costs are deferred under the current policy when the requirements for the deferral of expense recognition are met (see above and note 2 "Revenue disaggregation and segmental analysis"); such costs were generally expensed as incurred under previous policy. Deferred contract fulfilment costs recorded under the current policy are disclosed in on page 123 and in note 14 "Trade and other receivables".

Adoption of the IFRS 15 accounting policy in the Group's joint ventures and associates resulted in an increase to the carrying value of those investments.

The key causes of the movements recorded in the consolidated statement of financial position as a result of the adoption of IFRS 15 on 1 April 2018 are disclosed above. Due to the complexity and volume of the Group's contracts, it is not possible to separately quantity each of the underlying reasons giving rise to the increase in contract assets.

Certain changes have been made to the allocation of, and timing of recognition for, equipment and service revenue. As a result, contract assets have decreased by €6 million, contract liabilities have reduced by €100 million and net deferred tax liabilities have increased by €20 million at 1 April 2018 compared to that originally disclosed in the condensed consolidated financial statements for the period ended 30 September 2018, published on 13 November 2018. The increase in equity as a result of adopting IFRS 15 has increased by €74 million (from €2,464 million to €2,538 million)

Further information on the impact of adoption of IFRS 15 on the results for the year ended 31 March 2019 are detailed in note 31 "IAS 18 basis primary statements".

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Impact of the adoption of IFRS 9 and IFRS 15 on the opening balance sheet at 1 April 2018

The impact of the adoption of IFRS 9 and IFRS 15 on the consolidated statement of financial position at 1 April 2018 is set out below:

Consolidated statement of financial position	31 March 2018 €m	Impact of adoption of IFRS 9 €m	Impact of adoption of IFRS 15 €m	1 April 2018 €m
Non-current assets				
Goodwill	26,734	–	–	26,734
Other intangible assets	16,523	–	–	16,523
Property, plant and equipment	28,325	–	–	28,325
Investments in associates and joint ventures	2,538	–	227	2,765
Other investments	3,204	(12)	–	3,192
Deferred tax assets	26,200	50	(699)	25,551
Post employment benefits	110	–	–	110
Trade and other receivables	4,026	(21)	851	4,856
Of which: Contract assets	*350*	*(7)*	*500*	*843*
Trade receivables	*435*	*(14)*	*–*	*421*
Deferred acquisition costs	*–*	*–*	*340*	*340*
Fulfilment costs	*–*	*–*	*11*	*11*
	107,660	**17**	**379**	**108,056**
Current assets				
Inventory	581	–	39	620
Taxation recoverable	106	–	–	106
Trade and other receivables	9,975	(220)	2,349	12,104
Of which: Contract assets	*2,257*	*(64)*	*1,209*	*3,402*
Trade receivables	*4,967*	*(156)*	*–*	*4,811*
Deferred acquisition costs	*–*	*–*	*1,097*	*1,097*
Fulfilment costs	*–*	*–*	*43*	*43*
Other investments	8,795	–	–	8,795
Cash and cash equivalents	4,674	–	–	4,674
	24,131	**(220)**	**2,388**	**26,299**
Assets held for sale	13,820	–	–	13,820
Total assets	**145,611**	**(203)**	**2,767**	**148,175**
Equity				
Called up share capital	4,796	–	–	4,796
Additional paid-in capital	150,197	–	–	150,197
Treasury shares	(8,463)	–	–	(8,463)
Accumulated losses	(106,695)	(224)	2,457	(104,462)
Accumulated other comprehensive income	27,805	27	–	27,832
Total attributable to owners of the parent	**67,640**	**(197)**	**2,457**	**69,900**
Non-controlling interests	967	(5)	81	1,043
Total non-controlling interests	**967**	**(5)**	**81**	**1,043**
Total equity	**68,607**	**(202)**	**2,538**	**70,943**
Non-current liabilities				
Long-term borrowings	32,908	–	–	32,908
Deferred tax liabilities	644	(1)	142	785
Post employment benefits	520	–	–	520
Provisions	1,065	–	–	1,065
Trade and other payables	2,843	–	10	2,853
Of which: Contract liabilities	*237*	*–*	*10*	*247*
	37,980	**(1)**	**152**	**38,131**
Current liabilities				
Short-term borrowings	8,513	–	–	8,513
Financial liabilities under put option arrangements	1,838	–	–	1,838
Taxation liabilities	541	–	–	541
Provisions	891	–	–	891
Trade and other payables	16,242	–	77	16,319
Of which: Contract liabilities	*1,678*	*–*	*38*	*1,716*
Other payables	*1,346*	*–*	*39*	*1,385*
	28,025	**–**	**77**	**28,102**
Liabilities held for sale	10,999	–	–	10,999
Total equity and liabilities	**145,611**	**(203)**	**2,767**	**148,175**

Notes to the consolidated financial statements (continued)

2. Revenue disaggregation and segmental analysis

The Group's businesses are managed on a geographical basis. Selected financial data is presented on this basis below.

Accounting policies

Revenue

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services don't meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment such as set-top boxes and routers provided to customers and services provided to customers such as mobile and fixed line communication services. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Group's services) this does not, in isolation, prevent those goods or services from being assessed as separate obligations.

The Group determines the transaction price to which it expects to be entitled in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs.

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs. See "Critical accounting judgements and key sources of estimation uncertainty" in note 1 for details.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Group provides the related service during the agreed service period.
- Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

Where refunds are issued to customers they are deducted from revenue in the relevant service period.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from, and payments to, suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer, then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. See "Critical accounting judgements and key sources of estimation uncertainty" in note 1 for details.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either up-front at the time of sale or over the term of the related service agreement.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group; typically this is over the customer contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised (see above).

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Revenue disaggregation (IFRS 15 basis)

Revenue reported for the year includes revenue from contracts with customers, comprising service and equipment revenue, as well as other revenue items including revenue from leases and interest revenue arising for transactions with a significant financing component. The table below disaggregates the Group's revenue by reporting segment.

31 March 2019	Service revenue €m	Equipment revenue €m	Revenue from contracts with customers €m	Other revenue[1] €m	Interest revenue €m	Total segment revenue €m
Germany	9,145	1,077	10,222	139	29	10,390
Italy	5,030	722	5,752	97	8	5,857
UK	4,952	1,207	6,159	56	57	6,272
Spain	4,203	392	4,595	58	16	4,669
Other Europe	4,460	529	4,989	61	22	5,072
Eliminations	(110)	–	(110)	(6)	–	(116)
Europe	**27,680**	**3,927**	**31,607**	**405**	**132**	**32,144**
Vodacom	4,391	873	5,264	171	8	5,443
Other Markets	4,011	816	4,827	29	8	4,864
Rest of the World	**8,402**	**1,689**	**10,091**	**200**	**16**	**10,307**
Common Functions	477	37	514	1,003	–	1,517
Eliminations	(101)	(1)	(102)	(200)	–	(302)
Group	**36,458**	**5,652**	**42,110**	**1,408**	**148**	**43,666**

Note:
1 Other revenue largely represents lease revenues recognised under IAS 17 "Leases".

The total future revenue from the Group's contracts with customers with performance obligations not satisfied at 31 March 2019 is €18,447 million; of which €12,566 million is expected to be recognised within the next year and the majority of the remaining amount in the following 12 months.

Segmental analysis

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single group of similar services and products, being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm's-length prices.

Segment information is primarily provided on the basis of geographic areas, with the exception of Vodacom which encompasses South Africa and certain other smaller African markets, being the basis on which the Group manages its worldwide interests.

The aggregation of operating segments into the Europe and Rest of the World[1] regions reflects, in the opinion of management, the similar economic characteristics within each of those regions as well as the similar products and services offered and supplied, classes of customers and the regulatory environment. In the case of the Europe region this largely reflects membership of the European Union, while for the Rest of the World region this largely includes emerging and developing economies that are in the process of rapid growth and industrialisation.

Certain financial information is provided separately within the Europe region for Germany, Italy, the UK and Spain, and within the Rest of the World region for Vodacom, as this operating segment is individually material for the Group. The segmental revenue and profit of India are included in discontinued operations for all years reported until 31 August 2018, the date of disposal, and segmental assets and cash flows are included in assets and liabilities held for sale at 31 March 2018. See note 7 "Discontinued operations and assets and liabilities held for sale" and note 26 "Acquisitions and disposals" for details.

Segmental information is presented on an IAS 18 (pre-IFRS 15) basis as this is the basis of the information used for internal decision-making. The IAS 18 revenue policy is presented in note 31 "IAS 18 basis primary statements".

Note:
1 Previously Africa, Middle East and Asia Pacific (AMAP).

Notes to the consolidated financial statements (continued)

2. Segmental analysis (continued)

Segmental revenue and profit (IAS 18 basis)

	Segment revenue €m	Intra-region revenue €m	Regional revenue €m	Inter-region revenue €m	Group revenue €m	Adjusted EBITDA €m
31 March 2019						
Germany	10,952	(24)	10,928	(26)	10,902	4,098
Italy	5,882	(18)	5,864	(9)	5,855	2,189
UK	6,799	(16)	6,783	(20)	6,763	1,527
Spain	4,688	(24)	4,664	(4)	4,660	1,079
Other Europe	5,121	(34)	5,087	(28)	5,059	1,628
Europe	**33,442**	**(116)**	**33,326**	**(87)**	**33,239**	**10,521**
Vodacom	5,660	–	5,660	(6)	5,654	2,155
Other Markets	4,864	–	4,864	(15)	4,849	1,395
Rest of the World	**10,524**	**–**	**10,524**	**(21)**	**10,503**	**3,550**
Common Functions	1,518	–	1,518	(194)	1,324	68
Group (IAS 18 basis)	**45,484**	**(116)**	**45,368**	**(302)**	**45,066**	**14,139**
Impact of adoption of IFRS 15					**(1,400)**	
Group (IFRS 15 basis)					**43,666**	
31 March 2018						
Germany	10,847	(29)	10,818	(18)	10,800	4,010
Italy	6,204	(30)	6,174	(3)	6,171	2,329
UK	7,078	(21)	7,057	(7)	7,050	1,762
Spain	4,978	(35)	4,943	(2)	4,941	1,420
Other Europe	4,941	(45)	4,896	(10)	4,886	1,515
Europe	**34,048**	**(160)**	**33,888**	**(40)**	**33,848**	**11,036**
Vodacom	5,692	–	5,692	(7)	5,685	2,203
Other Markets	5,770	–	5,770	(25)	5,745	1,554
Rest of the World	**11,462**	**–**	**11,462**	**(32)**	**11,430**	**3,757**
Common Functions	1,408	–	1,408	(115)	1,293	(56)
Group	**46,918**	**(160)**	**46,758**	**(187)**	**46,571**	**14,737**
31 March 2017						
Germany	10,600	(32)	10,568	(21)	10,547	3,617
Italy	6,101	(30)	6,071	(1)	6,070	2,229
UK	6,925	(23)	6,902	(6)	6,896	1,212
Spain	4,973	(37)	4,936	(1)	4,935	1,360
Other Europe	6,128	(55)	6,073	(5)	6,068	1,865
Europe	**34,727**	**(177)**	**34,550**	**(34)**	**34,516**	**10,283**
Vodacom	5,294	–	5,294	–	5,294	2,063
Other Markets	6,479	–	6,479	(14)	6,465	1,791
Rest of the World	**11,773**	**–**	**11,773**	**(14)**	**11,759**	**3,854**
Common Functions	1,390	–	1,390	(34)	1,356	12
Group	**47,890**	**(177)**	**47,713**	**(82)**	**47,631**	**14,149**

For the years ending 31 March 2019, 2018 and 2017 total revenue recorded in respect of the sale of goods was €5,524 million, €4,718 million and €4,029 million respectively.

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The Group's measure of segment profit, adjusted EBITDA, excludes depreciation, amortisation, impairment loss, restructuring costs, loss on disposal of fixed assets, the Group's share of results in associates and joint ventures and other income and expense. A reconciliation of adjusted EBITDA to operating profit is shown below. For a reconciliation of operating profit to profit for the financial year, see the Consolidated income statement on page 111.

	2019 €m	2018 €m	2017 €m
Adjusted EBITDA	**14,139**	**14,737**	**14,149**
Depreciation, amortisation and loss on disposal of fixed assets	(9,665)	(9,910)	(10,179)
Share of adjusted results in equity accounted associates and joint ventures[1]	(291)	389	164
Adjusted operating profit	**4,183**	**5,216**	**4,134**
Impairment losses	(3,119)	–	–
Restructuring costs	(486)	(156)	(415)
Amortisation of acquired customer based and brand intangible assets	(583)	(974)	(1,046)
Other (expense)/income	(262)	213	1,052
Operating (loss)/profit (IAS 18 basis)	**(267)**	**4,299**	**3,725**
Impact of adoption of IFRS 15[2]	**(684)**		
Operating loss (IFRS 15 basis)	**(951)**		

Note:
1 Share of adjusted results in equity accounted associates and joint ventures excludes amortisation of acquired customer bases and brand intangible assets, restructuring costs and other costs of €0.6 billion (2018: €0.4 billion, 2017: €0.1 billion) which are included in amortisation of acquired customer base and brand intangible assets, restructuring costs and other income and expense respectively.
2 See note 31 "IAS 18 basis primary statements" for further details.

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Notes to the consolidated financial statements (continued)

2. Segmental analysis (continued)

Segmental assets and cash flow (IAS 18 basis)

	Non-current assets[1] €m	Capital expenditure[2] €m	Other expenditure on intangible assets €m	Depreciation and amortisation €m	Impairment loss €m	Operating free cash flow[3] €m
31 March 2019						
Germany	24,529	1,816	2	3,017	–	2,425
Italy	11,031	784	2,219	1,337	–	1,552
UK	7,405	804	408	1,612	–	689
Spain	7,730	813	216	1,318	(2,638)	443
Other Europe	7,210	775	42	1,073	(196)	861
Europe	**57,905**	**4,992**	**2,887**	**8,357**	**(2,834)**	**5,970**
Vodacom	5,503	810	91	758	–	1,379
Other Markets	3,429	626	34	673	(255)	769
Rest of the World	**8,932**	**1,436**	**125**	**1,431**	**(255)**	**2,148**
Common Functions	2,009	799	–	7	(30)	(1,047)
Group (IAS 18 basis)	**68,846**	**7,227**	**3,012**	**9,795**	**(3,119)**	**7,071**
Impact of adoption of IFRS 15	**(409)**	–	–	–	**(406)**	–
Group (IFRS 15 basis)	**68,437**	**7,227**	**3,012**	**9,795**	**(3,525)**	**7,071**
31 March 2018						
Germany	25,444	1,673	24	3,095	–	2,147
Italy	9,232	797	629	1,479	–	1,607
UK	7,465	889	–	1,600	–	408
Spain	10,576	863	–	1,371	–	628
Other Europe	7,441	710	93	1,092	–	788
Europe	**60,158**	**4,932**	**746**	**8,637**	**–**	**5,578**
Vodacom	5,841	763	1	776	–	1,453
Other Markets	3,607	729	–	923	–	725
Rest of the World	**9,448**	**1,492**	**1**	**1,699**	–	**2,178**
Common Functions	1,976	897	–	73	–	(755)
Group	**71,582**	**7,321**	**747**	**10,409**	**–**	**7,001**
31 March 2017						
Germany	26,694	1,671	–	3,320	–	1,749
Italy	9,157	793	2	1,603	–	1,161
UK	8,210	950	–	1,768	–	57
Spain	11,035	746	–	1,378	–	344
Other Europe	7,574	878	38	1,088	–	619
Europe	**62,670**	**5,038**	**40**	**9,157**	**–**	**3,930**
Vodacom	6,039	736	2	738	–	1,347
Other Markets	5,778	795	317	1,153	–	947
Rest of the World	**11,817**	**1,531**	**319**	**1,891**	–	**2,294**
Common Functions	1,937	915	–	38	–	(597)
Group	**76,424**	**7,484**	**359**	**11,086**	**–**	**5,627**

Notes:
1 Comprises goodwill, other intangible assets and property, plant and equipment.
2 Includes additions to property, plant and equipment and computer software, reported within intangibles. Excludes licences and spectrum additions.
3 The Group's measure of segment cash flow is reconciled to the closest equivalent GAAP measure, cash generated by operations, on page 232.

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3. Operating (loss)/profit

Detailed below are the key amounts recognised in arriving at our operating (loss)/profit

	2019 €m	2018 €m	2017 €m
Net foreign exchange losses/(gains)[1]	1	(65)	133
Depreciation of property, plant and equipment (note 11):			
Owned assets	5,795	5,963	6,253
Leased assets	59	47	12
Amortisation of intangible assets (note 10)	3,941	4,399	4,821
Impairment of goodwill in subsidiaries, associates and joint arrangements (note 4)	3,525	–	–
Staff costs (note 23)	5,267	5,295	5,519
Amounts related to inventory included in cost of sales	5,886	6,045	6,464
Operating lease rentals payable	3,826	3,788	3,976
Loss on disposal of property, plant and equipment and intangible assets	33	36	22
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(844)	(829)	(800)
Net gain on formation of VodafoneZiggo (note 26)[2]	–	–	(1,275)

Notes:
1 The year ended 31 March 2019 included €nil (2018: €80 million credit, 2017: €127 million charge) reported in other income and expense in the consolidated income statement.
2 Reported in other income and expense in the consolidated income statement.

The total remuneration of the Group's auditors, PricewaterhouseCoopers LLP and other member firms of PricewaterhouseCoopers International Limited, for services provided to the Group during the year ended 31 March 2019 is analysed below.

	2019 €m	2018 €m	2017 €m
Parent company	2	2	2
Subsidiaries	14	14	13
Subsidiaries – new accounting standards[1]	1	5	1
Audit fees:	**17**	**21**	**16**
Audit-related fees[2]	2	5	4
Non-audit fees:	**2**	**5**	**4**
Total fees	**19**	**26**	**20**

Notes:
1 Fees during the implementation phase of new accounting standards, notably preparations for IFRS 15 "Revenue from Contracts with Customers" in the year ended 31 March 2018 and preparations for IFRS 16 "Leases" in the year ended 31 March 2019.
2 Relates to fees for statutory and regulatory filings during the year. In addition, the amount for the year ended 31 March 2018 includes non-recurring fees that were incurred during the preparations for a potential IPO of Vodafone New Zealand and the merger of Vodafone India and Idea Cellular. The amount for the year ended 31 March 2017 primarily arose from work on regulatory filings prepared in anticipation of a potential IPO of Vodafone India that was under consideration prior to the agreement for the merger of Vodafone India and Idea Cellular.

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 71 to 76.

Notes to the consolidated financial statements (continued)

4. Impairment losses

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for each country in which we operate at least annually. For further details of our impairment review process see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.

Accounting policies

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Management prepares formal five year management plans for the Group's cash-generating units, which are the basis for the value in use calculations.

Property, plant and equipment and finite lived intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant and equipment, finite lived intangible assets and equity-accounted investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where there has been a change in the estimates used to determine recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the income statement.

Impairment losses

Following our annual impairment review, the impairment charges recognised in the consolidated income statement within operating profit are stated below. Further detail on the events and circumstances that led to the recognition of the impairments charges is included later in this note.

Cash generating unit	Reportable segment	**2019 €m**	2018 €m	2017 €m
Spain	Spain	2,930	–	–
Romania	Other Europe	310	–	–
Vodafone Idea	Other Markets	255	–	–
Other	Common Functions	30	–	–
		3,525	**–**	**–**

For the year ended 31 March 2019, the Group recorded a loss on disposal of Vodafone India of €3,420 million, including a loss on disposal of €1,276 million and a foreign exchange loss of €2,079 million which is included in discontinued operations. See note 26 "Acquisitions and disposals" for further details.

For the year ended 31 March 2018, the Group recorded a non-cash charge of €3,170 million (€2,245 million net of tax), included in discontinued operations, as a result of the re-measurement of Vodafone India's fair value less costs of disposal.

For the year ended 31 March 2017, the Group recorded a non-cash impairment charge of €4,515 million in respect of the Group's investment in India which, together with the recognition of an associated €840 million deferred tax asset, led to an overall €3,675 million reduction in the carrying value of Vodafone India, the results of which are included in discontinued operations. See note 7 "Discontinued operations and assets and liabilities held for sale" for further details.

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Goodwill

The remaining carrying value of goodwill at 31 March was as follows:

	2019 €m	2018 €m
Germany	12,479	12,479
Italy	3,654	3,654
	16,133	**16,133**
Other	7,220	10,601
	23,353	**26,734**

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Projected adjusted EBITDA	Projected adjusted EBITDA has been based on past experience adjusted for the following: – In Europe, mobile revenue is expected to benefit from increased usage as customers transition to higher data bundles, and new products and services are introduced. Fixed revenue is expected to continue to grow as penetration is increased and more products and services are sold to customers; and – In the Rest of the World, revenue is expected to continue to grow as the penetration of faster data-enabled devices and rises along with higher data bundle attachment rates, and new products and services are introduced. The segment is also expected to benefit from increased usage and penetration of M-Pesa in Africa; and – Margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Projected capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to increase capacity, meet the population coverage requirements of certain of the Group's licences and facilitate the continued growth in revenue and EBITDA discussed above. In Europe, capital expenditure is required to roll out capacity-building next generation 5G and gigabit networks. In the Rest of the World, capital expenditure will be required for the continued rollout of current and next generation mobile networks in emerging markets. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Projected licence and spectrum payments	To enable the continued provision of products and services, the cash flow forecasts for licence and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed.
Long-term growth rate	For businesses where the five year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: – the nominal GDP growth rate forecasts for the country of operation; and – the long-term compound annual growth rate in adjusted EBITDA in years six to ten estimated by management.
Pre-tax risk adjusted discount rate	The discount rate applied to the cash flows of each of the Group's operations is generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high-quality local corporate bond rates may be used. These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required return over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the long-term average equity market risk premium and the market risk premiums typically used by valuations practitioners.

Notes to the consolidated financial statements (continued)

4. Impairment losses (continued)

Year ended 31 March 2019

For the year ended 31 March 2019, the Group recorded impairment charges of €2.9 billion, €0.3 billion, and €0.3 billion in respect of the Group's investments in Spain, Romania and Vodafone Idea respectively. The impairment charges with respect to Spain and Romania relate solely to goodwill and the impairment charge with respect to Vodafone Idea relates to the joint venture's carrying value. All impairment charges are recognised in the consolidated income statement within operating (loss)/profit. The recoverable amounts for Spain and Romania are €7.1 billion and €0.7 billion respectively and are based on value in use calculations. The recoverable amount for the Group's stake in Vodafone Idea is €1.6 billion and is based on its fair value less costs of disposal.

Following challenging current trading and economic conditions, management has reassessed the expected future business performance in Spain. Following this reassessment, projected cash flows are lower and this has led to an impairment charge with respect to the Group's investment in Spain. The impairment charge with respect to the Group's investment in Romania was driven by an increase in the yield on Romanian government bonds which increased the discount rate and management's reassessment of the long-term growth rate applied beyond the five-year business plan.

Vodafone Idea Limited

The Group's investment in Vodafone Idea was tested for impairment at 31 March 2019 in accordance with applicable IFRS. Impairment testing was considered appropriate as a result of market conditions and declines in the quoted share price of the company during the period.

The market environment in India remains highly challenging with significant pricing pressure, which has led to industry consolidation but a significantly lower level of profitability and greater pressure on financing. Management continues to consider it reasonable to assume an overall market and pricing recovery, however the timing and magnitude remains highly uncertain. Accordingly, there are a wide range of potential outcomes in deriving a current view of future business performance, cash flows and debt financing requirements for value in use purposes.

Management has concluded that the fair value less costs of disposal based on an observable share price is the appropriate basis to determine the recoverable amount of the Group's investment in Vodafone Idea for the purpose of impairment testing for the year ended 31 March 2019. Where the recoverable amount is less than the investment's carrying amount, the carrying amount is reduced to the recoverable amount and an impairment is recognised.

The investment in Vodafone Idea was also tested for impairment as at 30 September 2018. The share price of INR38.55 implied a recoverable amount of INR152 billion (€1.8 billion) which was lower than the carrying value of the investment at the same date. An impairment charge of €0.3 billion was recognised to reduce the carrying value of the joint venture in the Group's consolidated statement of financial position.

Following the formal announcement of the terms of Vodafone Idea's rights issue on 20 March 2019, the Vodafone Idea share price went 'ex-rights' on 29 March 2019 and closed at INR18.25. Based on information available to management on 31 March 2019, the recoverable amount of the Group's investment in Vodafone Idea was determined based on key assumptions relating to the number of new shares to which management intended to subscribe (8.8 billion) and the associated cost under the terms of the rights issue (INR12.5 per share). After taking into account these key assumptions and the quoted share price, the recoverable amount of the Group's interest in Vodafone Idea was determined to be INR123 billion (€1.6 billion) as at 31 March 2019.

Vodafone Idea's share price is observable in a quoted market and is considered a level 1 input under the IFRS 13 fair value hierarchy. As management has also considered the observable and unquoted inputs related to the number and cost of the new shares to be issued under the rights issue, the recoverable amount quoted above is considered to be a level 2 valuation under the IFRS 13 fair value hierarchy.

The recoverable amount is €0.2 billion higher than the carrying value of the investment as at 31 March 2019 and no further changes to the carrying value or impairment charge recognised in September 2018 are required.

The carrying value of Vodafone Idea that has been tested for impairment is dependent on a wide range of assumptions, including the level of market pricing and the realisation of anticipated merger-related operating expenses and capital expenditure synergies. Should any of the assumptions not materialise, in whole or in part, these will impact the entity's expected future cash flows and may result in a future impairment. The carrying value is also dependent on the ability of the entity to refinance its liabilities as they fall due. Should this not be achievable, this will impact the liquidity of Vodafone Idea and will result in a future impairment, in whole or in part, of the Group's investment.

Based solely on the closing share price of Vodafone Idea on 13 May 2019, the recoverable amount of the Group's 45.2% interest would be €0.6 billion lower than the recoverable amount as at 31 March 2019. No adjustment has been made to the carrying value of the Vodafone Idea joint venture as this is considered a non-adjusting event.

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation			
	Germany %	Italy %	Spain %	Romania %
Pre-tax adjusted discount rate	8.3	10.5	9.3	11.1
Long-term growth rate	0.5	1.0	0.5	1.0
Projected adjusted EBITDA[1]	2.9	(0.1)	9.2	3.8
Projected capital expenditure[2]	16.9–19.9	12.2–12.5	17.1–18.4	12.1–12.7

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

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Sensitivity analysis

The estimated recoverable amount of the Group's operations in Germany, Italy, Spain and Romania exceed their carrying values by €7.4 billion, €2.7 billion, €0.5 billion and €0.1 billion respectively. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2019.

	Change required for carrying value to equal recoverable amount			
	Germany pps	Italy pps	Spain pps	Romania pps
Pre-tax risk adjusted discount rate	2.1	2.5	0.5	1.2
Long-term growth rate	(2.2)	(2.9)	(0.7)	(1.5)
Projected adjusted EBITDA[1]	(4.9)	(4.6)	(1.3)	(2.0)
Projected capital expenditure[2]	15.4	11.2	2.7	3.3

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Management considered the following reasonably possible changes in the key EBITDA[1] assumption while leaving all other assumptions unchanged. The associated impact on the impairment assessment is presented in the table below.

Management believes that no reasonably possible or foreseeable change in any of the other assumptions included in the table above would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

	Recoverable amount less carrying value		
	Decrease by 2pps €bn	Base case €bn	Increase by 2pps €bn
Germany	4.2	7.4	10.8
Italy	1.5	2.7	4.1
Spain	(0.3)	0.5	1.4
Romania	0.0	0.1	0.2

Note:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

The carrying values for Vodafone UK, Portugal and Ireland include goodwill arising from their acquisition by the Group and/or the purchase of operating licences or spectrum rights. While the recoverable amounts for these operating companies are not materially greater than their carrying value, each has a lower risk of giving rise to impairment that would be material to the Group given their relative size or the composition of their carrying value.

The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an impairment loss being recognised in the year ended 31 March 2019.

	Change required for carrying value to equal recoverable amount		
	UK pps	Ireland pps	Portugal pps
Pre-tax risk adjusted discount rate	0.7	1.2	0.7
Long-term growth rate	(0.9)	(1.4)	(0.7)
Projected adjusted EBITDA[1]	(1.9)	(2.7)	(1.4)
Projected capital expenditure[2]	3.3	8.4	3.4

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

VodafoneZiggo

Following the merger, the recoverable amount for VodafoneZiggo is not materially greater than its carrying value. If adverse impacts of economic, competitive, regulatory or other factors were to cause significant deterioration in the operations of VodafoneZiggo and the entity's expected future cash flows, this may lead to an impairment loss being recognised.

Notes to the consolidated financial statements (continued)

4. Impairment losses (continued)

Year ended 31 March 2018

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation			
	Germany %	Spain %	Italy %	Romania %
Pre-tax adjusted discount rate	8.3	9.7	10.4	9.8
Long-term growth rate	0.5	1.5	1.0	1.5
Projected adjusted EBITDA[1]	3.7	5.9	(2.6)	2.6
Projected capital expenditure[2]	16.6–18.8	16.8–17.4	12.1–13.3	11.9–14.6

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

The estimated recoverable amount of the Group's operations in Germany, Spain and Romania exceed their carrying values by €7.7 billion, €0.3 billion and €nil respectively. The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2018.

	Change required for carrying value to equal recoverable amount		
	Germany pps	Spain pps	Romania pps
Pre-tax risk adjusted discount rate	2.0	0.2	0.1
Long-term growth rate	(2.3)	(0.2)	(0.1)
Projected adjusted EBITDA[1]	(3.3)	(0.3)	(0.1)
Projected capital expenditure[2]	16.3	1.4	0.4

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

The carrying values for Vodafone UK, Portugal, Ireland and Czech Republic include goodwill arising from their acquisition by the Group and/or the purchase of operating licences or spectrum rights. While the recoverable amounts for these operating companies are not materially greater than their carrying value, each has a lower risk of giving rise to impairment that would be material to the Group given their relative size or the composition of their carrying value. The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an impairment loss being recognised in the year ended 31 March 2018.

	Change required for carrying value to equal recoverable amount			
	UK pps	Ireland pps	Portugal pps	Czech Republic pps
Pre-tax risk adjusted discount rate	0.5	0.6	1.0	3.1
Long-term growth rate	(0.6)	(0.7)	(1.1)	(4.0)
Projected adjusted EBITDA[1]	(0.8)	(1.0)	(1.5)	(4.0)
Projected capital expenditure[2]	3.2	4.2	6.4	16.9

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

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Year ended 31 March 2017

During the year ended 31 March 2017, Vodafone India was classified as a discontinued operation and was consequently valued at fair value less costs of disposal. Vodafone India's fair value less costs of disposal was not observable in a quoted market and accordingly was determined with reference to the outcomes from the application of a number of potential valuation techniques, which were considered to result in a "level 2" valuation[1]. As such significant judgement was required and involved the use of estimates. The two bases of valuation which were given the strongest weighting in the overall assessment of fair value are set out below. Fair value less costs of disposal excluding net debt was assessed to be INR 971 billion, equivalent to €14.0 billion. See note 7 "Discontinued operations and assets and liabilities held for sale" for further details.

- The contracted cash price for the sale of a portion of the entity to the Aditya Birla Group as part of the planned disposal of Vodafone India, adjusted for the agreed level of debt which is an observable price relating to Vodafone India; and
- The share price of Idea Cellular prior to the announcement of the plan to dispose of Vodafone India and participate with Idea Cellular in the planned jointly controlled entity, adjusted for transaction specific factors. Idea Cellular equity shares are the primary component of the consideration for Vodafone India to be received by the Group, and the value of the Idea Cellular shares has been adjusted to reflect 50% of the estimated cost synergies that management expects to be realised by the jointly controlled entity. A 10% increase or reduction in the expected cost synergies included in this determination of fair value would result in a €220 million increase or reduction, respectively, in the fair value less costs of disposal of Vodafone India calculated using this approach.

Note:
1 Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation			
	Germany %	Spain %	Italy %	Romania %
Pre-tax adjusted discount rate	8.4	9.7	10.3	9.0
Long-term growth rate	0.5	1.5	1.0	1.0
Projected adjusted EBITDA[1]	3.0	7.9	(0.8)	0.1
Projected capital expenditure[2]	14.9–16.5	14.3–15.8	12.7–14.2	12.6–15.9

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Sensitivity analysis

Other than as disclosed below, management believed that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

The estimated recoverable amount of the Group's operations in Germany, Spain and Romania exceed their carrying values by €3.5 billion, €1.0 billion and €0.2 billion respectively. The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2017:

	Change required for carrying value to equal recoverable amount		
	Germany pps	Spain pps	Romania pps
Pre-tax risk adjusted discount rate	0.9	0.6	1.5
Long-term growth rate	(1.0)	(0.7)	(1.7)
Projected adjusted EBITDA[1]	(1.6)	(1.1)	(1.9)
Projected capital expenditure[2]	7.6	4.4	7.1

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

The carrying values for Vodafone UK, Portugal, Ireland and Czech Republic include goodwill arising from their acquisition by the Group and/or the purchase of operating licences or spectrum rights. While the recoverable amounts for these operating companies were not materially greater than their carrying value, each had a lower risk of giving rise to impairment that would be material to the Group given their relative size or the composition of their carrying value. The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an impairment loss being recognised in the year ended 31 March 2017:

	Change required for carrying value to equal recoverable amount			
	UK pps	Ireland pps	Portugal pps	Czech Republic pps
Pre-tax risk adjusted discount rate	0.5	0.8	0.6	2.1
Long-term growth rate	(0.6)	(0.9)	(0.6)	(2.4)
Projected adjusted EBITDA[1]	(0.8)	(1.2)	(0.9)	(2.8)
Projected capital expenditure[2]	3.2	4.3	3.9	12.0

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Notes to the consolidated financial statements (continued)

5. Investment income and financing costs

Investment income comprises interest received from short-term investments and other receivables as well as certain foreign exchange movements. Financing costs mainly arise from interest due on bonds and commercial paper issued, bank loans and the results of hedging transactions used to manage foreign exchange and interest rate movements

	2019 €m	2018 €m	2017 €m
Investment income:			
Amortised cost	286	339	426
Fair value through profit and loss	147	24	20
Foreign exchange	–	322	28
	433	**685**	**474**
Financing costs:			
Items in hedge relationships:			
Other loans	17	74	170
Interest rate and cross-currency interest rate swaps	(414)	(128)	(235)
Fair value hedging instrument	(8)	48	22
Fair value of hedged item	10	(36)	(16)
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts	336	317	419
Bonds and other liabilities[1]	1,567	885	1,243
Interest (credit)/charge on settlement of tax issues	(1)	(11)	47
Fair value through profit and loss:			
Derivatives – options, forward starting swaps and futures	391	(75)	(244)
Foreign exchange	190	–	–
	2,088	**1,074**	**1,406**
Net financing costs	**1,655**	**389**	**932**

Note:
1 Includes €305 million (2018: €187 million; 2017: €272 million) of interest on foreign exchange derivatives.

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6. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

Accounting policies

Income tax expense represents the sum of the current and deferred taxes.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

The Group recognises provisions for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits from the Group to settle the obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions that we operate using management's estimate of the most likely outcome. The Group recognises interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Income tax expense

	2019 €m	2018 €m	2017 €m
United Kingdom corporation tax expense/(credit):			
Current year[1]	21	70	27
Adjustments in respect of prior years	(9)	(5)	(3)
	12	**65**	**24**
Overseas current tax expense/(credit):			
Current year	1,098	1,055	961
Adjustments in respect of prior years	(48)	(102)	(35)
	1,050	**953**	**926**
Total current tax expense	**1,062**	**1,018**	**950**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(232)	39	(16)
Overseas deferred tax	666	(1,936)	3,830
Total deferred tax expense/(credit)	**434**	**(1,897)**	**3,814**
Total income tax expense/(credit)	**1,496**	**(879)**	**4,764**

Note:
1 The income statement tax charge includes tax relief on capitalised interest.

UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the €10.3 billion of spectrum payments to the UK government in 2000 and 2013.

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Tax on discontinued operations

	2019 €m	2018 €m	2017 €m
Tax credit on profit from ordinary activities of discontinued operations[1]	**(56)**	**(617)**	**(973)**

Note:
1 2018 includes a €925 million credit (2017: €840 million credit) relating to the impairment of Vodafone India.

Tax charged/(credited) directly to other comprehensive income

	2019 €m	2018 €m	2017 €m
Current tax	3	22	(16)
Deferred tax	56	70	44
Total tax charged directly to other comprehensive income	**59**	**92**	**28**

Tax charged/(credited) directly to equity

	2019 €m	2018 €m	2017 €m
Current tax	–	–	–
Deferred tax	4	9	(9)
Total tax charged/(credited) directly to equity	**4**	**9**	**(9)**

Factors affecting the tax expense for the year

The table below explains the differences between the expected tax expense, being the aggregate of the Group's geographical split of profits multiplied by the relevant local tax rates and the Group's total tax expense for each year.

	2019 €m	2018 €m	2017 €m
Continuing (loss)/profit before tax as shown in the consolidated income statement	**(2,613)**	**3,878**	**2,792**
Aggregated expected income tax (credit)/expense	(457)	985	795
Impairment losses with no tax effect	807	–	–
Disposal of Group investments	–	55	(271)
Effect of taxation of associates and joint ventures, reported within profit before tax	262	90	23
(Recognition)/derecognition of deferred tax assets for losses in Luxembourg and Spain[1]	1,186	(1,583)	1,603
Deferred tax following revaluation of investments in Luxembourg[1]	(488)	(330)	(329)
Previously unrecognised temporary differences we expect to use in the future	–	–	(15)
Previously unrecognised temporary differences utilised in the year	–	(29)	(11)
Current year temporary differences (including losses) that we currently do not expect to use	78	20	139
Adjustments in respect of prior year tax liabilities[2]	(94)	(244)	(107)
Revaluation of assets for tax purposes	–	–	(39)
Impact of tax credits and irrecoverable taxes	79	93	98
Deferred tax on overseas earnings[3]	(39)	24	26
Effect of current year changes in statutory tax rates on deferred tax balances	(2)	(44)	2,755
Financing costs not deductible for tax purposes	67	23	25
Expenses not deductible (income not taxable) for tax purposes	97	61	72
Income tax expense/(credit)	**1,496**	**(879)**	**4,764**

Notes:
1 See note below regarding deferred tax asset recognition in Luxembourg and Spain on pages 140 and 141.
2 2018 includes the impact of closing tax audits across the Group during the year, including in Germany and Romania
3 Includes a €42 million credit (2018: €15 million charge, 2017 €95 million charge) relating to the combination of Vodafone India with Idea Cellular.

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Deferred tax

Analysis of movements in the net deferred tax balance during the year:

	€m
1 April 2018	25,556
Adoption of IFRS 15 and IFRS 9	(790)
Exchange and other movements	11
Charged to the income statement (continuing operations)	(434)
Charged directly to OCI	(56)
Charged directly to equity	(4)
Arising on acquisition and dispositions	(8)
31 March 2019[1]	**24,275**

Deferred tax assets and liabilities, before offset of balances within countries, are as follows:

	Amount credited/ (expensed) in income statement €m	Gross deferred tax asset €m	Gross deferred tax liability €m	Less amounts unrecognised €m	Net recognised deferred tax (liability)/ asset €m
Accelerated tax depreciation	350	1,495	(1,202)	8	301
Intangible assets	38	406	(754)	15	(333)
Tax losses	(814)	32,397	–	(8,175)	24,222
Deferred tax on overseas earnings	104	–	–	–	–
Temporary differences relating to revenue recognition	62	–	(766)	–	(766)
Other temporary differences	(174)	1,389	(304)	(234)	851
31 March 2019[1]	**(434)**	**35,687**	**(3,026)**	**(8,386)**	**24,275**

Analysed in the balance sheet, after offset of balances within countries, as:

	€m
Deferred tax asset	24,753
Deferred tax liability	(478)
31 March 2019[1]	**24,275**

At 31 March 2018, deferred tax assets and liabilities, before offset of balances within countries, were as follows:

	Amount credited/ (expensed) in income statement €m	Gross deferred tax asset €m	Gross deferred tax liability €m	Less amounts unrecognised €m	Net recognised deferred tax (liability)/ asset €m
Accelerated tax depreciation	103	1,289	(1,342)	(33)	(86)
Intangible assets	225	193	(571)	16	(362)
Tax losses	1,666	30,953	–	(5,904)	25,049
Deferred tax on overseas earnings	(24)	–	(108)	–	(108)
Other temporary differences	(73)	1,218	(132)	(23)	1,063
31 March 2018[1]	**1,897**	**33,653**	**(2,153)**	**(5,944)**	**25,556**

At 31 March 2018, analysed in the balance sheet, after offset of balances within countries, as:

	€m
Deferred tax asset	26,200
Deferred tax liability	(644)
31 March 2018[1]	**25,556**

Notes:
1 The Group does not discount its deferred tax assets. This is in accordance with the requirements of IAS 12.

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Factors affecting the tax charge in future years

The Group's future tax charge, and effective tax rate, could be affected by several factors including; tax reform in countries around the world, including any arising from the OECD's or European Commission's work on the taxation of the digital economy and European Commission initiatives such as the anti tax avoidance directive, proposed tax and financial reporting directive or as a consequence of state aid investigations, future corporate acquisitions and disposals, any restructuring of our businesses and the resolution of open tax issues (see below).

On 25 April 2019, the European Commission published its full decision in relation to its investigation into the "group financing exemption" ('GFE') in the UK's controlled foreign company rules and whether the GFE constituted unlawful State Aid. They concluded the GFE does not constitute unlawful State Aid when the managing of the financing activities is outside of the UK. The Group is analysing the full decision, however given that the Group's Luxembourg financing activities are properly established and operate in accordance with EU and local law as well as the OECD's transfer pricing guidelines, we do not anticipate any significant impact as a result of the Commission's findings.

We do not anticipate any significant impact on our future tax charge, liabilities or assets, as a result of the triggering of Article 50(2) of the Treaty on European Union but cannot rule out the possibility that, for example, a failure to reach satisfactory arrangements for the UK's future relationship with the European Union, could have an impact on such matters. We continue to monitor developments in this area.

The Group is routinely subject to audit by tax authorities in the territories in which it operates. The Group considers each issue on its merits and, where appropriate, holds provisions in respect of the potential tax liability that may arise. As at 31 March 2019, the Group holds provisions for such potential liabilities of €460 million (2018: €521 million). These provisions relate to multiple issues, across the jurisdictions in which the Group operates.

As the tax impact of a transaction can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods. See note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

At 31 March 2019, the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years €m	Expiring beyond 6 years €m	Unlimited €m	Total €m
Losses for which a deferred tax asset is recognised	207	37	99,967	100,211
Losses for which no deferred tax is recognised	632	7,063	26,734	34,429
	839	**7,100**	**126,701**	**134,640**

At 31 March 2018, the gross amount and expiry dates of losses available for carry forward were as follows:

	Expiring within 5 years €m	Expiring beyond 6 years €m	Unlimited €m	Total €m
Losses for which a deferred tax asset is recognised	266	–	103,452	103,718
Losses for which no deferred tax is recognised	621	3,074	21,994	25,689
	887	**3,074**	**125,446**	**129,407**

Deferred tax assets on losses in Luxembourg

Included in the table above are losses of €82,372 million (2018: €81,740 million) that have arisen in Luxembourg companies, principally as a result of revaluations of those companies' investments for local GAAP purposes.

A deferred tax asset of €21,425 million (2018: €21,261 million) has been recognised in respect of these losses, as we conclude it is probable that the Luxembourg entities will continue to generate taxable profits in the future against which we can utilise these losses. The Luxembourg companies' income is derived from the Group's internal financing and procurement and roaming activities. The Group has reviewed the latest forecasts for the Luxembourg companies, including their ability to continue to generate income beyond the forecast period under the tax laws substantively enacted at the balance sheet date. The assessment also considered whether the structure of the Group would continue to allow the generation of taxable income. Based on this the Group conclude that it is probable that the Luxembourg companies will continue to generate taxable income in the future. Any future changes in tax law or the structure of the Group could have a significant effect on the use of losses, including the period over which the losses can be utilised.

Based on the current forecasts the losses will be fully utilised over the next 55 to 60 years. A 5%-10% change in the forecast income in Luxembourg, including the completion of the acquisition of Liberty Global's operations in Germany, the Czech Republic, Hungary and Romania would change the period over which the losses will be fully utilised by 6 to 8 years.

In April 2019, the Luxembourg government enacted a reduction in the corporate tax rate (including municipal business tax) to 24.94%. This will take effect from the year ending 31 March 2020 and will reduce the value of our deferred tax assets by approximately €900 million.

During the year the Group recognised an additional €488 million (2018: €330 million) of deferred tax assets as a result of the revaluation of investments based upon the local GAAP financial statements, and tax returns at 31 March 2019. In the prior year, the Group also recognised €1,603 million of deferred tax asset as a result of higher interest rates reducing the length of time over which these losses will be utilised. Revaluation of investments for local GAAP purposes, which are based on the Group's value in use calculations, can give rise to impairments or the reversal of previous impairments. These can result in a significant change to our deferred tax assets and the period over which these assets can be utilised.

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In addition to the above, €7,063 million (2018: €2,587 million) of the Group's Luxembourg losses expire and no deferred tax asset is recognised as they will expire before we can use these losses. The remaining losses do not expire. We also have €9,132 million (2018: €9,132 million) of Luxembourg losses in a former Cable & Wireless Worldwide Group company, for which no deferred tax asset has been recognised as it is uncertain whether these losses will be utilised.

Deferred tax assets on losses in Germany

The Group has tax losses of €17,417 million (2018: €18,034 million) in Germany arising on the write-down of investments in Germany in 2000. The losses are available to use against both German federal and trade tax liabilities and they do not expire.

A deferred tax asset of €2,701 million (2018: €2,796 million) has been recognised in respect of these losses as we conclude it is probable that the German business will continue to generate taxable profits in the future against which we can utilise these losses. The Group has reviewed the latest forecasts for the German business which incorporate the unsystematic risks of operating in the telecommunications business (see pages 44 to 51). In the period beyond the 5 year forecast we have reviewed the profits inherent in the terminal period and based on these and our expectations for the German business we believe it is probable the German losses will be fully utilised.

Based on the current forecasts the losses will be fully utilised over the next 9 to 11 years. A 5%-10% change in the forecast profits of the German business, including the completion of the acquisition of Unitymedia GmbH, would not alter the utilisation period by 1 to 2 years.

Deferred tax assets on losses in Spain

The Group has tax losses of €3,821 million (2018: €3,521 million) in Spain and which are available to offset against the future profits of the Grupo Corporativo ONO business. The losses do not expire.

A deferred tax asset of €nil (2018 : €880 million) has been recognised in respect of these losses. During the year we derecognised a deferred tax asset of €1,166m (2018: €20 million) as a result of the current trading environment in Spain and the subsequent impairment of the Spanish business.

The Group has reviewed the latest forecasts for the Spanish business which incorporate the unsystematic risks of operating in the telecommunications business (see pages 44 to 51). In the period beyond the 5 year forecast we have reviewed the profits inherent in the value in use calculations and based on these and our expectations for the Spanish business we no longer believe it is probable the losses will be utilised by the Spanish business in the near term.

Based on the current forecasts the losses will be fully utilised over the next 36 to 40 years. A 5%-10% change in the forecast profits of the Spanish business would change the period over which the losses are utilised by 1 to 2 years.

Other tax losses

The Group has losses amounting to €7,678 million (2018: €7,544 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised, in line with the prior year.

The remaining losses relate to a number of other jurisdictions across the Group. There are also €798 million (2018: €12 million) of unrecognised other temporary differences.

The Group holds a deferred tax liability of €nil (2018: €108 million) in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the balance sheet date (see table above).

No deferred tax liability has been recognised in respect of a further €10,425 million (2018: €16,049 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

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Notes to the consolidated financial statements (continued)

7. Discontinued operations and assets and liabilities held for sale

Following the agreement to combine our Indian operations with Idea Cellular into a jointly controlled company, in accordance with IFRS accounting standards, the results of Vodafone India are included in discontinued operations until the transaction completed on 31 August 2018.

Discontinued operations

On 20 March 2017, Vodafone announced the agreement to combine its subsidiary, Vodafone India (excluding its 42% stake in Indus Towers), with Idea Cellular in India. Consequently, Vodafone India has been accounted for as a discontinued operation for all periods up to 31 August 2018, the date the transaction completed, the results of which are detailed below.

Income statement and segment analysis of discontinued operations

	Five months ended 31 August 2018 €m	Year ended 31 March 2018 €m	Year ended 31 March 2017 €m
Revenue	**1,561**	**4,648**	**5,827**
Cost of sales	(1,185)	(2,995)	(4,504)
Gross profit	**376**	**1,653**	**1,323**
Selling and distribution expenses	(92)	(237)	(276)
Administrative expenses	(134)	(533)	(703)
Impairment losses (note 4)	–	–	(4,515)
Other income and expense[1]	–	416	–
Operating profit/(loss)	**150**	**1,299**	**(4,171)**
Financing costs	(321)	(715)	(909)
(Loss)/profit before taxation	**(171)**	**584**	**(5,080)**
Income tax credit/(charge)	56	(308)	973
(Loss)/profit after tax of discontinued operations	**(115)**	**276**	**(4,107)**
Pre-tax loss on the re-measurement of disposal group	–	(3,170)	–
Income tax credit	–	925	–
After tax loss on the re-measurement of disposal group	–	**(2,245)**	**–**
Loss on sale of disposal group	**(3,420)**	**–**	**–**
Loss for the financial year from discontinued operations	**(3,535)**	**(1,969)**	**(4,107)**

Loss per share from discontinued operations

	2019 eurocents	2018 eurocents	2017 eurocents
– Basic	(12.80)c	(7.09)c	(14.68)c
– Diluted	(12.80)c	(7.06)c	(14.68)c

Total comprehensive expense for the financial year from discontinued operations

	2019 €m	2018 €m	2017 €m
Attributable to owners of the parent	**(3,535)**	**(1,969)**	**(4,107)**

Note:
1 Includes the profit on disposal of Vodafone India's standalone towers business to ATC Telecom.

For the five months ended 31 August 2018, the Group recorded a loss on disposal of Vodafone India of €3,420 million as set out in note 26 "Acquisitions and disposals". This loss is presented within discontinued operations.

For the year ended 31 March 2018, the Group recorded a non-cash charge of €3,170 million (€2,245 million net of tax), included in discontinued operations, as a result of the re-measurement of Vodafone India's fair value less costs of disposal. Fair value of the Group's equity interest at 31 March 2018 was assessed to be INR 223 billion (2017: INR 370 billion), equivalent to €2.8 billion (2017: €5.3 billion) at the foreign exchange rates prevailing at those dates. The fair value of Vodafone India at 31 March 2018 was assessed to be primarily determinable by reference to the Idea Cellular Limited quoted share price as at 31 March 2018 of INR 75.9 per share. This technique was considered to result in a level 2 valuation as per IFRS 13, as while the quoted share price for Idea Cellular Limited was observable, further adjustments, such as an assumption regarding the disposal of Vodafone India with a certain level of debt, were required to estimate fair value less costs of disposal.

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Assets and liabilities held for sale

Assets and liabilities held for sale at 31 March 2019 represent those parts of our joint ventures expected to be disposed of and include a 12.6% interest in Indus Towers and a 24.95% interest in Vodafone Hutchison Australia (see note 26 "Acquisitions and disposals" and 30 "Subsequent events"). Assets and liabilities held for sale at 31 March 2018 relate to the operations of Vodafone India. The relevant assets and liabilities are detailed in the table below.

Assets and liabilities held for sale[1]

	2019 €m	2018 €m
Non-current assets		
Other intangible assets	–	5,937
Property, plant and equipment	–	2,823
Investments in associates and joint ventures	(231)	–
Deferred tax assets	–	1,641
Trade and other receivables	–	526
	(231)	**10,927**
Current assets		
Taxation recoverable	–	1,219
Trade and other receivables	–	936
Other investments	–	11
Cash and cash equivalents	–	727
	–	**2,893**
Total assets held for sale	**(231)**	**13,820**
Non-current liabilities		
Long-term borrowings	–	(6,687)
Post employment benefits	–	(14)
Provisions	–	(665)
Trade and other payables	–	(32)
	–	**(7,398)**
Current liabilities		
Short-term borrowings	–	(1,756)
Provisions	–	(18)
Trade and other payables	–	(1,827)
	–	**(3,601)**
Total liabilities held for sale	**–**	**(10,999)**

Note:
1 Total net debt in India at 31 March 2018 was €7,714 million (2017: €8,674 million) relating to its Indian business. This comprised cash of €727 million (2017: €467 million), licence payables classified as debt of €6,418 million (2017: €7,143 million) and €2,025 million (2017: €2,020 million) of other borrowings, together with €2 million (2017: €22 million) of derivative financial instruments reported with Trade and other receivables and Trade and other payables. During the year ended 31 March 2018 €345 million (2017: €499 million) of the licence payables classified as debt were paid in cash. The cash payment is reported in the consolidated statement of cash flows as cash from financing activities.

Notes to the consolidated financial statements (continued)

8. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

	2019 Millions	2018 Millions	2017 Millions
Weighted average number of shares for basic earnings per share	27,607	27,770	27,971
Effect of dilutive potential shares: restricted shares and share options	–	87	–
Weighted average number of shares for diluted earnings per share	**27,607**	**27,857**	**27,971**

	2019 €m	2018 €m	2017 €m
(Loss)/earnings for earnings per share from continuing operations	(4,485)	4,408	(2,190)
Loss for earnings per share from discontinued operations	(3,535)	(1,969)	(4,107)
(Loss)/earnings for basic and diluted earnings per share	**(8,020)**	**2,439**	**(6,297)**

	eurocents	eurocents	eurocents
Basic (loss)/earnings per share from continuing operations	(16.25)c	15.87c	(7.83)c
(Loss) per share from discontinued operations	(12.80)c	(7.09)c	(14.68)c
Basic (loss)/earnings per share	**(29.05)c**	**8.78c**	**(22.51)c**

	eurocents	eurocents	eurocents
Diluted (loss)/earnings per share from continuing operations	(16.25)c	15.82c	(7.83)c
Diluted loss per share from discontinued operations	(12.80)c	(7.06)c	(14.68)c
Diluted (loss)/earnings per share	**(29.05)c**	**8.76c**	**(22.51)c**

9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders in February and August.

	2019 €m	2018 €m	2017 €m
Declared during the financial year:			
Final dividend for the year ended 31 March 2018: 10.23 eurocents per share (2017: 10.03 pence per share, 2016: 7.77 pence per share)	2,729	2,670	2,447
Interim dividend for the year ended 31 March 2019: 4.84 eurocents per share (2018: 4.84 eurocents per share, 2017: 4.74 pence per share)	1,293	1,291	1,262
	4,022	**3,961**	**3,709**
Proposed after the end of the year and not recognised as a liability:			
Final dividend for the year ended 31 March 2019: 4.16 eurocents per share (2018: 10.23 eurocents per share, 2017: 10.03 pence per share)	1,112	2,729	2,670

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10. Intangible assets

The statement of financial position contains significant intangible assets, mainly in relation to goodwill and licences and spectrum. Goodwill, which arises when we acquire a business and pay a higher amount than the fair value of its net assets primarily due to the synergies we expect to create, is not amortised but is subject to annual impairment reviews. Licences and spectrum are amortised over the life of the licence. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured. Identifiable intangible assets are recognised at fair value when the Group completes a business combination. The determination of the fair values of the separately identified intangibles, is based, to a considerable extent, on management's judgement.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a joint arrangement, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of related network services.

Computer software

Computer software comprises software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining software programs are recognised as an expense when they are incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life from the date the software is available for use.

Other intangible assets

Other intangible assets, including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis, with the exception of customer relationships which are amortised on a sum of digits basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

Estimated useful lives

The estimated useful lives of finite lived intangible assets are as follows:

– Licence and spectrum fees	3–25 years
– Computer software	3–5 years
– Brands	1–10 years
– Customer bases	2–15 years

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

	Goodwill €m	Licences and spectrum €m	Computer software €m	Other €m	Total €m
Cost:					
1 April 2017	**90,221**	**30,775**	**16,962**	**7,430**	**145,388**
Exchange movements	(313)	(855)	(233)	(72)	(1,473)
Arising on acquisition	5	–	–	–	5
Disposal of subsidiaries	–	(1,712)	(222)	–	(1,934)
Additions	–	747	2,261	3	3,011
Disposals	–	(158)	(1,381)	(6)	(1,545)
Other	–	–	26	(10)	16
31 March 2018	**89,913**	**28,797**	**17,413**	**7,345**	**143,468**
Exchange movements	(427)	(193)	(93)	(173)	(886)
Arising on acquisition	77	–	10	8	95
Additions	–	3,009	2,232	7	5,248
Disposals	–	(7)	(2,348)	–	(2,355)
Other	–	–	(5)	–	(5)
31 March 2019	**89,563**	**31,606**	**17,209**	**7,187**	**145,565**
Accumulated impairment losses and amortisation:					
1 April 2017	**63,413**	**16,954**	**12,148**	**6,653**	**99,168**
Exchange movements	(234)	(398)	(183)	(65)	(880)
Disposal of subsidiaries	–	(779)	(173)	–	(952)
Amortisation charge for the year	–	1,758	2,105	536	4,399
Disposals	–	(158)	(1,357)	(6)	(1,521)
Other	–	–	1	(4)	(3)
31 March 2018	**63,179**	**17,377**	**12,541**	**7,114**	**100,211**
Exchange movements	(239)	(59)	(70)	(163)	(531)
Impairments	3,270	–	–	–	3,270
Amortisation charge for the year	–	1,693	2,085	163	3,941
Disposals	–	(7)	(2,332)	–	(2,339)
Other	–	–	8	–	8
31 March 2019	**66,210**	**19,004**	**12,232**	**7,114**	**104,560**
Net book value:					
31 March 2018	**26,734**	**11,420**	**4,872**	**231**	**43,257**
31 March 2019	**23,353**	**12,602**	**4,977**	**73**	**41,005**

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement.

The net book value and expiry dates of the most significant licences are as follows:

	Expiry dates	**2019 €m**	2018 €m
Germany	2020/2021/2025/2033	3,346	4,053
Italy	2021/2029/2037	3,922	1,896
UK	2022/2023/2033/2038	2,320	2,316

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence. A summary of the Group's most significant spectrum licences can be found on pages 228 and 229.

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11. Property, plant and equipment

The Group makes significant investments in network equipment and infrastructure – the base stations and technology required to operate our networks – that form the majority of our tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

Land and buildings held for use are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and any accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

Land and buildings	
– Freehold buildings	25–50 years
– Leasehold premises	the term of the lease

Equipment, fixtures and fittings	
– Network infrastructure and other	1–35 years

Depreciation is not provided on freehold land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment (continued)

	Land and buildings €m	Equipment, fixtures and fittings €m	Total €m
Cost:			
1 April 2017	**2,266**	**68,204**	**70,470**
Exchange movements	(38)	(1,415)	(1,453)
Additions	88	4,969	5,057
Disposals	(94)	(2,720)	(2,814)
Disposal of subsidiaries	–	(552)	(552)
Other	3	46	49
31 March 2018	**2,225**	**68,532**	**70,757**
Exchange movements	(11)	(340)	(351)
Arising on acquisition	–	58	58
Additions	66	4,925	4,991
Disposals	(28)	(1,966)	(1,994)
Other	15	173	188
31 March 2019	**2,267**	**71,382**	**73,649**
Accumulated depreciation and impairment:			
1 April 2017	**1,141**	**39,125**	**40,266**
Exchange movements	(17)	(816)	(833)
Charge for the year	123	5,887	6,010
Disposals	(83)	(2,675)	(2,758)
Disposal of subsidiaries	–	(287)	(287)
Other	1	33	34
31 March 2018	**1,165**	**41,267**	**42,432**
Exchange movements	–	(126)	(126)
Charge for the year	113	5,741	5,854
Disposals	(28)	(1,899)	(1,927)
Other	3	(19)	(16)
31 March 2019	**1,253**	**44,964**	**46,217**
Net book value:			
31 March 2018	**1,060**	**27,265**	**28,325**
31 March 2019	**1,014**	**26,418**	**27,432**

The net book value of land and buildings and equipment, fixtures and fittings includes €2 million and €760 million respectively (2018: €3 million and €681 million) in relation to assets held under finance leases.

Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of €23 million and €1,344 million respectively (2018: €15 million and €1,224 million).

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12. Investments in associates and joint arrangements

The Group holds interests in an associate in Kenya, where we have significant influence, as well as in a number of joint arrangements in the UK, the Netherlands, India and Australia, where we share control with one or more third parties. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the relevant activities that significantly affect the investee's returns require the unanimous consent of the parties sharing control. Joint arrangements are either joint operations or joint ventures.

Gains or losses resulting from the contribution or sale of a subsidiary as part of the formation of a joint arrangement are recognised in respect of the Group's entire equity holding in the subsidiary.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a joint operation is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of joint ventures, other than those joint ventures or part thereof that are held for sale (see note 7), are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated income statement. Losses of a joint venture in excess of the Group's interest in that joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but where the Group does not have control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated income statement. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint operations

The Company's principal joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in the UK. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for all but an insignificant amount of the output to be consumed by the shareholders.

Name of joint operation	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Cornerstone Telecommunications Infrastructure Limited	Network infrastructure	UK	50.0

Note:
1 Effective ownership percentages of Vodafone Group Plc at 31 March 2019 rounded to the nearest tenth of one percent.

Notes to the consolidated financial statements (continued)

12. Investments in associates and joint arrangements (continued)

Joint ventures and associates

	2019 €m	2018 €m
Investment in joint ventures	3,399	2,097
Investment in associates	553	441
31 March	**3,952**	**2,538**

Joint ventures

The financial and operating activities of the Group's joint ventures are jointly controlled by the participating shareholders. The participating shareholders have rights to the net assets of the joint ventures through their equity shareholdings. Unless otherwise stated, the Company's principal joint ventures all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all joint ventures is also their principal place of operation.

Name of joint venture	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Vodafone Idea Limited[2, 3]	Network operator	India	45.2
VodafoneZiggo Group Holding B.V.	Network operator	Netherlands	50.0
Indus Towers Limited	Network infrastructure	India	42.0
Vodafone Hutchison Australia Pty Limited	Network operator	Australia	50.0

Notes:
1 Effective ownership percentages of Vodafone Group Plc at 31 March 2019 rounded to the nearest tenth of one percent.
2 At 31 March 2019 the fair value of Vodafone Idea Limited was INR 123 billion (€1,580 million) based on the quoted share price on the National Stock Exchange of India.
3 Vodafone Idea was formed on 31 August 2018 following the combination of Vodafone India Ltd with Idea Cellular Limited.

The following table provides aggregated financial information for the Group's joint ventures as it relates to the amounts recognised in the income statement, statement of comprehensive income and statement of financial position.

	Investment in joint ventures			(Loss)/profit from continuing operations			Other comprehensive income			Total comprehensive (expense)/income		
	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m
Vodafone Idea Limited	1,392	–	–	(903)	–	–	(1)	–	–	(904)	–	–
VodafoneZiggo Group Holding B.V.	1,842	2,119	2,736	(239)	(398)	(160)	4	1	2	(235)	(397)	(158)
Indus Towers Limited	601	893	1,032	55	135	98	–	–	–	55	135	98
Vodafone Hutchison Australia Pty Limited	(484)	(979)	(1,156)	(23)	32	(59)	–	–	–	(23)	32	(59)
Other	48	64	77	(14)	(15)	(14)	–	–	–	(14)	(15)	(14)
Total	**3,399**	**2,097**	**2,689**	**(1,124)**	**(246)**	**(135)**	**3**	**1**	**2**	**(1,121)**	**(245)**	**(133)**

Summarised financial information for each of the Group's material joint ventures on a 100% ownership basis is set out below.

	Vodafone Idea Limited	VodafoneZiggo Group Holding B.V.			Indus Towers Limited			Vodafone Hutchison Australia Pty Limited		
	2019 €m	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m
Income statement										
Revenue	**3,379**	**3,868**	**3,972**	**1,014**	**2,227**	**2,477**	**2,379**	**2,290**	**2,518**	**2,287**
Operating expenses	(2,999)	(2,169)	(2,285)	(581)	(1,438)	(1,478)	(1,402)	(1,634)	(1,745)	(1,694)
Depreciation and amortisation	(1,364)	(2,012)	(2,232)	(764)	(305)	(303)	(407)	(494)	(483)	(473)
Other expense	(253)	–	–	–	–	–	–	–	–	–
Operating (loss)/profit	**(1,237)**	**(313)**	**(545)**	**(331)**	**484**	**696**	**570**	**162**	**290**	**120**
Interest Income	56	–	6	23	11	16	22	3	3	3
Interest expense	(817)	(602)	(543)	(117)	(79)	(74)	(91)	(240)	(230)	(240)
(Loss)/profit before tax	**(1,998)**	**(915)**	**(1,082)**	**(425)**	**416**	**638**	**501**	**(75)**	**63**	**(117)**
Income tax	1	437	287	105	(238)	(316)	(267)	–	1	–
(Loss)/profit from continuing operations	**(1,997)**	**(478)**	**(795)**	**(320)**	**178**	**322**	**234**	**(75)**	**64**	**(117)**

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	Vodafone Idea Limited	VodafoneZiggo Group Holding B.V.		Indus Towers Limited		Vodafone Hutchison Australia Pty Limited	
	2019 €m[1]	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m
Statement of financial position							
Non-current assets	22,577	17,665	18,721	1,511	1,598	2,971	3,241
Current Assets	3,814	875	773	749	520	334	194
Total Assets	26,391	18,540	19,494	2,260	2,118	3,305	3,435
Equity shareholders' funds	3,696	3,684	4,238	699	828	(2,144)	(2,168)
Non-current Liabilities	15,137	12,489	13,303	465	476	4,590	4,478
Current Liabilities	7,558	2,367	1,953	1,096	814	859	1,125
Cash and cash equivalents within current assets	138	288	355	42	15	243	104
Non-current liabilities excluding trade and other payables and provisions	(13,828)	(12,009)	(12,510)	(133)	(136)	(4,580)	(4,453)
Current liabilities excluding trade and other payables and provisions	(4,289)	(1,272)	(822)[2]	(590)	(396)	(203)	(464)

Notes:
1 Includes certain amounts subject to an indemnification mechanism agreed as part of the formation of Vodafone Idea. See note 28 "Contingent liabilities and legal proceedings" for more detail.
2 Certain liabilities have been reclassified from trade and other payables to short-term borrowings.

The Group has provided expanded financial information in respect of Vodafone Idea Limited and VodafoneZiggo Group Holding B.V..

	Vodafone Idea Limited	VodafoneZiggo Group Holding B.V.		
	2019 €m	2019 €m	2018 €m	2017 €m
Statement of financial position				
Goodwill	82	7,373	7,373	
Other intangible assets	14,503	5,357	6,492	
Property, plant and equipment	6,571	4,709	4,803	
Investment in associates and joint ventures	734	–	–	
Deferred tax assets	–	–	–	
Trade and other receivables	687	226	53	
Non-current assets	**22,577**	**17,665**	**18,721**	
Taxation recoverable	1,443	–	–	
Trade and other receivables	1,366	544	368	
Other Investments	866	–	–	
Cash and cash equivalents	138	288	355	
Other	1	43	50	
Current Assets	**3,814**	**875**	**773**	
Total Assets	**26,391**	**18,540**	**19,494**	
Equity shareholders' funds	**3,696**	**3,684**	**4,238**	
Long-term borrowings	13,797	11,365	11,424	
Deferred tax liabilities	–	644	1,086	
Trade and other payables	198	463	762	
Provisions	1,111	17	31	
Other	31	–	–	
Non-current Liabilities	**15,137**	**12,489**	**13,303**	
Short-term borrowings	4,289	1,272	822	
Provisions	521	28	28	
Trade and other payables	2,748	1,067	1,103	
Current Liabilities	**7,558**	**2,367**	**1,953**	
Total equity and liabilities	**26,391**	**18,540**	**19,494**	
Statement of cash flows				
Cash flows from operating activities	378	1,561	1,638	691
Cash flows from investing activities	(637)	(199)	(367)	(183)
Cash flows from financing activities	(342)	(1,429)	(1,189)	(3,293)
Net cash (outflow)/inflow	**(601)**	**(67)**	**82**	**(2,785)**
Cash and cash equivalents at beginning of the financial year	–	355	273	–
Cash and cash equivalents on formation	716	–	–	3,042
Exchange gain	12	–	–	16
Cash and cash equivalents at the end of the financial year	**127**	**288**	**355**	**273**

The Group received a dividend from Indus Towers Limited of €141 million in the year to 31 March 2019 (2018: €138 million; 2017: €126 million) and a dividend of €200 million from VodafoneZiggo Group Holding B.V. (2018: €220 million; 2017: €76 million).

Notes to the consolidated financial statements (continued)

12. Investments in associates and joint arrangements (continued)

Reconciliation of summarised financial information

The reconciliation of summarised financial information presented to the carrying amount of our interest in joint ventures is set out below:

	Vodafone Idea Limited	VodafoneZiggo Group Holding B.V.			Indus Towers Limited			Vodafone Hutchison Australia Pty Limited		
	2019 €m	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m	2019 €m	2018 €m	2017 €m
Equity shareholders' funds	**3,696**	**3,684**	**4,238**		**699**	**828**		**(2,144)**	**(2,168)**	
Interest in joint ventures[1]	1,671	1,842	2,119		294	348		(1,072)	(1,084)	
Impairment	(279)	–	–		–	–		–	–	
Goodwill	–	–	–		564	545		106	105	
Investment proportion not recognised as it is held for sale	–	–	–		(257)	–		482	–	
Carrying value	**1,392**	**1,842**	**2,119**		**601**	**893**		**(484)**	**(979)**	
(Loss)/profit from continuing operations	**(1,997)**	**(478)**	**(795)**	**(320)**	**178**	**322**	**234**	**(75)**	**64**	**(117)**
Share of (loss)/profit[1]	(903)	(239)	(398)	(160)	75	135	98	(38)	32	(59)
(Loss)/profit proportion not recognised as it is held for sale	–	–	–	–	(20)	–	–	15	–	–
Share of (loss)/profit	**(903)**	**(239)**	**(398)**	**(160)**	**55**	**135**	**98**	**(23)**	**32**	**(59)**

Note:
1 The Group's effective ownership percentage of Vodafone Idea Limited, VodafoneZiggo Group Holding B.V., Indus Towers Limited and Vodafone Hutchison Australia Pty Limited are 45.2%, 50%, 42% and 50%, respectively, rounded to the nearest tenth of one percent.

Associates

Unless otherwise stated, the Company's principal associates all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Name of associate	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Safaricom Limited[2,3]	Network operator	Kenya	40.0

Notes:
1 Effective ownership percentages of Vodafone Group Plc at 31 March 2019 rounded to the nearest tenth of one percent.
2 The Group also holds two non-voting shares.
3 At 31 March 2019 the fair value of Safaricom Limited was KES 441 billion (€3,898 million) based on the closing quoted share price on the Nairobi Stock Exchange.

The following table provides aggregated financial information for the Group's associates as it relates to the amounts recognised in the income statement, statement of comprehensive income and consolidated statement of financial position.

	Investment in associates		Profit from continuing operations		Other comprehensive expense		Total comprehensive income	
	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m
Total	**553**	**441**	**216**	**187**	**–**	**–**	**216**	**187**

Vodacom and Safaricom

On 15 May 2017, the Group announced that its wholly-owned subsidiary, Vodafone International Holdings B.V. ('VIHBV'), had agreed to transfer part of its indirect shareholding in Safaricom Limited ('Safaricom') to Vodacom Group Limited ('Vodacom'), its sub-Saharan African subsidiary. On 18 July 2017, Vodacom shareholders voted in favour of the transaction. The transaction completed on 7 August 2017, with the Group being issued with 233.5 million new shares in Vodacom, increasing Vodafone Group's shareholding in Vodacom from 65.0% to 69.7%. Vodafone retains an indirect stake of 5% in Safaricom.

On 5 September 2017, the Group announced that VIHBV intended to sell approximately 90 million ordinary shares in Vodacom (the 'Placing Shares') to institutional investors by way of an accelerated bookbuild process (the 'Placing'). The Placing Shares represented 5.2% of Vodacom's ordinary share capital. The objective of the Placing was to ensure that Vodacom meets the free float requirement and to restore Vodafone's shareholding in Vodacom to a percentage that is broadly similar to that which it held prior to implementation of the Safaricom Transaction.

It was further announced on 6 September 2017 that VIHBV had sold an aggregate of 90 million ordinary shares in Vodacom raising gross proceeds of approximately €955 million. Following the completion of the Placing, Vodafone Group indirectly owns 64.5% of Vodacom's ordinary share capital.

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13. Other investments

The Group holds a number of other listed and unlisted investments, mainly comprising managed funds, loan notes, deposits and government bonds.

Accounting policies

Other investments comprising debt and equity instruments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

Debt securities that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, less any impairment. Debt securities that do not meet the criteria for amortised cost are measured at fair value through profit and loss.

Equity securities are classified and measured at fair value through other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment. See note 1 "Basis of preparation" for previous measurement categories applicable to the comparative balances at 31 March 2018.

	2019 €m	2018 €m
Included within non-current assets:		
Equity securities[1]	48	47
Debt securities[2]	822	3,157
	870	**3,204**

Debt securities include loan notes of US$nil (2018: US$2.5 billion (€2.0 billion) issued by Verizon Communications Inc. as part of the Group's disposal of its interest in Verizon Wireless all of which is recorded within non-current assets and €0.8 billion (2018: €0.9 billion) issued by VodafoneZiggo Holding B.V.

Current other investments comprise the following:

	2019 €m	2018 €m
Included within current assets:		
Short-term investments:		
Bonds and debt securities[3]	4,690	2,979
Managed investment funds[4]	6,405	3,891
	11,095	**6,870**
Other investments[5]	1,917	1,925
	13,012	**8,795**

The Group invests surplus cash positions across a portfolio of short-term investments to manage liquidity and credit risk whilst achieving suitable returns. These assets do not meet the definition of cash and cash equivalents, but are included in the Group's net debt based on their liquidity.

Bonds and debt securities includes €955 million (2018: €862 million) of highly liquid German and €941 million (2018: €nil) Japanese government securities; €1,115 million (2018: €1,112 million) of UK government bonds and €1,184 million (2018: 830 million) of other assets both paid as collateral on derivative financial instruments[6]. Managed investment funds include €5,513 million (2018: €3,087 million) in managed investment funds with liquidity of up to 90 days and €892 million (2018: €804 million) invested in a fund whose underlying securities are supply chain receivables from a diverse range of corporate organisations of which Vodafone is a minority constituent.

Other investments are excluded from net debt based on their liquidity and primarily consist of restricted debt securities including amounts held in qualifying assets by Group insurance companies to meet regulatory requirements.

Notes:
1 Items are measured at fair value and the valuation basis is level 2 classification, which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
2 Items are measured at amortised cost and the carrying amount approximates fair value.
3 €1,184 million (2018: €830 million) is measured at amortised cost and remaining items are measured at fair value. For €3,011 million (2018: €1,974 million) the valuation basis is level 1 classification, which comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities. The remaining balance is level 2 classification.
4 Items measured at fair value and the valuation basis is level 2 classification.
5 €1,097 million (2018: €487 million) is measured at fair value and the valuation basis is level 1. The remaining items are measured at amortised cost and the carrying amount approximates fair value.
6 Returns earned on pledged collateral are retained by the Group.

Notes to the consolidated financial statements (continued)

14. Trade and other receivables

Trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Derivative financial instruments with a positive market value are reported within this note as are contract assets, which represent an asset for accrued revenue in respect of goods or services delivered to customers for which a trade receivable does not yet exist.

Accounting policies

Trade receivables represent amounts owed by customers where the right to payment is conditional only on the passage of time. Trade receivables that are recovered in instalments from customers over an extended period are discounted at market rates and interest revenue is accredited over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value. When the Group establishes a practice of selling portfolios of receivables from time to time these portfolios are recorded at fair value through other comprehensive income; all other trade receivables are recorded at amortised cost.

The carrying value of all trade receivables, contract assets and finance lease receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balances, historical experience and forward looking considerations. Individual balances are written off when management deems them not to be collectible.

	2019 €m	2018 €m
Included within non-current assets:		
Trade receivables	197	435
Trade receivables held at fair value through other comprehensive income	179	–
Contract assets[1]	531	350
Contract-related costs	375	–
Amounts owed by associates and joint ventures	1	1
Other receivables	77	194
Prepayments	371	597
Derivative financial instruments[2]	3,439	2,449
	5,170	**4,026**
Included within current assets:		
Trade receivables	4,088	4,967
Trade receivables held at fair value through other comprehensive income	613	–
Contract assets[1]	3,671	2,257
Contract-related costs	1,132	–
Amounts owed by associates and joint ventures	388	524
Other receivables	876	895
Prepayments	1,227	1,152
Derivative financial instruments[2]	195	180
	12,190	**9,975**

Notes:
1 Previously described as accrued income in the year ended 31 March 2018.
2 Items are measured at fair value and the valuation basis is level 2 classification, which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The Group's trade receivables and contract assets are classified at amortised cost unless stated otherwise and are measured after allowances for future expected credit losses, see note 21 "Capital and financial risk management" for more information on credit risk.

The carrying amounts of trade and other receivables, which are measured at amortised cost, approximate their fair value and are predominantly non-interest bearing.

The Group's contract-related costs comprise €1,433 million relating to costs incurred to obtain customer contracts and €74 million relating to costs incurred to fulfil customer contracts; an amortisation and impairment expense of €1,506 million was recognised in operating profit during the year.

In January and February 2019 €57 million and €70 million, respectively, of trade receivables were reclassified from amortised cost to fair value through other comprehensive income following changes to the Group's business model under which the balances may be sold to a third party.

The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest rates and foreign currency rates prevailing at 31 March.

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15. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or are accrued and contract liabilities relating to consideration received from customers in advance. They also include taxes and social security amounts due in relation to the Group's role as an employer. Derivative financial instruments with a negative market value are reported within this note.

Accounting policies

Trade payables are not interest-bearing and are stated at their nominal value.

	2019 €m	2018 €m
Included within non-current liabilities:		
Other payables	327	314
Accruals	113	159
Contract liabilities[1]	574	237
Derivative financial instruments[2]	1,924	2,133
	2,938	**2,843**
Included within current liabilities:		
Trade payables	6,541	6,185
Amounts owed to associates and joint ventures	26	27
Other taxes and social security payable	1,218	1,177
Other payables[3]	1,410	1,346
Accruals	6,120	5,579
Contract liabilities[1]	1,818	1,678
Derivative financial instruments[2]	520	250
	17,653	**16,242**

Notes:
1 Previously described as deferred income in the year ended 31 March 2018.
2 Items are measured at fair value and the valuation basis is level 2 classification, which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
3 Includes €823 million (2018: €nil) payable in relation to the irrevocable and non-discretionary share buyback programme announced in January 2019.

The carrying amounts of trade and other payables approximate their fair value.

Materially all of the €1,716 million recorded as current contract liabilities at 1 April 2018 was recognised as revenue during the year.

Other payables included within non-current liabilities include €288 million (2018: €271 million) in respect of the re-insurance of a third party annuity policy related to the Vodafone and CWW Sections of the Vodafone UK Group Pension Scheme.

The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest rates and foreign currency rates prevailing at 31 March.

Notes to the consolidated financial statements (continued)

16. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease, and claims for legal and regulatory matters.

Accounting policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Where the timing of settlement is uncertain amounts are classified as non-current where settlement is expected more than 12 months from the reporting date.

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long term in nature.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including notifications of possible claims. The Directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case.

For a discussion of certain legal issues potentially affecting the Group see note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Other provisions

Other provisions comprises various amounts including those for restructuring costs and unutilised property. The associated cash outflows for restructuring costs are primarily less than one year. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

	Asset retirement obligations €m	Legal and regulatory €m	Other[1] €m	Total €m
31 March 2017	606	634	939	2,179
Disposal of subsidiaries	(14)	(3)	–	(17)
Exchange movements	(13)	(21)	(4)	(38)
Amounts capitalised in the year	59	–	–	59
Amounts charged to the income statement	–	140	325	465
Utilised in the year – payments	(33)	(57)	(324)	(414)
Amounts released to the income statement	(22)	(171)	(85)	(278)
31 March 2018	**583**	**522**	**851**	**1,956**
Exchange movements	(4)	(5)	5	(4)
Amounts capitalised in the year	210	–	–	210
Amounts charged to the income statement	–	91	643	734
Utilised in the year – payments	(32)	(53)	(253)	(338)
Amounts released to the income statement	–	(48)	(108)	(156)
31 March 2019	**757**	**507**	**1,138**	**2,402**

Note:
1 Other includes restructuring provisions of €499 million (2018: €240 million).

Provisions have been analysed between current and non-current as follows:

31 March 2019

	Asset retirement obligations €m	Legal and regulatory €m	Other €m	Total €m
Current liabilities	28	274	858	1,160
Non-current liabilities	729	233	280	1,242
	757	**507**	**1,138**	**2,402**

31 March 2018

	Asset retirement obligations €m	Legal and regulatory €m	Other €m	Total €m
Current liabilities	17	280	594	891
Non-current liabilities	566	242	257	1,065
	583	**522**	**851**	**1,956**

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17. Called up share capital

Called up share capital is the number of shares in issue at their par value. A number of shares were allotted during the year in relation to employee share schemes.

Accounting policies

Equity instruments issued by the Group are recorded at the amount of the proceeds received, net of direct issuance costs.

	2019		2018	
	Number	€m	Number	€m
Ordinary shares of 20 20/21 US cents each allotted, issued and fully paid:[1,2]				
1 April	28,814,803,308	4,796	28,814,142,848	4,796
Allotted during the year[3]	454,870	–	660,460	–
31 March	**28,815,258,178**	**4,796**	**28,814,803,308**	**4,796**

Notes:
1 At 31 March 2019 the Group held 1,584,882,610 (2018: 2,139,038,029) treasury shares with a nominal value of €264 million (2018: €356 million). The market value of shares held was €2,566 million (2018: €4,738 million). During the year, 45,657,750 (2018: 53,026,317) treasury shares were reissued under Group share schemes. On 25 August 2017, 729,077,001 treasury shares were issued in settlement of tranche 1 of a maturing subordinated mandatory convertible bond issued on 19 February 2016. On 25 February 2019, 799,067,749 treasury shares were issued in settlement of tranche 2 of the maturing subordinated mandatory convertible bond.
2 On 5 March 2019 the Group announced the placing of subordinated mandatory convertible bonds totalling £1.72 billion with a 2 year maturity date in 2021 and £1.72 billion with a 3 year maturity date due in 2022. The bonds are convertible into a total of 2,547,204,739 ordinary shares with a conversion price of £1.3505 per share.
3 Represents US share awards and option scheme awards.

18. Reconciliation of net cash flow from operating activities

The table below shows how our (loss)/profit for the year from continuing operations translates into cash flows generated from our operating activities.

	Notes	2019 €m	2018 €m	2017 €m
(Loss)/profit for the financial year		**(7,644)**	**2,788**	**(6,079)**
Loss from discontinued operations	7	3,535	1,969	4,107
(Loss)/profit for the financial year from continuing operations		**(4,109)**	**4,757**	**(1,972)**
Non-operating expense		7	32	1
Investment income		(433)	(685)	(474)
Financing costs		2,088	1,074	1,406
Income tax expense/(credit)	6	1,496	(879)	4,764
Operating (loss)/profit		**(951)**	**4,299**	**3,725**
Adjustments for:				
Share-based payments and other non-cash charges		147	128	95
Depreciation and amortisation	10, 11	9,795	10,409	11,086
Loss on disposal of property, plant and equipment and intangible assets	3	33	36	22
Share of result of equity accounted associates and joint ventures		908	59	(47)
Impairment losses	4	3,525	–	–
Other expense/(income)		148	(213)	(1,052)
(Increase)/decrease in inventory		(131)	(26)	117
(Increase)/decrease in trade and other receivables	14	(31)	(1,118)	308
Increase/(decrease) in trade and other payables	15	739	286	(473)
Cash generated by operations		**14,182**	**13,860**	**13,781**
Net tax paid		(1,131)	(1,118)	(761)
Cash flows from discontinued operations		(71)	858	1,203
Net cash flow from operating activities		**12,980**	**13,600**	**14,223**

Notes to the consolidated financial statements (continued)

19. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits or money market funds which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

Accounting policies

Cash and cash equivalents comprise cash in hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Assets in money market funds, whose contractual cash flows do not represent solely payments of interest and principal, are measured at fair value with gains and losses arising from changes in fair value included in net profit or loss for the period. All other cash and cash equivalents are measured at amortised cost.

	2019 €m	2018 €m
Cash at bank and in hand	2,434	2,197
Repurchase agreements and bank deposits	2,196	–
Money market funds[1]	9,007	2,477
Cash and cash equivalents as presented in the statement of financial position	**13,637**	**4,674**
Bank overdrafts	(32)	(7)
Cash and cash equivalents of discontinued operations	–	727
Cash and cash equivalents as presented in the statement of cash flows	**13,605**	**5,394**

Note:
1 Items are measured at fair value and the valuation basis is level 1 classification, which comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets.

The carrying amount of balances at amortised cost approximates their fair value.

Cash and cash equivalents of €1,381 million (2018: €1,449 million) are held in countries with restrictions on remittances but where the balances could be used to repay subsidiaries' third party liabilities.

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20. Borrowings and capital resources

The Group's sources of borrowing for funding and liquidity purposes come from a range of committed bank facilities and through short-term and long-term issuances in the capital markets including bond and commercial paper issues and bank loans. We manage the basis on which we incur interest on debt between fixed interest rates and floating interest rates depending on market conditions using interest rate derivatives. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

This section includes an analysis of net debt, which is used to manage capital.

Accounting policies

Interest-bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. Where they are identified as a hedged item in a designated fair value hedge relationship, fair value adjustments are recognised in accordance with policy (see note 21 "Capital and financial risk management"). Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing. Where bonds issued with certain conversion rights are identified as compound instruments they are initially measured at fair value with the nominal amounts recognised as a component in equity and the fair value of future coupons included in borrowings. These are subsequently measured at amortised cost using the effective interest rate method.

Net debt

At 31 March 2019 net debt represented 58% of our market capitalisation (2018: 46%). Average net debt at month end accounting dates over the 12-month period ended 31 March 2019 was €30.9 billion and ranged between net debt of €27.0 billion and €34.1 billion. Our consolidated net debt position at 31 March was as follows:

	2019 €m	Restated[1] 2018 €m
Short-term borrowings		
Bonds	(53)	(3,477)
Commercial paper	(873)	(2,712)
Bank loans	(1,220)	(1,159)
Other short-term borrowings[2]	(2,124)	(1,165)
	(4,270)	**(8,513)**
Long-term borrowings		
Bonds	(44,439)	(30,473)
Bank loans	(1,780)	(2,157)
Other long-term borrowings[3]	(2,466)	(278)
	(48,685)	**(32,908)**
Cash and cash equivalents	**13,637**	**4,674**
Other financial instruments		
Derivative financial instruments included in trade and other receivables (note 14)	3,634	2,629
Derivative financial instruments included in trade and other payables (note 15)	(2,444)	(2,383)
Short-term investments (note 13)	11,095	6,870
	12,285	**7,116**
Net debt	**(27,033)**	**(29,631)**

Notes:
1 Liabilities for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement are now separately disclosed in the consolidated statement of financial position and are no longer presented within short-term borrowings; gross short-term borrowings at 31 March 2018 have therefore been revised to exclude €1,838 million in respect of such liabilities.
2 At 31 March 2019 the amount includes €2,011 million (2018: €1,070 million) in relation to cash received under collateral support agreements.
3 Includes €1,919 million (2018: €nil) of spectrum licence payables following the completion of recent auctions in Italy and Spain.

The fair value of the Group's financial assets and financial liabilities held at amortised cost approximate to fair value with the exception of long-term bonds with a carrying value of €44,439 million (2018: €30,473 million) and a fair value of €43,616 million (2018: €29,724 million). Fair value is based on level 1 of the fair value hierarchy using quoted market prices.

Notes to the consolidated financial statements (continued)

20. Borrowings and capital resources (continued)

At 31 March 2019 we had €13,637 million of cash and cash equivalents which are held in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investment at 31 March 2019 were managed investment funds, money market funds, government bonds and bank deposits.

The cash received from collateral support agreements mainly reflects the value of our interest rate swap and cross-currency interest rate swap portfolios which are substantially net present value positive. See note 21 "Capital and financial risk management" for further details on these agreements.

The Group's gross and net debt includes certain bonds which have been designated in hedge relationships, which are carried at €1.6 billion higher than their euro equivalent redemption value. In addition, where bonds are issued in currencies other than euros, the Group has entered into foreign currency swaps to fix the euro cash outflows on redemption. The impact of these swaps are not reflected in gross debt and would decrease the euro equivalent redemption value of the bonds by €1.0 billion.

Commercial paper programmes

We currently have US and euro commercial paper programmes of US$15 billion and £8 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2019 €873 million were drawn under the euro commercial paper programme. The US commercial paper programme remained undrawn.

The commercial paper facilities were supported by US$4.2 billion (€3.7 billion) and €3.9 billion of syndicated committed bank facilities. No amounts had been drawn under these facilities.

Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 31 March 2019 the total amounts in issue under these programmes split by currency were US$20.9 billion, €18.3 billion, £3.4 billion, AUD1.2 billion, HKD2.1 billion, NOK2.2 billion, CHF0.7 billion and JPY10 billion.

At 31 March 2019 the Group had bonds outstanding with a nominal value equivalent to €43 billion. During the year ended 31 March 2019 bonds with a nominal value equivalent of €10.2 billion were issued under the US shelf programme and €4.2 billion were issued under stand-alone documentation.

Bonds mature between 2020 and 2056 (2018: 2018 and 2056) and have interest rates between 0.0% and 7.875% (2018: 0.0% and 8.125%).

Mandatory convertible bonds

On 25 February 2016 the Group issued £2.9 billion of subordinated mandatory convertible bonds ('MCBs') issued in two tranches with the first £1.4 billion having matured and converted to 729.1 million shares on 25 August 2017 at a conversion price of £1.9751. The second tranche matured on 25 February 2019 and converted to 799.1 million Vodafone Group Plc shares at a conversion price of £1.8021.

On 12 March 2019 the Group issued £3.4 billion of subordinated mandatory convertible bonds ('MCBs') split into two equal tranches of £1.7 billion, the first maturing on 12 March 2021 and the second on 12 March 2022 with coupons of 1.2% and 1.5% respectively. These were recognised as compound instruments with nominal values of £3.4 billion (€3.8 billion) recognised as a component of shareholders' funds in equity and the fair value of future coupons £0.1 billion (€0.1 billion) recognised as a financial liability in borrowings. The conversion price on issue of the bonds was £1.3505. The Group's strategy is to hedge the equity risk associated with the MCB issuance to any future movement in its share price by an option strategy designed to hedge the economic impact of share price movements during the term of the bonds. Should the Group decide to buy back ordinary shares to mitigate dilution resulting from the conversion the hedging strategy will provide a hedge for the repurchase price.

Treasury shares

The Group held a maximum of 2,139,038,029 of its own shares during the year which represented 7.4% of issued share capital at that time.

Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the Board of Directors or shareholders of the individual operating and holding companies, and we have no rights to receive dividends except where specified within certain of the Group's shareholders' agreements. Similarly, other than ongoing dividend obligations to the Kabel Deutschland A.G. minority shareholders, should they continue to hold their minority stake, we do not have existing obligations under shareholders' agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures. The amount of dividends received and paid in the year are disclosed in the consolidated statement of cash flows.

Potential cash outflows from option agreements and similar arrangements

Put options issued as part of the hedging strategy for the MCBs permit the holders to exercise against the Group at maturity of the option if there is a decrease in our share price. Under the terms of the options, settlement must be made in cash which will equate to the reduced value of shares from the initial conversion price, adjusted for dividends declared, on 3,055 million shares.

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Sale of trade receivables

During the year, the Group sold certain trade receivables to a financial institution. Whilst there are no repurchase obligations in respect of these receivables, the Group provided a credit guarantee which would only become payable if default rates were significantly higher than historical rates.

The credit guarantee is not considered substantive and substantially all risks and rewards associated with the receivables passed to the purchaser at the date of sale, therefore the receivables were derecognised. The maximum payable under the guarantees at 31 March 2019 was €757 million (2018: €506 million). No provision has been made in respect of these guarantees as the likelihood of a cash outflow has been assessed as remote.

Supplier Financing arrangements

The Group offers suppliers the opportunity to use supply chain financing ('SCF'). SCF allows suppliers that decide to use it to receive funding earlier than the invoice due date. At 31 March 2019, the financial institutions which run the SCF programmes had purchased €2.5 billion (2018: €2.3 billion) of supplier invoices, principally from larger suppliers. The Group does not provide any financial guarantees to the financial institutions under this programme and continues to cash settle supplier payables in accordance with their contractual terms. As such, the programme does not change the Group's net debt, trade payable balances or cash flows.

The Group evaluates supplier arrangements against a number of indicators to assess if the payable continues to hold the characteristics of a trade payable or should be classified as borrowings; these indicators include whether the payment terms exceed customary payment terms in the industry or 180 days. At 31 March 2019, none of the payables subject to supplier financing arrangements met the criteria to be reclassified as borrowings.

Notes to the consolidated financial statements (continued)

21. Capital and financial risk management

This note details the treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Accounting policies

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities under put option arrangements

The Group has an obligation to pay a fixed rate of return to minority equity shareholders in the Group's subsidiary Kabel Deutschland AG, under the terms of a court imposed domination and profit and loss transfer agreement. This agreement also provides the minority shareholders the option to put their shareholding to Vodafone at a fixed price per share. The obligation to purchase the shares has been recognised as a financial liability and no non-controlling interests are recognised in respect of minority shareholders. Interest costs are accrued at the agreed rate of return and recognised in financing costs

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The Group designates certain derivatives as:

- hedges of the change of fair value of recognised assets and liabilities ('fair value hedges'); or
- hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ('cash flow hedges'); or
- hedges of net investments in foreign operations.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement unless designated in an effective cash flow hedge relationship or a hedge of a net investment in foreign operations when the effective portion of changes in value are deferred to other comprehensive income. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For fair value hedges, the carrying value of the hedged item is also adjusted for changes in fair value for the hedged risk, with gains and losses recognised in the income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement.

For cash flow hedges, when the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

For net investment hedges, gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

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Capital management

The following table summarises the capital of the Group at 31 March:

	2019 €m	2018 €m
Net debt	27,033	29,631
Financial liabilities under put option arrangements[1]	1,844	1,838
Equity	63,445	68,607
Capital	**92,322**	**100,076**

Note:
1 Financial liabilities under put option arrangements comprise liabilities for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement; the amounts at 31 March 2018 were previously presented within short-term borrowings.

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal debt protection ratios being: net interest to operating cash flow (plus dividends from associates); retained cash flow (operating cash flow plus dividends from associates less interest, tax, dividends to non-controlling shareholders and equity dividends) to net debt; and operating cash flow (plus dividends from associates) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies being Moody's, Fitch Ratings and Standard & Poor's.

Financial risk management

The Group's treasury function centrally manages the Group's funding requirement, net foreign exchange exposure, interest rate management exposures and counterparty risk arising from investments and derivatives.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board, most recently in July 2018.

A treasury risk committee comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Financial Controller, Group Treasury Director and Group Director of Financial Controlling and Operations meets three times a year to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group's accounting function, which does not report to the Group Treasury Director, provides regular update reports of treasury activity to the Board. The Group's internal auditor reviews the internal control environment regularly.

The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. The Group mitigates banking sector credit risk by the use of collateral support agreements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial asset leading to a financial loss for the Group. The Group is exposed to credit risk from its operating activities and from its financing activities, the Group considers its maximum exposure to credit risk at 31 March to be:

	2019 €m	2018 €m
Cash at bank and in hand	2,434	2,197
Repurchase agreements and bank deposits	2,196	–
Money market funds	9,007	2,477
Managed investment funds	6,405	3,891
Government securities	3,011	1,974
Other investments	4,418	6,087
Derivative financial instruments	3,634	2,629
Trade receivables	5,077	5,402
Contract assets and other receivables	5,155	3,410
	41,337	**28,067**

Expected credit loss

The Group has financial assets classified and measured at amortised cost and fair value through other comprehensive income that are subject to the expected credit loss model requirements of IFRS 9. Cash at bank and in hand and certain other investments are both classified and measured at amortised cost and subject to these impairment requirements. However, the identified expected credit loss is considered to be immaterial.

Information about expected credit losses for trade receivables and contract assets can be found under "operating activities" on page 164.

Notes to the consolidated financial statements (continued)

21. Capital and financial risk management (continued)

Financing activities

The Group invests in UK, German and Japanese government securities on the basis they generate a fixed rate of return and are amongst the most creditworthy of investments available.

Money market investments are made in accordance with established internal treasury policies which dictate that an investment's long-term credit rating is no lower than mid BBB. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 10% of each fund.

The Group has four managed investment funds with maturities of less than 90 days. These funds hold fixed income euro, sterling and dollar securities with an average credit quality of high double A. The Group also invests in a fund where the underlying assets are supply chain receivables, the creditworthiness of which are enhanced by an insurance wrapper as provided by established insurance companies with a long-term credit rating of at least A-.

In respect of financial instruments used by the Group's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by (i) reference to the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's; (ii) that counterparty's five year credit default swap ('CDS') spread; and (iii) the sovereign credit rating of that counterparty's principal operating jurisdiction. Furthermore, collateral support agreements reduce the Group's exposure to counterparties who must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.

In the event of any default, ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March:

	2019 €m	2018 €m
Cash collateral	2,011	1,070

As discussed in note 28 "Contingent liabilities and legal proceedings", the Group has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The Group has also pledged cash and debt securities as collateral against derivative financial instruments as disclosed in note 13 "Other investments".

Operating activities

Customer credit risk is managed by the Group's business units which each have policies, procedures and controls relating to customer credit risk management. Outstanding trade receivables and contract assets are regularly reviewed to monitor any changes in credit risk with concentrations of credit risk considered to be limited given that the Group's customer base is large and unrelated. The Group applies the simplified approach and records lifetime expected credit losses for trade receivables and contract assets. Expected credit losses are measured using historical cash collection data for periods of at least 24 months wherever possible and grouped into various customer segments based on product or customer type. The historical loss rates are adjusted where macroeconomic factors, for example changes in interest rates or unemployment rates, or other commercial factors are expected to have a significant impact when determining future expected credit loss rates. For trade receivables the expected credit loss provision is calculated using a provision matrix, in which the provision increases as balances age, and for receivables paid in instalments and contract assets a weighted loss rate is calculated to reflect the period over which the amounts become due for payment by the customer. Trade receivables and contract assets are written off when each business unit determines there to be no reasonable expectation of recovery and enforcement activity has ceased.

Movements in the allowance for expected credit losses during the year were as follows:

	Contract assets		Trade receivables held at amortised cost		Trade receivables held at fair value through other comprehensive income	
	2019 €m	2018 €m	**2019 €m**	2018 €m	**2019 €m**	2018[1] €m
31 March as previously reported	–	–	1,249	1,418	–	–
Impact of adoption of IFRS 15	78	–	–		–	–
Impact of adoption of IFRS 9	56	–	185	–	23	–
1 April	**134**	**–**	**1,434**	**1,418**	**23**	**–**
Exchange movements	1	–	(19)	(78)	–	–
Amounts charged to administrative expenses	54	–	504	528	17	–
Other	(60)	–	(572)	(619)	–	–
31 March	**129**	**–**	**1,347**	**1,249**	**40**	**–**

Note:
1 Trade receivables were all held at amortised cost in the year to 31 March 2018 in accordance with IAS 39.

Expected credit losses are presented as net impairment losses within operating profit and subsequent recoveries of amounts previously written off are credited against the same line item.

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The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2019 €3,958 million (2018: €3,389 million) of trade receivables were not yet due for payment.

The following table presents information on trade receivables past due[1] and their associated expected credit losses:

31 March 2019	Trade receivables at amortised cost past due				
	30 days or less €m	31–60 days €m	61–180 days €m	180 days+ €m	Total €m
Gross carrying amount	448	253	550	1,041	2,292
Expected credit loss allowance	(94)	(64)	(216)	(882)	(1,256)
Net carrying amount	354	189	334	159	1,036

31 March 2018[2]	Trade receivables at amortised cost past due				
	30 days or less €m	31–60 days €m	61–180 days €m	180 days+ €m	Total €m
Gross carrying amount	810	226	530	1,250	2,816
Allowances for bad and doubtful debt	(32)	(35)	(206)	(925)	(1,198)
Net carrying amount	778	191	324	325	1,618

Notes:
1 Contract assets relate to amounts not yet due to customers. These amounts will be reclassified as trade receivables before they become due. Trade receivables at fair value through other comprehensive income are not materially past due.
2 Information relating to the year ending 31 March 2018 is presented under the Group's IAS 39 accounting policies. Under these policies the Group's management monitored the financial statements raising provisions for bad and doubtful debt as appropriate.

Liquidity risk

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2019 amounted to €13,637 million (2018: €4,674 million) and undrawn committed facilities of €7,880 million (2018: €7,306 million), principally euro and US dollar revolving credit facilities of €3.9 billion and US$4.2 billion maturing in 2022 and 2023 respectively.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturity in any one calendar year, therefore minimising refinancing risk. Long-term borrowings mature between 1 and 37 years.

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

Maturity profile[1]	Bank loans €m	Commercial paper €m	Bonds €m	Other borrowings[2] €m	Other financial liabilities[3] €m	Total €m
Within one year	1,498	873	1,486	2,155	15,941	21,953
In one to two years	714	–	4,826	158	125	5,823
In two to three years	568	–	4,917	96	–	5,581
In three to four years	–	–	4,558	1,775	–	6,333
In four to five years	350	–	7,878	320	–	8,548
In more than five years	–	–	37,586	336	–	37,922
	3,130	**873**	**61,251**	**4,840**	**16,066**	**86,160**
Effect of discount/financing rates	(130)	–	(16,759)	(250)	(12)	(17,151)
31 March 2019	**3,000**	**873**	**44,492**	**4,590**	**16,054**	**69,009**
Within one year	1,251	2,715	4,348	1,164	14,975	24,453
In one to two years	748	–	1,816	34	175	2,773
In two to three years	507	–	4,411	25	–	4,943
In three to four years	569	–	4,228	22	–	4,819
In four to five years	–	–	3,692	26	–	3,718
In more than five years	350	–	24,635	172	–	25,157
	3,425	**2,715**	**43,130**	**1,443**	**15,150**	**65,863**
Effect of discount/financing rates	(109)	(3)	(9,180)	–	(16)	(9,308)
31 March 2018	**3,316**	**2,712**	**33,950**	**1,443**	**15,134**	**56,555**

Notes:
1 Maturities reflect contractual cash flows applicable except in the event of a change of control or event of default, upon which lenders have the right, but not the obligation, to request payment within 30 days. This also applies to undrawn committed facilities. It should be noted that a material adverse change clause does not apply with the exception of €135 million of debt in relation to the mandatorily convertible bonds (which would also accelerate conversion of the £3.4 billion principal recognised in equity – see note 20 "Borrowings and capital resources"). Furthermore, €1,722 million of bank facilities are capped at 50% of operating company capital expenditures.
2 Includes present value of minimum lease payments under finance lease arrangement under which the Group has leased certain of its equipment. with maturity profile €46 million (2018: €46 million) within one year, €104 million (2018: €94 million) within two to five years and €152 million (2018: €172 million) greater than five years.
3 Includes financial liabilities under put option arrangements and non-derivative financial liabilities presented within trade and other payables.

Notes to the consolidated financial statements (continued)

21. Capital and financial risk management (continued)

The maturity profile of the Group's financial derivatives (which include interest rate swaps, cross-currency interest rate swaps and foreign exchange swaps) using undiscounted cash flows, is as follows:

	2019			2018		
	Payable €m	**Receivable €m**	**Total €m**	Payable €m	Receivable €m	Total €m
Within one year	(23,469)	23,672	203	(18,055)	18,363	308
In one to two years	(8,356)	8,752	396	(3,925)	3,875	(50)
In two to three years	(3,772)	4,386	614	(4,904)	4,911	7
In three to four years	(3,959)	4,624	665	(2,223)	2,324	101
In four to five years	(3,710)	4,285	575	(3,834)	3,687	(147)
In more than five years	(34,987)	39,334	4,347	(20,702)	23,021	2,319
	(78,253)	**85,053**	**6,800**	**(53,643)**	**56,181**	**2,538**
Effect of discount/financing rates			(5,610)			(2,292)
Financial derivative net receivable			**1,190**			**246**

Payables and receivables are stated separately in the table above as cash settlement is on a gross basis.

Market risk

Interest rate management

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis except for periods up to six years where interest rate fixing has to be undertaken in accordance with treasury policy. The policy also allows euros, US dollars and sterling to be moved to a fixed rate basis if interest rates are statistically low. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

At 31 March 2019 and after hedging, substantially all of our outstanding liabilities are held on a fixed interest rate basis in accordance with treasury policy.

For each one hundred basis point rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2019 there would be an increase in profit before tax by approximately €399 million (2018: approximately €372 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on cash and short term investments. There would be no material impact on equity.

Foreign exchange management

As Vodafone's primary listing is on the London Stock Exchange its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, South African rand and sterling, the Group maintains the currency of debt and interest charges in proportion to its expected future principal cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above a certain de minimis level.

At 31 March 2019 22% of net debt was denominated in currencies other than euro (14% sterling, 5% South African rand and 3% other). This allows sterling, South African rand and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial economic hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

Under the Group's foreign exchange management policy, foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements on net investment hedging instruments as there would be an offset in the currency translation of the foreign operation. At 31 March 2019 the Group held financial liabilities in a net investment hedge against the Group's South African rand. Sensitivity to foreign exchange movements on the hedging liabilities, analysed against a strengthening of the South African rand by 9% (2018:15%) would result in a decrease in equity of €175 million (2018: €348 million) which would be fully offset by foreign exchange movements on the hedged net assets. In addition, cash flow hedges of principally US dollar borrowings would result in an increase in equity of €651 million (2018: €232 million) against a strengthening of US dollar by 5% (2018: 5%).

The Group profit and loss account is exposed to foreign exchange risk within both operating profit and financing income and expense. The principal operating segment not generating incomes in Euro is the Vodacom business, whose functional currency is South African Rand. Financing income and expense includes foreign currency gains/losses incurred on the translation of balance sheet items not held in functional currency. These are principally on certain borrowings, derivatives, and other investments denominated in sterling and US dollar.

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The following table details the Group's sensitivity to foreign exchange risk. The percentage movement applied to the currency is based on the average movements in the previous three annual reporting periods.

	2019 €m	2018 €m
ZAR 9% change (2018: 15%) – Increase in operating profit[1]	147	239
USD 10% change (2018: 9%) – Decrease in profit before taxation	(81)	(65)
GBP 4% change (2018: 7%) – Increase in profit before taxation	183	208

Note:
1 Operating profit before impairment losses and other income and expense.

Equity risk

There is no material equity risk relating to the Group's equity investments which are detailed in note 13 "Other investments".

The Group has hedged its exposure under the subordinated mandatory convertible bonds to any future movements in its share price by an option strategy designed to hedge the economic impact of share price movements during the term of the bonds. As at 31 March 2019 the Group's sensitivity to a movement of 8% (2018: 10%) in its share price would result in an increase or decrease in profit before tax of €319 million (2018: €164 million).

Risk management strategy of hedge relationships

The risk strategies of the denominated cash flow, fair value, and net investment hedges reflect the above market risk strategies.

The objective of the cash flow hedges is principally to convert foreign currency denominated fixed rate borrowings in US dollar, Pound Sterling, Australian dollar, Swiss Franc, Hong Kong dollar, Japanese yen, Norwegian krona and euro and US dollar floating rate borrowings into euro fixed rate borrowings and hedge the foreign exchange spot rate and interest rate risk. Derivative financial instruments designated in cash flow hedges are cross-currency interest rate swaps and foreign exchange swaps. The swap maturity dates and liquidity profiles of the nominal cash flows match those of the underlying borrowings.

The objective of the net investment hedges is to hedge foreign exchange risk in foreign operations. Derivative financial instruments designated in net investment hedges are cross-currency interest rate swaps and foreign exchange swaps. The hedging instruments are rolled on an ongoing basis as determined by the nature of the business.

The objective of the fair value hedges is to hedge a proportion of the Group's fixed rate euro denominated borrowing to a euro floating rate borrowing. The swap maturity dates match those of the underlying borrowing and the nominal cash flows are converted to quarterly payments.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency denominated borrowings and investments, the Group uses a combination of cross-currency and foreign exchange swaps to hedge its exposure to foreign exchange risk and interest rate risk and enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. Therefore the Group expects a highly effective hedging relationship with the swap contracts and the value of the corresponding hedged items to change systematically in the opposite direction in response to movements in the underlying exchange rates and interest rates. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

a) The fair value of the hedging instrument on the hedge relationship designation date if the fair value is not nil;

b) Changes in the contractual terms or timing of the payments on the hedged item; and

c) A change in the credit risk of the Group or the counterparty with the hedged instrument.

The hedge ratio for each designation will be established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for all of the Group's existing hedge relationships the hedge ratio has been determined as 1:1.

The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market rates and foreign currency rates prevailing at 31 March. The valuation basis is level 2. This classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly. Derivative financial assets and liabilities are included within trade and other receivables and trade and other payables in the statement of financial position.

Notes to the consolidated financial statements (continued)

21. Capital and financial risk management (continued)

The following table represents the corresponding carrying values and nominal amounts of derivatives in a continued hedge relationship as at 31 March 2019.

At 31 March 2019	Nominal amounts €m	Carrying value Assets €m	Carrying value Liabilities €m	Other comprehensive income: Opening balance 1 April 2018 €m	(Gain)/ Loss deferred to OCI €m	Gain/(Loss) recycled to financing costs €m	Closing balance 31 March 2019[1] €m	Average maturity year	Average FX rate	Average euro interest rate %
Cash flow hedges – foreign currency risk[2]										
Cross-currency and foreign exchange swaps										
US dollar bonds	18,444	1,273	83	132	(1,410)	1,099	(179)	2034	1.18	2.83
Australian dollar bonds	736	14	2	(4)	(21)	8	(17)	2024	1.56	0.86
Swiss franc bonds	624	–	43	16	(25)	31	22	2027	1.08	1.36
Pound sterling bonds	2,720	76	112	8	(39)	69	38	2048	0.87	2.45
Hong Kong dollar bonds	233	3	7	15	(23)	21	13	2029	8.96	1.46
Japanese yen bonds	78	1	–	–	(3)	5	2	2037	128.53	2.47
Norwegian krona bonds	241	2	14	(4)	5	–	1	2026	9.20	1.19
Cash flow hedges – foreign currency and interest rate risk[2]										
Cross currency swaps – US dollar bonds	905	33	–	1	(40)	51	12	2022	1.15	0.90
Cash flow hedges – interest rate risk[2]										
Interest rate swaps – Euro loans	668	–	17	15	1	(5)	11	2021	–	1.22
Fair value hedges – interest rate risk[3]										
Interest rate swaps – Eurobonds	186	117	–	–	–	–	–	2028	–	–
Net investment hedge – foreign exchange risk[4]										
Cross-currency and foreign exchange swaps – South African rand investment	1,952	120	3	918	(108)	–	810	2020	15.23	0.11
	26,787	**1,639**	**281**	**1,097**	**(1,663)**	**1,279**	**713**			

At 31 March 2018	Nominal amounts €m	Carrying value Assets €m	Carrying value Liabilities €m	Other comprehensive income: Opening balance 1 April 2017 €m	(Gain)/Loss deferred to OCI €m	Gain/(Loss) recycled to financing costs €m	Closing balance 31 March 2018 €m	Average maturity year	Average FX rate	Average euro interest rate %
Cash flow hedges – foreign currency risk[2]										
Cross-currency and foreign exchange swaps										
US dollar bonds	5,929	176	364	(183)	1,570	(1,255)	132	2035	1.19	3.62
Australian dollar bonds	736	–	9	–	14	(18)	(4)	2024	1.56	0.86
Swiss franc bonds	624	–	68	4	70	(58)	16	2027	1.08	1.36
Pound sterling bonds	1,212	18	175	(6)	18	(4)	8	2044	0.85	2.09
Hong Kong dollar bonds	233	–	28	–	29	(14)	15	2029	8.96	1.46
Japanese yen bonds	78	–	2	–	2	(2)	–	2037	128.53	2.47
Norwegian krona bonds	241	5	11	(9)	14	(9)	(4)	2026	9.20	1.19
Cash flow hedges – foreign currency and interest rate risk[2]										
Cross-currency swaps – US dollar bonds	709	–	8	4	98	(101)	1	2019	1.17	0.57
Cash flow hedges – interest rate risk[2]										
Interest rate swaps – Euro loans	668	–	16	18	(4)	1	15	2021	–	1.22
Fair value hedges – interest rate risk[3]										
Interest rate swaps – Eurobonds	186	100	–	–	–	–	–	2028	–	–
Interest rate swaps – US dollar bonds	2,115	–	76	–	–	–	–	2022	–	–
Net investment hedge – foreign exchange risk[4]										
Cross-currency and foreign exchange swaps – South African rand investment	2,007	58	128	758	161	–	918	2019	14.62	0.13
	14,738	**357**	**885**	**586**	**1,972**	**(1,460)**	**1,097**			

Notes:
1 Fair value movement deferred into other comprehensive income includes €754 million loss (2018: €572 million loss) and €1 million gain (2018: €19 million gain) of foreign currency basis outside the cash flow and net investment hedge relationships respectively.
2 For cash flow hedges, the movement in the hypothetical derivative (hedged item) mirrors that of the hedging instrument. Hedge ineffectiveness of swaps designated in a cash flow hedge during the period was €nil (2018: €nil).
3 The carrying value of the bond includes €86 million loss (2018: €92 million loss) of cumulative fair value adjustment for the hedged interest rate risk. Net ineffectiveness on the fair value hedges, €2 million loss (2018: €12 million loss) is recognised in the income statement. The carrying value of bonds includes an additional €749 million loss (2018: €727 million loss) in relation to fair value of bonds previously designated in fair value hedge relationships.
4 Hedge ineffectiveness of swaps designated in a net investment hedge during the period was €nil (2018: €nil).

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Fair value and carrying value information

The carrying value and valuation basis of the Group's financial assets are set out in notes 13 "Other investments", 14 "Trade and other receivables" and 19 "Cash and cash equivalents". For all financial assets held at amortised cost the carrying values approximate fair value.

The carrying value and valuation basis of the Group's financial liabilities are set out in notes 15 "Trade and other payables" and 20 "Borrowings and capital resources". The carrying values approximate fair value for the Group's trade payables and other payables categories. For other financial liabilities a comparison of fair value and carrying value is disclosed in note 20 "Borrowings and capital resources".

Net financial instruments

The table below shows the Group's financial assets and liabilities that are subject to offset in the balance sheet and the impact of enforceable master netting or similar agreements.

At 31 March 2019				Related amounts not set off in the balance sheet		
	Gross amount €m	Amount set off €m	**Amounts presented in balance sheet €m**	Right of set off with derivative counterparties €m	**Cash collateral €m**	Net amount €m
Derivative financial assets	3,634	–	3,634	(1,549)	(2,011)	74
Derivative financial liabilities	(2,444)	–	(2,444)	1,549	1,081	186
Total	**1,190**	**–**	**1,190**	**–**	**(930)**	**260**

At 31 March 2018				Related amounts not set off in the balance sheet		
	Gross amount €m	Amount set off €m	**Amounts presented in balance sheet €m**	Right of set off with derivative counterparties €m	**Cash collateral €m**	Net amount €m
Derivative financial assets	2,629	–	2,629	(1,467)	(1,070)	92
Derivative financial liabilities	(2,383)	–	(2,383)	1,467	718	(198)
Total	**246**	**–**	**246**	**–**	**(352)**	**(106)**

Financial assets and liabilities are offset and the amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Derivative financial instruments that do not meet the criteria for offset could be settled net in certain circumstances under ISDA ('International Swaps and Derivatives Association') agreements where each party has the option to settle amounts on a net basis in the event of default from the other. Collateral may be offset and net settled against derivative financial instruments in the event of default by either party. The aforementioned collateral balances are recorded in "other short-term investments" or "short-term debt" respectively.

Changes in assets and liabilities arising from financing activities

		Cash flows			Non-cash changes		
	1 April 2018 €m	Net proceeds/ (repayment) of borrowings €m	Interest paid €m	Other movements €m	Net Financing costs[2] €m	Other[3] €m	**31 March 2019 €m**
Assets and liabilities arising from financing activities[1]	**43,013**	8,501	(1,297)	(541)	1,958	1,975	**53,609**

		Cash flows			Non-cash changes		
	1 April 2017 €m	Net proceeds/ (repayment) of borrowings €m	Interest paid €m	Other movements €m	Net Financing costs[2] €m	Other[3] €m	**31 March 2018 €m**
Assets and liabilities arising from financing activities[1]	**44,369**	(224)	(991)	(534)	486	(93)	**43,013**

Notes:
1 This balance comprises gross borrowings of €52,955 million (2018: €41,421 million), net derivative financial assets of €1,190 million (2018: €246 million) and financial liabilities under put option arrangements previously included within borrowings of €1,844 million (2018: €1,838 million). This balance excludes €823 million of other payables in relation to the share buyback programme, with cash outflows of €475 million during the year (2018: €nil). Net debt disclosed in note 20 "Borrowings and capital resources" additionally includes cash and certain short-term investments.
2 This amount includes interest, fair value and foreign exchange items which impact the income statement or other comprehensive income. Financing costs of €2,088 million (2018: €1,074 million) as disclosed in note 5 "Investment income and financing costs" primarily additionally include foreign exchange and other movements on items classified as net debt but not borrowings.
3 Includes €1,919 million recognised during 2019 for long-term spectrum licence payables and reclassifications between financial liabilities and other investments.

Notes to the consolidated financial statements (continued)

22. Directors and key management compensation

This note details the total amounts earned by the Company's Directors and members of the Executive Committee.

Directors

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

	2019 €m	2018 €m	2017 €m
Salaries and fees	4	4	4
Incentive schemes[1]	2	3	2
Other benefits[2]	–	1	1
	6	**8**	**7**

Notes:
1 Excludes gains from long-term incentive plans.
2 Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

No Directors serving during the year exercised share options in the year ended 31 March 2019 (2018: one Director, gain €0.1 million; gain 2017: one Director, €0.7 million).

Key management compensation

Aggregate compensation for key management, being the Directors and members of the Executive Committee, was as follows:

	2019 €m	2018 €m	2017 €m
Short-term employee benefits	23	27	24
Share-based payments	35	30	25
	58	**57**	**49**

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23. Employees

This note shows the average number of people employed by the Group during the year, in which areas of our business our employees work and where they are based. It also shows total employment costs.

	2019 Employees	2018 Employees	2017 Employees
By activity:			
Operations	15,872	17,094	18,207
Selling and distribution	30,596	35,025	38,252
Customer care and administration	52,528	54,016	55,097
	98,996	**106,135**	**111,556**
By segment:			
Germany	13,414	13,718	14,478
Italy	6,536	6,606	6,601
Spain	5,140	5,015	5,118
UK	11,525	12,379	13,238
Other Europe	12,413	11,760	15,801
Europe	**49,028**	**49,478**	**55,236**
India (Discontinued operations)	4,554	11,086	13,187
Vodacom	7,695	7,524	7,590
Other Markets	12,837	13,606	14,183
Rest of the World	**25,086**	**32,216**	**34,960**
Common Functions	24,882	24,441	21,360
Total	**98,996**	**106,135**	**111,556**

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

	2019 €m	2018 €m	2017 €m
Wages and salaries	4,333	4,179	4,630
Social security costs	579	547	582
Other pension costs (note 24)	223	222	212
Share-based payments (note 25)	132	128	95
	5,267	**5,076**	**5,519**
India (Discontinued operations)	84	219	217
Total	**5,351**	**5,295**	**5,736**

Notes to the consolidated financial statements (continued)

24. Post employment benefits

The Group operates a number of defined benefit and defined contribution pension plans for our employees. The Group's largest defined benefit scheme is in the UK. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Scheme liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date. Assets are valued at market value.

Actuarial gains and losses are taken to the statement of comprehensive income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising from differences between the previous actuarial assumptions and what has actually occurred. The return on plan assets, in excess of interest income, and costs incurred for the management of plan assets are also taken to other comprehensive income.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any settlements. The interest cost less the expected interest income on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations, as appropriate.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

Background

At 31 March 2019 the Group operated a number of pension plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, India, Ireland, Italy, the UK, the United States and the Group operates defined benefit indemnity plans in Greece and Turkey. Defined contribution pension schemes are currently provided in Egypt, Germany, Greece, Hungary, India, Ireland, Italy, New Zealand, Portugal, South Africa, Spain and the UK.

Income statement expense

	2019 €m	2018 €m	2017 €m
Defined contribution schemes	166	178	192
Defined benefit schemes	57	44	20
Total amount charged to income statement (note 23)	**223**	**222**	**212**

Defined benefit schemes

The Group's retirement policy is to provide competitive pension provision, in each operating country, in line with the market median for that location. The Group's preferred retirement provision is focused on Defined Contribution ('DC') arrangements and/or State provision for future service.

The Group's main defined benefit funding liability is the Vodafone UK Group Pension Scheme ('Vodafone UK plan'). Since June 2014 the plan has consisted of two segregated sections: the Vodafone Section and the Cable & Wireless Section ('CWW Section'). Both sections are closed to new entrants and to future accrual. The Group also operates smaller funded and unfunded plans in the UK, funded and unfunded plans in Germany and funded plans in Ireland. Defined benefit pension provision exposes the Group to actuarial risks such as longer than expected longevity of participants, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the schemes.

The main defined benefit schemes are administered by trustee boards which are legally separate from the Group and consist of representatives who are employees, former employees or are independent from the Company. The boards of the pension schemes are required by legislation to act in the best interest of the participants, set the investment strategy and contribution rates and are subject to statutory funding objectives.

The Vodafone UK plan is registered as an occupational pension plan with HM Revenue and Customs ('HMRC') and is subject to UK legislation and operates within the framework outlined by the Pensions Regulator. UK legislation requires that pension schemes are funded prudently and that valuations are undertaken at least every three years. Separate valuations are required for the Vodafone Section and CWW Section.

The trustees obtain regular actuarial valuations to check whether the statutory funding objective is met and whether a recovery plan is required to restore funding to the level of the agreed technical provisions. On 19 October 2017, the 31 March 2016 triennial actuarial valuation for the Vodafone Section and CWW Section of the Vodafone UK plan, which is used to judge the funding the Group needs to put into the scheme, was concluded.

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This valuation showed a net deficit of £279 million (€317 million) on the scheme's funding basis, comprising of a £339 million (€385 million) deficit for the Vodafone Section offset by a £60 million (€68 million) surplus for the CWW Section. These scheme specific actuarial valuations will always be different to the IAS 19 accounting basis, which is used to measure pension assets and liabilities presented on the Group's consolidated statement of financial position.

The Group and trustees of the scheme agreed a funding plan to address the valuation deficit in the Vodafone Section over the period to 31 March 2025 and made a cash contribution on 19 October 2017 of £185 million (€209 million) into the Vodafone Section and a further cash payment in accordance with the arrangements set under the previous valuation of £58 million (€66 million) into the CWW Section. These cash payments were invested into annuity policies issued by a third party insurance company which in turn entered into a reinsurance policy covering these risks with the Group's captive insurance company. No further contributions are due in respect of the deficit revealed at the 2016 valuation.

The next scheme valuation is currently being undertaken as at 31 March 2019, and will be completed during 2020.

Funding plans are individually agreed for each of the Group's other defined benefit pension schemes with the respective trustees or governing board, taking into account local regulatory requirements. It is expected that ordinary contributions relating to future service of €48 million will be paid into the Group's defined benefit pension schemes during the year ending 31 March 2020. The Group has also provided certain guarantees in respect of the Vodafone UK plan; further details are provided in note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

The investment strategy for the UK schemes is controlled by the trustees in consultation with the Company and the schemes have no direct investments in the Group's equity securities or in property or other assets currently used by the Group. The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustee investment policy. The trustees aim to achieve the scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term are expected to grow in value by more than the low risk assets. The low risk assets include cash and gilts, inflation and interest rate hedging and in substantial insured pensioner annuity policies in both the Vodafone Section and CWW Sections of the Vodafone UK plan. A number of investment managers are appointed to promote diversification by assets, organisation and investment style and current market conditions and trends are regularly assessed, which may lead to adjustments in the asset allocation.

Actuarial assumptions

The Group's scheme liabilities are measured using the projected unit credit method using the principal actuarial assumptions set out below:

	2019 %	2018 %	2017 %
Weighted average actuarial assumptions used at 31 March[1]:			
Rate of inflation[2]	2.9	2.9	3.0
Rate of increase in salaries	2.7	2.7	2.6
Discount rate	2.3	2.5	2.6

Notes:
1 Figures shown represent a weighted average assumption of the individual schemes.
2 The rate of increases in pensions in payment and deferred revaluation are dependent on the rate of inflation.

Mortality assumptions used are based on recommendations from the individual scheme actuaries which include adjustments for the experience of the Group where appropriate. The Group's largest scheme is the Vodafone UK plan. Further life expectancies assumed for the UK schemes are 23.3/26.6 years (2018: 23.2/26.5 years; 2017: 24.1/25.4 years) for a male/female pensioner currently aged 65 years and 26.2/29.4 (2018: 26.1/29.3 years; 2017: 26.7/28.3 years) from age 65 for a male/female non-pensioner member currently aged 40.

Charges made to the consolidated income statement and consolidated statement of comprehensive income ('SOCI') on the basis of the assumptions stated above are:

	2019 €m	2018 €m	2017 €m
Current service cost	31	34	43
Past service costs[1]	16	2	(27)
Net interest charge	10	8	4
Total included within staff costs	**57**	**44**	**20**
Actuarial losses recognised in the SOCI	33	94	274

Note:
1 Following a High Court judgement on 21 October 2018 which concluded that defined benefit schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits the Group has recorded a pre-tax past service cost of €16 million (£14 million) in the year ended 31 March 2019.

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2019 is 22.0 years (2018: 22.8 years; 2017: 22.9 years).

Notes to the consolidated financial statements (continued)

24. Post employment benefits (continued)

Fair value of the assets and present value of the liabilities of the schemes

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	Assets €m	Liabilities €m	Net deficit €m
1 April 2017	**6,709**	**(7,303)**	**(594)**
Service cost	–	(36)	(36)
Interest income/(cost)	167	(175)	(8)
Return on plan assets excluding interest income	(37)	–	(37)
Actuarial losses arising from changes in demographic assumptions	–	(46)	(46)
Actuarial losses arising from changes in financial assumptions	–	(12)	(12)
Actuarial gains arising from experience adjustments	–	1	1
Employer cash contributions	301	–	301
Member cash contributions	8	(8)	–
Benefits paid	(289)	289	–
Exchange rate movements	(156)	166	10
Other movements	(6)	17	11
31 March 2018	**6,697**	**(7,107)**	**(410)**
Service cost	–	(47)	(47)
Interest income/(cost)	167	(177)	(10)
Return on plan assets excluding interest income	269	–	269
Actuarial losses arising from changes in demographic assumptions	–	5	5
Actuarial losses arising from changes in financial assumptions	–	(253)	(253)
Actuarial gains arising from experience adjustments	–	12	12
Employer cash contributions	27	–	27
Member cash contributions	9	(9)	–
Benefits paid	(280)	280	–
Exchange rate movements	87	(87)	–
Other movements	(2)	(48)	(50)
31 March 2019	**6,974**	**(7,431)**	**(457)**

An analysis of net (deficit)/assets is provided below for the Group as a whole.

	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m
Analysis of net deficit:					
Total fair value of scheme assets	6,974	6,697	6,709	6,229	6,857
Present value of funded scheme liabilities	(7,315)	(7,028)	(7,222)	(6,487)	(7,316)
Net deficit for funded schemes	**(341)**	**(331)**	**(513)**	**(258)**	**(459)**
Present value of unfunded scheme liabilities	(116)	(79)	(81)	(83)	(91)
Net deficit	**(457)**	**(410)**	**(594)**	**(341)**	**(550)**
Net deficit is analysed as:					
Assets[1]	94	110	57	224	234
Liabilities	(551)	(520)	(651)	(565)	(784)

Note:

1 Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as economic benefits are available to the Company either in the form of future refunds or, for plans still open to benefit accrual, in the form of possible reductions in future contributions. The International Accounting Standards Board (IASB) published an Exposure Draft in June 2015 that would amend "IFRIC14 IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction". However, in 2017 the IASB stated that they are carrying out "further work to assess whether it can establish a more principles-based approach in IFRIC14 for an entity to assess and measure its right to a refund of a surplus". As such, it is not clear at this stage how and when IFRIC14 may be revised, and we will assess the impact of any changes when the revised version is published.

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An analysis of net assets/(deficit) is provided below for the Group's largest defined benefit pension scheme in the UK, which is a funded scheme. As part of the merger of the Vodafone UK plan and the Cable and Wireless Worldwide Retirement Plan ('CWWRP') plan on 6 June 2014 the assets and liabilities of the CWW Section are segregated from the Vodafone Section and hence are reported separately below.

	CWW Section					Vodafone Section				
	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m	**2019 €m**	2018 €m	2017 €m	2016 €m	2015 €m
Analysis of net assets/(deficit):										
Total fair value of scheme assets	2,828	2,760	2,894	2,762	3,114	2,926	2,773	2,654	2,408	2,645
Present value of scheme liabilities	(2,734)	(2,655)	(2,842)	(2,543)	(2,884)	(3,157)	(2,945)	(2,962)	(2,548)	(2,951)
Net assets/(deficit)	**94**	**105**	**52**	**219**	**230**	**(231)**	**(172)**	**(308)**	**(140)**	**(306)**
Net assets/(deficit) are analysed as:										
Assets	94	105	52	219	230	–	–	–	–	–
Liabilities	–	–	–	–	–	(231)	(172)	(308)	(140)	(306)

Fair value of scheme assets

	2019 €m	2018 €m
Cash and cash equivalents	65	95
Equity investments:		
With quoted prices in an active market	1,469	1,407
Without quoted prices in an active market	250	360
Debt instruments:		
With quoted prices in an active market	3,831	4,149
Without quoted prices in an active market	620	590
Property:		
With quoted prices in an active market	24	27
Without quoted prices in an active market	282	78
Derivatives:[1]		
With quoted prices in an active market	(986)	(1,146)
Without quoted prices in an active market	–	44
Investment fund	543	275
Annuity policies		
With quoted prices in an active market	14	–
Without quoted prices	862	818
Total	**6,974**	**6,697**

Note:
1 Derivatives include collateral held in the form of cash.

The fair value of scheme assets, which have been measured at fair value in accordance with IFRS 13 "Fair Value Measurement", are analysed by asset category above and are subdivided by assets that have a quoted market price in an active market and those that do not, such as investment funds. Where available, the fair values are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). Unlisted investments without quoted prices in an active market (e.g. private equity) are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs such as yield curves. The Vodafone UK Plan annuity policies fully match the pension obligations of those pensioners insured and therefore are set equal to the present value of the related obligations. Investment funds of €543 million at 31 March 2019 include €276 million of investments in diversified alternative beta funds held in the Vodafone Section of the Vodafone UK plan.

The actual return on plan assets over the year to 31 March 2019 was a gain of €436 million (2018: €130 million).

Sensitivity analysis

Measurement of the Group's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 31 March 2019.

	Rate of inflation		Rate of increase in salaries		Discount rate		Life expectancy	
	Decrease by 0.5% €m	Increase by 0.5% €m	Decrease by 0.5% €m	Increase by 0.5% €m	Decrease by 0.5% €m	Increase by 0.5% €m	Increase by 1 year €m	Decrease by 1 year €m
(Decrease)/increase in present value of defined obligation[1]	(570)	644	(4)	4	857	(733)	230	(229)

Note:
1 The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting this sensitivity analysis, the change in the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. The rate of inflation assumption sensitivity factors in the impact of changes to all assumptions relating to inflation including the rate of increase in salaries, pension increases and deferred revaluations.

Notes to the consolidated financial statements (continued)

25. Share-based payments

The Group has a number of share plans used to award shares to executive Directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in retained earnings is also recognised.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is an average calculation of the closing price of the Group's shares on the days prior to the grant date, adjusted for the present value of the delay in receiving dividends where appropriate.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and
- 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

Share options

Vodafone Group executive plans

No share options have been granted to any Directors or employees under the Company's discretionary share option plans in the year ended 31 March 2019. There were no options outstanding under the Vodafone Global Incentive Plan at the year-end.

Vodafone Sharesave Plan

Under the Vodafone Sharesave Plan UK staff may acquire shares in the Company through monthly savings of up to £375 over a three and/or five year period, at the end of which they may also receive a tax-free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

Share plans

Vodafone Group executive plans

Under the Vodafone Global Incentive Plan awards of shares are granted to Directors and certain employees. The release of these shares is conditional upon continued employment and for some awards achievement of certain performance targets measured over a three year period.

Vodafone Share Incentive Plan

Following a review of the UK all-employee plans it was decided that with effect from 1 April 2017 employees would no longer be able to contribute to the Share Incentive Plan and would therefore no longer receive matching shares. Individuals who hold shares in the plan will continue to receive dividend shares.

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Movements in outstanding ordinary share options

	Ordinary share options		
	2019 Millions	2018 Millions	2017 Millions
1 April	40	41	24
Granted during the year	33	11	31
Forfeited during the year	(2)	(2)	(1)
Exercised during the year	(2)	(5)	(7)
Expired during the year	(23)	(5)	(6)
31 March	**46**	**40**	**41**
Weighted average exercise price:			
1 April	£1.64	£1.61	£1.62
Granted during the year	£1.30	£1.72	£1.61
Forfeited during the year	£1.52	£1.65	£1.66
Exercised during the year	£1.67	£1.57	£1.50
Expired during the year	£1.64	£1.65	£1.75
31 March	**£1.40**	**£1.64**	**£1.61**

Summary of options outstanding and exercisable at 31 March 2019

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group savings related and Sharesave Plan:						
£1.01– £2.00	46	£1.40	33	–	–	–

Share awards

Movements in non-vested shares are as follows:

	2019		2018		2017	
	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April	182	£2.04	178	£1.91	198	£1.77
Granted	88	£1.82	74	£1.95	74	£1.97
Vested	(39)	£2.21	(42)	£1.76	(47)	£1.77
Forfeited	(31)	£1.97	(28)	£1.58	(47)	£1.57
31 March	**200**	**£1.92**	**182**	**£2.04**	**178**	**£1.91**

Other information

The total fair value of shares vested during the year ended 31 March 2019 was £86 million (2018: £74 million; 2017: £83 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was €132 million (2018: €128 million; 2017: €95 million) which is comprised principally of equity-settled transactions.

The average share price for the year ended 31 March 2019 was 168.3 pence (2018: 216.2 pence; 2017: 216.2 pence).

Notes to the consolidated financial statements (continued)

26. Acquisitions and disposals

We completed a number of acquisitions and disposals during the year. The note below provides details of these transactions as well as those in the prior year. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.

Accounting policies

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

The aggregate cash consideration in respect of purchases in subsidiaries, net of cash acquired, is as follows:

	2019 €m	2018 €m
Cash consideration paid		
Acquisitions during the year	61	9
Net cash acquired and acquisition related costs	26	–
	87	9

During the year ended 31 March 2019 the Group completed certain acquisitions for an aggregate net cash consideration of €87 million. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were €77 million, €123 million and €139 million respectively.

Disposals

The difference between the carrying value of the net assets disposed of and the fair value of consideration received is recorded as a gain or loss on disposal. Foreign exchange translation gains or losses relating to subsidiaries that the Group has disposed of, and that have previously recorded in other comprehensive income or expense, are also recognised as part of the gain or loss on disposal.

Vodafone Idea Limited ('Vodafone Idea')

On 31 August 2018, the Group combined the operations of its subsidiary, Vodafone India (excluding its 42% stake in Indus Towers), with Idea Cellular Limited ('Idea'), to create Vodafone Idea Limited, a company jointly controlled by Vodafone and the Aditya Birla Group ('ABG').

As a result, the Group no longer consolidates its previous interest in Vodafone India, which is presented within discontinued operations (see note 7 "Discontinued operations and assets and liabilities held for sale") and now accounts for its 45.2% interest in Vodafone Idea as a joint venture using the equity method.

On disposal, Vodafone India was valued based on the number of shares the Group held in the merged entity post completion and the Idea share price on 31 August 2018 (INR 51.50). The value was also adjusted for the proceeds from the sale of the 4.8% stake in Vodafone Idea from the Vodafone Group to ABG. As the price per share and proceeds from the sale to ABG are readily observable and no further adjustments were made, the valuation is considered to be a "level 1" valuation as per IFRS 13. As a result of the transaction, the Group recognised a net loss of €3,420 million, including a loss on disposal of €1,276 million and a foreign exchange loss of €2,079 million.

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	€m
Other intangible assets	(6,138)
Property, plant and equipment	(3,091)
Trade and other receivables	(1,572)
Other investments	(6)
Cash and cash equivalents[3]	(751)
Current and deferred taxation	(2,790)
Short and long-term borrowings	7,896
Trade and other payables	1,669
Provisions	720
Net assets contributed into Vodafone Idea	**(4,063)**
Fair value of investment in Vodafone Idea[2]	2,467
Net cash proceeds arising from the transaction[3]	320
Other effects[1]	(2,144)
Net loss on formation of Vodafone Idea[2]	**(3,420)**

Notes:
1 Includes €2,079 million of recycled foreign exchange losses.
2 Includes a loss of €603 million related to the re-measurement of our retained interest in Vodafone India.
3 Included in Disposal of interests in subsidiaries, net of cash disposed within the Consolidated statement of cash flows

Vodafone And Qatar Foundation L.L.C ('Vodafone Qatar')

On 29 March 2018, the Group sold its 51% interest in Vodafone And Qatar Foundation L.L.C for consideration of QAR1,350 million (€299 million). The Group recognised a net gain on disposal of €113 million reported in other income and expense.

VodafoneZiggo Group Holding B.V. ('VodafoneZiggo')

On 31 December 2016, we combined our operations in the Netherlands with those of Liberty Global plc to create VodafoneZiggo Group Holding B.V., a 50:50 joint venture providing national unified communications. As a result of the transaction, we no longer consolidate our previous interest in the Netherlands and account for our 50% interest in VodafoneZiggo as a joint venture using the equity method. The Group recognised a net gain on the formation of VodafoneZiggo of €1,275 million.

	€m
Goodwill	(855)
Other intangible assets	(1,415)
Property, plant and equipment	(1,164)
Inventory	(24)
Trade and other receivables	(302)
Cash and cash equivalents[1]	(56)
Current and deferred taxation	87
Short and long-term borrowings	1,000
Trade and other payables	387
Provisions	28
Net assets contributed into VodafoneZiggo	**(2,314)**
Fair value of investment in VodafoneZiggo[2]	2,970
Net cash proceeds arising from the transaction[1,3]	619
Net gain on formation of VodafoneZiggo[4]	**1,275**

Notes:
1 Included in purchase of interests in associates and joint ventures in the consolidated statement of cash flows.
2 The fair value of our initial investment in VodafoneZiggo is not observable in a quoted market. Accordingly, the fair value has been primarily determined with reference to the outcome of a discounted cash flow analysis. Certain significant inputs used in the valuation, such as forecasts of future cash flows, are based on our assumptions and are therefore unobservable. The valuation therefore falls under level 3 of the fair value hierarchy. The weighted average cost of capital and terminal growth rate used to value our initial investment in VodafoneZiggo were 7.0% and 1.0% respectively.
3 Includes our 50% share of cash paid to both shareholders on creation of VodafoneZiggo (€1,422 million), together with an equalisation payment of €802 million made to Liberty Global plc.
4 Reported in other income and expense in the consolidated income statement. Includes €637 million related to the re-measurement of our retained interest in Vodafone Libertel B.V. Transaction costs of €35 million were charged in the consolidated income statement in the year.

Notes to the consolidated financial statements (continued)

27. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

Accounting policies

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Operating lease commitments

The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

	2019 €m	2018 €m
Within one year	2,834	2,686
In more than one year but less than two years	1,654	1,633
In more than two years but less than three years	1,227	1,155
In more than three years but less than four years	950	903
In more than four years but less than five years	739	717
In more than five years	3,412	2,600
	10,816	**9,694**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is €1,027 million (2018: €859 million).

Capital commitments

	Company and subsidiaries		**Share of joint operations**		**Group**	
	2019 €m	2018 €m	**2019 €m**	2018 €m	**2019 €m**	2018 €m
Contracts placed for future capital expenditure not provided in the financial statements[1]	2,980	2,630	32	76	3,012	2,706

Note:
1. Commitment includes contracts placed for property, plant and equipment and intangible assets.

The Group is currently participating in an auction for licences for the use of certain spectrum bands in Germany which may give rise to future material cash outflows. See note 30 "Subsequent events" for further information.

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Acquisition commitments

Vodafone to acquire Liberty Global's operations in Germany, the Czech Republic, Hungary and Romania

On 9 May 2018, Vodafone announced that it had agreed to acquire Unitymedia GmbH ('Unitymedia') in Germany and Liberty Global's operations (excluding its "Direct Home" business) in the Czech Republic ('UPC Czech'), Hungary ('UPC Hungary'), and Romania ('UPC Romania'), for a total enterprise value of €18.4 billion (the 'Transaction').

UPC Czech, UPC Hungary and UPC Romania will be acquired on a cash-free, debt-free basis, while it is expected that Unitymedia's existing bond structure will be retained and refinanced over time, with Unitymedia's term loans to be refinanced shortly after completion.

The cash consideration payable to Liberty Global will be subject to adjustments for net debt in Unitymedia and other items at completion. The cash consideration payable and the refinancing of Unitymedia's term loans will be financed using Vodafone's existing cash and short term investments.

A break fee of €250 million will be payable by Vodafone, in certain circumstances, if the Transaction does not complete.

The transaction is subject to review by and approval from the European Commission. It is anticipated that the European Commission will adopt its decision on the transaction by July 2019 with completion occurring later that month.

Indus Towers

On 25 April 2018, Vodafone, Bharti Airtel Limited and Vodafone Idea (previously Idea Celluar Limited) announced the merger of Indus Towers Limited ('Indus Towers') into Bharti Infratel Limited ('Bharti Infratel'), creating a combined company that will own the respective businesses of Bharti Infratel and Indus Towers. Indus Towers is currently jointly owned by Bharti Infratel (42%), Vodafone (42%), Vodafone Idea (11.15%) and Providence (4.85%). Bharti group and Vodafone will jointly control the combined company, in accordance with the terms of a new shareholders' agreement.

Vodafone Idea has the option to either sell its 11.15% shareholding in Indus Towers for cash or receive new shares in the combined company. Providence has the option to elect to receive cash or shares in the combined company for 3.35% of its 4.85% shareholding in Indus Towers, with the balance exchanged for shares.

Vodafone will be issued with 783.1 million new shares in the combined company, in exchange for its 42% shareholding in Indus Towers. On the basis that (a) Providence decides to sell 3.35% of its 4.85% shareholding in Indus Towers for cash and (b) Vodafone Idea decides to sell its full 11.15% shareholding in Indus Towers for cash, these shares would be equivalent to a 29.4% shareholding in the combined company. On the basis that (a) Providence decides to sell 3.35% of its 4.85% shareholding in Indus Towers for cash, and (b) Vodafone Idea decides to sell its full 11.15% shareholding in Indus Towers for cash, Bharti group's shareholding will be diluted from 53.5% in Bharti Infratel today to 37.2% in the combined company. The final number of shares issued to Vodafone and the cash paid or shares issued to Vodafone Idea and Providence, will be subject to closing adjustments, including but not limited to movements in net debt and working capital for Bharti Infratel and Indus Towers.

The transaction is conditional on regulatory and other approvals.

Vodafone Hutchison Australia

On 30 August 2018, Vodafone announced that Vodafone Hutchison Australia Pty Limited ('VHA') and TPG Telecom Limited ('TPG') have agreed to merge. Vodafone and Hutchison Telecommunications (Australia) Limited ('HTAL') will each own an economic interest of 25.0% in the new combined company, with TPG shareholders owning the remaining 49.9%.

Of the net debt held by VHA prior to completion of the merger Vodafone will provide a guarantee on approximately US$1.75 billion, which is lower than the guarantees of approximately US$1.75 billion and AUD0.85 billion currently provided.

Vodafone Hutchison Australia (VHA) has confirmed that it intends to challenge the ACCC decision through the Federal Court.

Notes to the consolidated financial statements (continued)

28. Contingent liabilities and legal proceedings

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

	2019 €m	2018 €m
Performance bonds[1]	337	993
Other guarantees and contingent liabilities[2]	2,943	4,036

Notes:
1 Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts or commercial arrangements.
2 Other guarantees principally comprise Vodafone Group Plc's guarantee of the Group's 50% share of an AUD1.7 billion loan facility and a US$3.5 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited. The Group's share of these loan balances is included in the net investment in joint venture (see note 12 "Investments in associates and joint arrangements").

UK pension schemes

The Group's main defined benefit scheme is the Vodafone UK Group Pension Scheme (the 'Scheme') which has two segregated sections, the Vodafone Section and the CWW Section, as detailed in note 24 "Post employment benefits".

The Group has covenanted to provide security in favour of both the Vodafone Sections and CWW Section of the Scheme whilst a deficit remains. The deficit is measured on a prescribed basis agreed between the Group and trustee. The Group provides surety bonds as the security.

The level of the security has varied since inception in line with the movement in the Scheme deficit. At 31 March 2019 the Scheme retains security over €544 million (notional value) for the Vodafone Section and €87 million (notional value) for the CWW Section. The security may be substituted either on a voluntary or mandatory basis. The Company has also provided two guarantees to the Vodafone Section of the Scheme for a combined value up to €1.45 billion to provide security over the deficit under certain defined circumstances, including insolvency of the employers. The Company has also agreed a similar guarantee of up to €1.45 billion for the CWW Section.

An additional smaller UK defined benefit scheme, the THUS Plc Group Scheme, has a guarantee from the Company for up to €116 million.

Legal proceedings

The Company and its subsidiaries are currently, and may from time to time become, involved in a number of legal proceedings, including inquiries from, or discussions with, governmental authorities that are incidental to their operations. However, save as disclosed below, the Company does not believe that it or its subsidiaries are currently involved in (i) any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a material adverse effect on the financial position or profitability of the Group; or (ii) any material proceedings in which any of the Company's Directors, members of senior management or affiliates are either a party adverse to the Company or its subsidiaries or have a material interest adverse to the Company or its subsidiaries. Due to inherent uncertainties, the Company cannot make any accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings referred to in this Annual Report, however costs in complex litigation can be substantial.

Indian tax cases

In August 2007 and September 2007, Vodafone India Limited ('VIL') and Vodafone International Holdings BV ('VIHBV') respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned Cayman Island incorporated subsidiary that indirectly holds interests in VIL. Following approximately five years of litigation in the Indian courts in which VIHBV sought to set aside the tax demand issued by the Indian tax authority, in January 2012 the Supreme Court of India handed down its judgement, holding that VIHBV's interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that consequently, VIHBV had no obligation to withhold tax from consideration paid to HTIL in respect of the transaction. The Supreme Court of India quashed the relevant notices and demands issued to VIHBV in respect of withholding tax and interest.

On 28 May 2012 the Finance Act 2012 became law. The Finance Act 2012, which amended various provisions of the Income Tax Act 1961 with retrospective effect, contained provisions intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIHBV's transaction with HTIL in 2007. Further, it seeks to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax. VIHBV received a letter on 3 January 2013 from the Indian tax authority reminding it of the tax demand raised prior to the Supreme Court of India's judgement and purporting to update the interest element of that demand to a total amount of INR142 billion, which includes principal and interest as calculated by the Indian tax authority but does not include penalties.

On 10 January 2014, VIHBV served an amended trigger notice on the Indian Government under the Netherlands-India Bilateral Investment Treaty ('Dutch BIT'), supplementing a trigger notice filed on 17 April 2012, immediately prior to the Finance Act 2012 becoming effective, to add claims relating to an attempt by the Indian Government to tax aspects of the transaction with HTIL under transfer pricing rules. A trigger notice announces a party's intention to submit a claim to arbitration and triggers a cooling off period during which both parties may seek to resolve the dispute amicably. Notwithstanding their attempts, the parties were unable to amicably resolve the dispute within the cooling off period stipulated in the Dutch BIT. On 17 April 2014, VIHBV served its notice of arbitration under the Dutch BIT, formally commencing the Dutch BIT arbitration proceedings.

In June 2016, the tribunal was fully constituted with Sir Franklin Berman KCMG QC appointed as presiding arbitrator. The Indian Government has raised objections to the application of the treaty to VIHBV's claims and to the jurisdiction of the tribunal under the Dutch BIT. On 19 June 2017, the tribunal decided to try both these jurisdictional objections along with the merits of VIHBV's claim in February 2019. More recent attempts by the Indian Government to have the jurisdiction arguments heard separately also failed. VIHBV filed its response to India's defence in July 2018 and India responded in December 2018. The arbitration hearing took place in February 2019, and a decision is expected late in 2019 or early 2020.

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Separately, on 15 June 2015, Vodafone Group Plc and Vodafone Consolidated Holdings Limited served a trigger notice on the Indian Government under the United Kingdom-India Bilateral Investment Treaty ('UK BIT') in respect of retrospective tax claims under the Income Tax Act 1961 (as amended by the Finance Act 2012). Although relating to the same underlying facts as the claim under the Dutch BIT, the claim brought by Vodafone Group Plc and Vodafone Consolidated Holdings Limited is a separate and distinct claim under a different treaty. On 24 January 2017, Vodafone Group Plc and Vodafone Consolidated Holdings Limited served a Notice of Arbitration on the Indian Government formally commencing the arbitration.

The Indian Government has indicated that it considers the arbitration under the UK BIT to be an abuse of process but this is strongly denied by Vodafone. On 22 August 2017, the Indian Government obtained an injunction from the Delhi High Court preventing Vodafone from progressing the UK BIT arbitration. Vodafone was not present when India obtained this injunction and applied to dismiss it. On 26 October 2017, the Delhi High Court varied its order to permit Vodafone to participate in the formation of the UK BIT tribunal. It now consists of Marcelo Kohen, an Argentinian national and professor of international law in Geneva (appointed by India), Neil Kaplan, a British national (appointed by Vodafone Group Plc) and Professor Campbell McLachlan QC, a New Zealand national (appointed by the parties as presiding arbitrator). On 7 May 2018, the Delhi High Court dismissed the injunction. The Indian Government appealed the decision and hearings took place in September 2018 and February 2019. The case is currently adjourned to mid-May 2019. In the meantime, Vodafone has undertaken to take no steps advancing the UK BIT pending resolution of the Indian Government's appeal.

On 12 February 2016, VIHBV received a notice dated 4 February 2016 of an outstanding tax demand of INR221 billion (which included interest accruing since the date of the original demand) along with a statement that enforcement action, including against VIHBV's indirectly held assets in India, would be taken if the demand was not satisfied. On 29 September 2017, VIHBV received an electronically generated demand in respect of alleged principal, interest and penalties in the amount of INR190.7 billion. This demand does not appear to have included any element for alleged accrued interest liability.

Separate proceedings in the Bombay High Court taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, were listed for hearing at the request of the Indian Government on 21 April 2016 despite the issue having been ruled upon by the Supreme Court of India. The hearing has since been periodically listed and then adjourned or not reached hearing. VIHBV and Vodafone Group Plc will continue to defend vigorously any allegation that VIHBV or VIL is liable to pay tax in connection with the transaction with HTIL and will continue to exercise all rights to seek redress including pursuant to the Dutch BIT and the UK BIT. We have not recorded a provision in respect of the retrospective provisions of the Income Tax Act 1961 (as amended by the Finance Act 2012) and any tax demands based upon such provisions.

Other Indian tax cases

Vodafone India Services Private Limited ('VISPL') (formerly 3GSPL) is involved in a number of tax cases with total claims exceeding €450 million plus interest, and penalties of up to 300% of the principal.

VISPL tax claims

VISPL has been assessed as owing tax of approximately €266 million (plus interest of €483 million) in respect of (i) a transfer pricing margin charged for the international call centre of HTIL prior to the 2007 transaction with Vodafone for HTIL assets in India; (ii) the sale of the international call centre by VISPL to HTIL; and (iii) the acquisition of and/or the alleged transfer of options held by VISPL for VIL. The first two of the three heads of tax are subject to an indemnity by HTIL. The larger part of the potential claim is not subject to any indemnity. VISPL unsuccessfully challenged the merits of the tax demand in the statutory tax tribunal and the jurisdiction of the tax office to make the demand in the High Court. The Tax Appeal Tribunal heard the appeal and ruled in the Tax Office's favour. VISPL lodged an appeal (and stay application) in the Bombay High Court which was concluded in early May 2015. On 13 July 2015 the tax authorities issued a revised tax assessment reducing the tax VISPL had previously been assessed as owing in respect of (i) and (ii) above. In the meantime, (i) a stay of the tax demand on a deposit of £20 million and (ii) a corporate guarantee by VIHBV for the balance of tax assessed remain in place. On 8 October 2015, the Bombay High Court ruled in favour of Vodafone in relation to the options and the call centre sale. The Tax Office has appealed to the Supreme Court of India. A hearing has been adjourned with no specified date.

Vodafone India

As part of the agreement to combine its subsidiary, Vodafone India, with Idea Cellular Limited ('Idea') in India, which completed on 31 August 2018, the parties agreed: (i) Vodafone Group and Vodafone Idea would indemnify each other for certain events including in relation to breach of representations, warranties and covenants relating to Vodafone India and Idea; and (ii) a mechanism for payments between the Vodafone Group and Vodafone Idea pursuant to crystallisation of certain identified contingent liabilities, including tax demands, and refunds relating to Vodafone India and Idea. Any liability for the Group under this mechanism would be limited to INR 84 billion (€1.1 billion). The cases against Vodafone India Limited disclosed below form part of these arrangements for indemnification.

Indian regulatory cases

Litigation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal ('TDSAT'), High Courts and the Supreme Court of India in relation to a number of significant regulatory issues including mobile termination rates, spectrum and licence fees, licence extension and 3G intra-circle roaming.

3G inter-circle roaming: Vodafone India and others v Union of India

In April 2013, the Indian Department of Telecommunications ('DoT') issued a stoppage notice to VIL's operating subsidiaries and other mobile operators requiring the immediate stoppage of the provision of 3G services on other operators' mobile networks in an alleged breach of licence claim. The DoT also imposed a fine of approximately €5.5 million. VIL applied to the Delhi High Court for an order quashing the DoT's notice.

Interim relief from the notice has been granted (but limited to existing customers at the time with the effect that VIL was not able to provide 3G services to new customers on other operators' 3G networks pending a decision on the issue). The dispute was referred to the TDSAT for decision, which ruled on 28 April 2014 that VIL and the other operators were permitted to provide 3G services to their customers (current and future) on other operators' networks. The DoT has appealed the judgement and sought a stay of the tribunal's judgement. The DoT's stay application was rejected by the Supreme Court of India. The matter is pending before the Supreme Court of India.

Notes to the consolidated financial statements (continued)

28. Contingent liabilities and legal proceedings (continued)

One time spectrum charges: VIL v Union of India

The Indian Government has sought to impose one time spectrum charges of approximately €525 million on certain operating subsidiaries of VIL. VIL filed a petition before the TDSAT challenging the one time spectrum charges on the basis that they are illegal, violate VIL's licence terms and are arbitrary, unreasonable and discriminatory. The tribunal stayed enforcement of the Government's spectrum demand pending resolution of the dispute. The matter is being heard before the tribunal in May 2019.

Other public interest litigation

Three public interest litigations have been initiated in the Supreme Court of India against the Indian Government and private operators on the grounds that the grant of additional spectrum beyond 4.4/6.2MHz was illegal. The cases seek appropriate investigation and compensation for the loss to the exchequer.

Adjusted Gross Revenue ('AGR') dispute before the Supreme Court of India: VIL and others v Union of India

VIL has challenged the tribunal's judgement dated 23 April 2015 to the extent that it dealt with the calculation of AGR, upon which licence fees and spectrum usage charges are based. The cumulative impact of the inclusion of these components is approximately €2.2 billion. The Department of Telecommunications ('DoT') also moved cross appeals challenging the tribunal's judgement. In the hearing before the Supreme Court of India, the Court orally directed the DoT not to take any coercive steps in the matter, which was adjourned. On 29 February 2016, the Supreme Court of India ordered that the DoT may continue to raise demands for fees and charges, but may not enforce them until a final decision on the matter.

Other cases in the Group

Patent litigation

Germany

The telecoms industry is currently involved in significant levels of patent litigation brought by non-practising entities ('NPEs') which have acquired patent portfolios from current and former industry companies. Vodafone is currently a party to patent litigation cases in Germany brought against Vodafone Germany by Marthon, IPCom and Intellectual Ventures. Vodafone has contractual indemnities from suppliers which have been invoked in relation to the alleged patent infringement liability.

Spain

Vodafone Group Plc has been sued in Spain by TOT Power Control ('TOT'), an affiliate of Top Optimized Technologies. The claim makes a number of allegations including patent infringement, with TOT seeking over €500 million from Vodafone Group Plc as well as an injunction against using the technology in question. Vodafone's initial challenge of the appropriateness of Spain as a venue for this dispute was denied. Vodafone Group Plc appealed the denial and was partially successful. In a decision dated 30 October 2017, the court ruled that while it did have jurisdiction to hear the infringement case relating to the Spanish patent, it was not competent to hear TOT's contractual and competition law claims. This decision is subject to appeal. TOT's application for an injunction was unsuccessful and TOT is appealing. The trial took place in September 2018 and judgment is awaited.

UK

On 22 February 2019, IPCom sued Vodafone Group Plc and Vodafone Limited for alleged patent infringement of two patents claimed to be essential to UMTS and LTE network standards. If IPCom can establish that one or more of its patents are valid and infringed, it could seek an injunction against the UK network if a global licence for the patents is not agreed.

Germany: Kabel Deutschland takeover – class actions

The German courts have been determining the adequacy of the mandatory cash offer made to minority shareholders in Vodafone's takeover of Kabel Deutschland. These proceedings are in their early stages, and, accordingly, Vodafone believes that it is too early to assess the likely quantum of any claim. In a hearing on 6 October 2016, the Court examined the Kabel Deutschland business plan which formed the main basis for the calculation of the offer per share. The next hearings are scheduled for May 2019.

Italy: British Telecom (Italy) v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to allegations that it had abused its dominant position in the wholesale market for mobile termination. In 2010, British Telecom (Italy) brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. British Telecom (Italy) sought damages in the amount of €280 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market for the period from 1999 to 2007. A court appointed expert delivered an opinion to the Court that the range of damages in the case should be in the region of €10 million to €25 million which was reduced in a further supplementary report published in September 2014 to a range of €8 million to €11 million. Judgment was handed down by the court in August 2015, awarding €12 million (including interest) to British Telecom (Italy).

British Telecom (Italy) appealed the amount of the damages to the Court of Appeal of Milan. In addition, British Telecom (Italy) has asked again for a reference to the European Court of Justice for an interpretation of the European community law on antitrust damages. Vodafone Italy also filed an appeal which was successful. British Telecom (Italy) were ordered to repay to Vodafone Italy the €12 million with interest and legal costs. BT filed an appeal to the Supreme Court in September 2018. A decision is not expected for several years.

Italy: Telecom Italia v Vodafone Italy ('TeleTu')

Telecom Italia brought civil claims against Vodafone Italy in relation to TeleTu's alleged anti-competitive retention of customers. Telecom Italia seeks damages in the amount of €101 million. The Court decided on 9 June 2015 to appoint an expert to verify whether TeleTu has put in place anticompetitive retention activities. The expert prepared a draft report with a range of damages from €nil–9 million. The final hearing is set for June 2019.

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Greece: Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece, Vodafone Group Plc and certain Directors and Officers of Vodafone

In December 2013, Mr. and Mrs. Papistas, and companies owned or controlled by them, brought three claims in the Greek court in Athens against Vodafone Greece, Vodafone Group Plc and certain Directors and officers of Vodafone Greece and Vodafone Group Plc for purported damage caused by the alleged abuse of dominance and wrongful termination of a franchise arrangement with a Papistas company. Approximately €1.0 billion of the claim was directed exclusively at two former Directors of Vodafone. The balance of the claim (approximately €285.5 million) was sought from Vodafone Greece and Vodafone Group Plc on a joint and several basis. Both cases were adjourned to a hearing in September 2018, at which the plaintiffs withdrew all of their claims against Vodafone and its Directors. On 31 December 2018, the plaintiff filed a new, much lower value claim against Vodafone Greece, dropping the individual Directors and Vodafone Group Plc as defendants. On 5 April 2019, Mr Papistas withdrew this latest lawsuit, expressing an intention to file again.

Netherlands: Consumer credit/handset case

In February 2016, the Dutch Supreme Court ruled on the Dutch implementation of the EU Consumer Credit Directive and "instalment sales agreements" (a Dutch law concept), holding that bundled "all-in" mobile subscription agreements (i.e. device along with mobile services) are considered consumer credit agreements. As a result, the Group, together with the industry, has been working with the Ministry of Finance and the Competition Authority on compliance requirements going forward for such offers. The ruling also has retrospective effect.

A number of small claims have been submitted by individual customers in the small claims courts. On 15 February 2018, Consumentenbond (a claims agency) initiated collective claim proceedings against VodafoneZiggo, Tele2, T-Mobile and now KPN. More recently, an additional, smaller, claims agency has asserted another group of claims.

UK: Phones 4U in Administration v Vodafone Limited and Vodafone Group Plc

In December 2018 the administrators of former UK indirect seller Phones 4U sued the three main UK mobile network operators (MNOs), including Vodafone, and their parent companies. The administrators allege a conspiracy between the MNOs to pull their business from Phones 4U thereby causing its collapse. The value of the claim is not pleaded but we understand it to be the total value of the business, possibly around £1 billion. Vodafone's alleged share of the liability is also not pleaded. Vodafone filed its defence on 18 April 2019, along with several other defendants.

Notes to the consolidated financial statements (continued)

29. Related party transactions

The Group has a number of related parties including joint arrangements and associates, pension schemes and Directors and Executive Committee members (see note 12 "Investments in associates and joint arrangements", note 24 "Post employment benefits" and note 22 "Directors and key management compensation").

Transactions with joint arrangements and associates

Related party transactions with the Group's joint arrangements and associates primarily comprise fees for the use of products and services including network airtime and access charges, fees for the provision of network infrastructure and cash pooling arrangements.

No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below.

	2019 €m	2018 €m	2017 €m
Sales of goods and services to associates	27	19	37
Purchase of goods and services from associates	3	1	90
Sales of goods and services to joint arrangements	242	194	19
Purchase of goods and services from joint arrangements	192	199	183
Net interest income receivable from joint arrangements[1]	96	120	87
Trade balances owed:			
by associates	1	4	–
to associates	3	2	1
by joint arrangements	193	107	158
to joint arrangements	25	28	15
Other balances owed by joint arrangements[1]	997	1,328	1,209
Other balances owed to joint arrangements[1]	169	150	127

Note:
1 Amounts arise primarily through VodafoneZiggo, Vodafone Idea, Vodafone Hutchison Australia and Cornerstone Telecommunications Infrastructure Limited. Interest is paid in line with market rates.

Dividends received from associates and joint ventures are disclosed in the consolidated statement of cash flows.

Transactions with Directors other than compensation

During the three years ended 31 March 2019, and as of 14 May 2019, no Director nor any other executive officer, nor any associate of any Director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2019 and as of 14 May 2019, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including Directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

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30. Subsequent events

Bonds

In accordance with the Group's announced intention to issue hybrid bonds as part of its funding of the acquisition of Liberty Global's cable assets in Germany and Central and Eastern Europe, on 4 April 2019 the Group issued US$2 billion hybrid securities on the New York Stock Exchange due on 4 April 2079 with a euro equivalent rate of 4.38%.

Vodafone Idea rights issue

On 8 May 2019 Vodafone Idea successfully completed its INR250 billion (€3.2 billion) equity capital raise. Vodafone Group's contribution of INR110 billion (€1.4 billion) was indirectly funded through a loan secured on the Group's Indian assets.

German spectrum auction

The Group is currently participating in an auction for licences for the use of certain spectrum bands in Germany. As at the close of business on 13 May 2019, the Group was the current highest bidder in respect of 12 blocks of spectrum with bids totalling €1,679 million. The number of blocks of spectrum acquired by the Group, and the amount paid for those blocks, will depend on the outcome of the auction and therefore the amount that the Group will pay for any licences acquired through this auction is uncertain.

Vodafone Hutchison Australia

The Australian Competition and Consumer Commission ('ACCC') has opposed the proposed merger of VHA and TPG. Vodafone Hutchison Australia ('VHA') has confirmed that it intends to challenge the ACCC decision through the Federal Court.

Vodafone New Zealand

On 13 May 2019, the Group agreed to the sale of Vodafone New Zealand Limited for consideration of NZD 3.4 billion (€2.1 billion). Completion is expected in the second half of the year ending 31 March 2020 and is subject to regulatory approvals.

Notes to the consolidated financial statements (continued)

31. IAS 18 basis primary statements

The Group did not restate comparative periods on adoption of IFRS 15 on 1 April 2018; therefore, this note provides information about the Group's results for the year to 31 March 2019 under the previous accounting rules which are therefore comparable to prior periods. The Group's revenue accounting policy under the previous accounting rules is provided below.

Revenue accounting policy under IAS 18

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing mobile and fixed telecommunication services including: access charges, voice and video calls, messaging, interconnect fees, fixed and mobile broadband and related services such as providing televisual and music content, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, voice and video calls, messaging and fixed and mobile broadband provided to contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue for the provision of televisual and music content is recognised when or as the Group performs the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised, together with any related excess equipment revenue, is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the significant risks and rewards of ownership have transferred. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right to return the device to receive a refund. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (i) the deliverable has value to the customer on a stand-alone basis and (ii) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts. Revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. This restriction typically applies to revenue recognised for devices provided to customers, including handsets.

Contract-related costs

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if:

- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- the Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.

Critical accounting judgements applied in the recognition of revenue under IAS 18

Gross versus net presentation

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

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Primary statements under IAS 18

The Group's consolidated financial statements for the year ended 31 March 2019 are prepared in accordance with IFRS 15 "Revenue from Contracts with Customers"; comparative periods have not been restated. Where there are differences between the primary consolidated financial statements presented in accordance with IFRS 15 and comparable presentation under the Group's previous revenue accounting policy (in accordance with IAS 18 "Revenue"), the effects are disclosed below. The Group's consolidated statement of cash flows is not affected by the implementation of IFRS 15 and so is not re-presented.

	Year ended 31 March 2019		
Consolidated income statement (reconciliation to IAS 18)	IFRS 15 basis €m	Adjustments €m	IAS 18 basis[1] €m
Revenue	**43,666**	**1,400**	**45,066**
Cost of sales	(30,160)	(1,253)	(31,413)
Gross profit	**13,506**	**147**	**13,653**
Selling and distribution expenses	(3,891)	–	(3,891)
Administrative expenses	(5,410)	–	(5,410)
Net credit losses on financial assets	(575)	74	(501)
Share of result of equity accounted associates and joint ventures	(908)	57	(851)
Impairment losses	(3,525)	406	(3,119)
Other income and expense	(148)	–	(148)
Operating loss	**(951)**	**684**	**(267)**
Non-operating income and expense	(7)	–	(7)
Investment income	433	–	433
Financing costs	(2,088)	–	(2,088)
Loss before taxation	**(2,613)**	**684**	**(1,929)**
Income tax expense	(1,496)	(108)	(1,604)
Loss for the financial period from continuing operations	**(4,109)**	**576**	**(3,533)**
Loss for the financial period from discontinued operations	(3,535)	–	(3,535)
Loss for the financial year	**(7,644)**	**576**	**(7,068)**
Loss per share			
From continuing operations:			
– Basic	(16.25)c	2.10c	(14.15)c
– Diluted	(16.25)c	2.10c	(14.15)c
Total Group			
– Basic	(29.05)c	2.10c	(26.95)c
– Diluted	(29.05)c	2.10c	(26.95)c

Note:
1 See note 2 for segmental information reported under IAS 18.

Consolidated statement of comprehensive income (reconciliation to IAS 18)

Total comprehensive expense for the year has decreased by €611 million to €5,277 million. The difference comprises a €576 million lower loss for the financial year and €35 million of foreign exchange differences that may be reclassified to the income statement in subsequent years.

Consolidated statement of changes in equity (reconciliation to IAS 18)

The below table provides an extract of the Group's consolidated statement of changes in equity reflecting impacts arising from the adoption of IFRS 15.

	Retained losses €m	Currency reserve €m	Equity attributable to the owners €m	Non-controlling interests €m	Total equity €m
31 March 2019 on an IFRS 15 basis as reported on page 113	(116,725)	29,284	62,218	1,227	63,445
Adjustments	(1,878)	27	(1,851)	(76)	(1,927)
31 March 2019 on an IAS 18 basis	**(118,603)**	**29,311**	**60,367**	**1,151**	**61,518**

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Notes to the consolidated financial statements (continued)

31. IAS 18 basis primary statements (continued)

Consolidated statement of financial position (reconciliation to IAS 18)	IFRS 15 basis €m	Adjustments €m	31 March 2019 IAS 18 basis €m
Non-current assets			
Goodwill[1]	23,353	409	23,762
Other intangible assets	17,652	–	17,652
Property, plant and equipment	27,432	–	27,432
Investments in associates and joint ventures	3,952	(156)	3,796
Other investments	870	–	870
Deferred tax assets	24,753	652	25,405
Post employment benefits	94	–	94
Trade and other receivables	5,170	(555)	4,615
Of which: Contract assets	*531*	*(180)*	*351*
Trade receivables	*376*	*–*	*376*
Deferred acquisition costs	*366*	*(366)*	*–*
Fulfilment costs	*9*	*(9)*	*–*
Current assets			
Inventory	714	(48)	666
Taxation recoverable	264	–	264
Trade and other receivables	12,190	(2,379)	9,811
Of which: Contract assets	*3,671*	*(1,247)*	*2,424*
Trade receivables	*4,701*	*–*	*4,701*
Deferred acquisition costs	*1,067*	*(1,067)*	*–*
Fulfilment costs	*65*	*(65)*	*–*
Other investments	13,012	–	13,012
Cash and cash equivalents	13,637	–	13,637
Assets held for sale	(231)	(15)	(246)
Total assets	**142,862**	**(2,092)**	**140,770**
Equity			
Called up share capital	4,796	–	4,796
Additional paid-in capital	152,503	–	152,503
Treasury shares	(7,875)	–	(7,875)
Accumulated losses	(116,725)	(1,878)	(118,603)
Accumulated other comprehensive income	29,519	27	29,546
Total attributable to owners of the parent	**62,218**	**(1,851)**	**60,367**
Non-controlling interests	1,227	(76)	1,151
Total non-controlling interests	**1,227**	**(76)**	**1,151**
Total equity	**63,445**	**(1,927)**	**61,518**
Non-current liabilities			
Long-term borrowings	48,685	–	48,685
Deferred tax liabilities	478	(71)	407
Post employment benefits	551	–	551
Provisions	1,242	–	1,242
Trade and other payables	2,938	(2)	2,936
Of which: Contract liabilities	*574*	*(2)*	*572*
Current liabilities			
Short-term borrowings	4,270	–	4,270
Financial liabilities under put option arrangements	1,844	–	1,844
Taxation liabilities	596	–	596
Provisions	1,160	–	1,160
Trade and other payables	17,653	(92)	17,561
Of which: Contract liabilities	*1,818*	*(43)*	*1,775*
Other payables	*1,562*	*(49)*	*1,513*
Liabilities held for sale	–	–	–
Total equity and liabilities	**142,862**	**(2,092)**	**140,770**

Note:
1. This difference primarily relates to the impairment of goodwill in respect of Romania and Spain (see note 4 "Impairment losses"); pre-impairment balance sheet carrying values were higher under IFRS 15 for these entities, consequently impairment charges are higher on an IFRS 15 basis.

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32. Related undertakings

A full list of all of our subsidiaries, joint arrangements and associated undertakings is detailed below.

A full list of subsidiaries, joint arrangements and associated undertakings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 31 March 2019 is detailed below. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company's subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The percentage held by Group companies reflect both the proportion of nominal capital and voting rights unless otherwise stated.

Subsidiaries

Accounting policies

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Company name	% of share class held by Group Companies	Share class
Albania		
Autostrada Tirane-Durres, Rruga: "Pavaresia", Nr 61, Kashar, Tirana, Albania		
Vodafone Albania Sh.A	99.94	Ordinary shares
Angola		
Rua Fernao de Sousa, Condominio do Benga, 10A, Vila Alice, Luanda, Angola		
Vodacom Business (Angola) Limitada [5]	59.90	Ordinary shares
Argentina		
Cerrito 348, 5 to B, C1010AAH, Buenos Aires, Argentina		
CWGNL S.A.	100.00	Ordinary shares
Australia		
Level 1, 177 Pacific Highway, North Sydney NSW 2060, Australia		
Talkland Australia Pty Limited	100.00	Ordinary shares
Mills Oakley, Level 7, 151 Clarence Street, Sydney NSW 2000, Australia		
Vodafone Enterprise Australia Pty Limited	100.00	Ordinary shares
Austria		
c/o Stolitzka & Partner Rechtsanwälte OG, Kärntner Ring 12, 3. Stock, 1010, Wien, Austria		
Vodafone Enterprise Austria GmbH	100.00	Ordinary shares
Bahrain		
RSM Bahrain, 3rd floor Falcon Tower, Diplomatic Area, Manama, PO BOX 11816, Bahrain		
Vodafone Enterprise Bahrain W.L.L.	100.00	Ordinary shares
Belgium		
Malta House, rue Archimède 25, 1000 Bruxelles, Belgium		
Vodafone Belgium SA/NV	100.00	Ordinary shares

Company name	% of share class held by Group Companies	Share class
Brazil		
Avenida Cidade Jardim, 400, 7th and 20th Floors, Jardim Paulistano, São Paulo, Brazil, 01454-000		
Vodafone Serviços Empresariais Brasil Ltda.	100.00	Ordinary shares
Av José Rocha Bonfim, 214, Cond Praça Capital – Edifício Toronto, sls 228/229 13080-900 Jardim Santa Genebra – Campinas, São Paulo, Brazil		
Cobra do Brasil Serviços de Telemática ltda. (in process of dissolution)	70.00	Ordinary shares
Rua Boa Vista, 01014-907, 254, 13th Floor, Suite 38, Centro, City of São Paulo, State of São Paulo, Brazil		
Vodafone Empresa Brasil Telecomunicações Ltda	100.00	Ordinary shares
Bulgaria		
10 Tsar Osvoboditel Blvd., 3rd Floor, Spredets Region, Sofia, 1000, Bulgaria		
Vodafone Enterprise Bulgaria EOOD	100.00	Ordinary shares
Cameroon		
Porte 201A 3eme Etage Entree C, immeuble SOCAR, Boulevard de la liberte, Akwa, Douala, Cameroon		
Vodacom Business Cameroon SA [5]	60.50	Ordinary shares
Canada		
3280 Bloor Street West, Suite 1140, 11 Floor, Centre Tower, Toronto ON M8X 2X3, Canada		
Vodafone Canada Inc.	100.00	Common shares
Cayman Islands		
190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands		
CGP Investments (Holdings) Limited	100.00	Ordinary shares
Chile		
222 Miraflores, P.28, Santiago, Metrop, 97-763, Chile		
Vodafone Enterprise Chile S.A.	100.00	Ordinary shares

Company name	% of share class held by Group Companies	Share class
China		
Building 21, 11, Kangding St., BDA, Beijing, 100176 – China, China		
Vodafone Automotive Technologies (Beijing) Co, Ltd	100.00	Ordinary shares
Level 9, Tower 2, China Central Place, Room 940, No.79 Jianguo Road, Chaoyang District, Beijing, 100025, China		
Cable & Wireless Communications Technical Service (Shanghai) Co. Ltd – Beijing Branch [2]	100.00	Branch
Vodafone China Limited (China)	100.00	Equity interest shares
Unit 558-560, 5/F Standard Chartered Bank Tower, No.201 Century Avenue, Pudong District, Shanghai, 200120, China		
Vodafone Enterprise Communications Technical Service (Shanghai) Co., Ltd.	100.00	Ordinary shares
Congo, The Democratic Republic of the		
292 Avenue de la Justice, Commune de la Gombe, Kinshasa, Congo		
Vodacom Congo (RDC) SA [4,5]	30.85	Ordinary shares
Cote d'Ivoire		
No 62, Rue du Docteur Blanchard, Zone 4C, Abidjan, Cote d'Ivoire		
Vodacom Business Cote D'Ivoire s.a.r.l. [5]	60.50	Ordinary shares
Cyprus		
Ali Rıza Efendi Caddesi No:33/A Ortaköy, Lefkoşa, Cyprus		
Vodafone Mobile Operations Limited	100.00	Ordinary shares
Czech Republic		
náměstí Junkových 2, Prague 5, Czech Republic, 155 00, Czech Republic		
Oskar Mobil S.R.O.	100.00	Ordinary shares
Vodafone Czech Republic A.S.	100.00	Ordinary shares
Vodafone Enterprise Europe (UK) Limited – Czech Branch [2]	100.00	Branch

Notes to the consolidated financial statements (continued)

32. Related undertakings (continued)

Company name	% of share class held by Group Companies	Share class
Denmark		
Tuborg Boulevard 12, 2900, Hellerup, Denmark		
Vodafone Enterprise Denmark A/S	100.00	Ordinary (DKK) shares
Egypt		
17 Port Said Street, Maadi El Sarayat, Cairo, Egypt		
Vodafone For Trading	54.95	Ordinary shares
37 Kaser El Nil St, 4th. Floor, Cairo, Egypt		
Starnet	55.00	Ordinary shares
54 El Batal Ahmed Abed El Aziz, Mohandseen, Giza, Egypt		
Sarmady Communications	55.00	Ordinary shares
Piece No. 1215, Plot of Land No. 1/14a, 6th October City, Egypt		
Vodafone International Services LLC	55.00	Ordinary shares
Site No 15/3C, Central Axis, 6th October City, Egypt		
Vodafone Egypt Telecommunications S.A.E.	55.00	Ordinary shares
Smart Village C3 Vodafone Building, Egypt		
Vodafone Data	55.00	Ordinary shares
Finland		
c/o Eversheds Asianajotoimisto Oy, Fabianinkatu 29 B, Helsinki, 00100, Finland		
Vodafone Enterprise Finland OY	100.00	Ordinary shares
France		
1300 route de Cretes, Le WTC, Bat I1, 06560, Valbonne Soph, France		
Vodafone Automotive Telematics Development S.A.S	100.00	Ordinary shares
144, Avenue Roger Salengro, 92372 – Chaville Cedex, France		
Vodafone Automotive France S.A.S	99.63	Ordinary shares
EuroPlaza Tour, 20 Avenue Andre Prothin, La Défense Cedex-France (149153), 92400, Courbevoie, France		
Vodafone Enterprise France SAS	100.00	New euro shares
Rue Champollion, 22300, Lannion, France		
Apollo Submarine Cable System Ltd – French Branch [2]	100.00	Branch
Germany		
Altes Forsthaus 2, 67661, Kaiserslautern, Germany		
TKS Telepost Kabel-Service Kaiserslautern GmbH [3]	76.70	Ordinary shares
Betastraße 6-8, 85774 Unterföhring, Germany		
Kabel Deutschland Holding AG [3]	76.70	Ordinary shares
Kabel Deutschland Holding Erste Beteiligungs GmbH [3]	76.70	Ordinary shares
Kabel Deutschland Holding Zweite Beteiligungs GmbH [3]	76.70	Ordinary shares
Kabel Deutschland Neunte Beteiligungs GmbH	100.00	Ordinary shares
Kabel Deutschland Siebte Beteiligungs GmbH [3]	76.70	Ordinary shares
Vodafone Kabel Deutschland GmbH [3]	76.70	Ordinary shares
Vodafone Kabel Deutschland Kundenbetreuung GmbH [3]	76.70	Ordinary shares
Buschurweg 4, 76870, Kandel, Germany		
Vodafone Automotive Deutschland GmbH	100.00	Ordinary shares
Ferdinand-Braun-Platz 1, 40549, Duesseldorf, Germany		
CRVSH GmbH	100.00	Ordinary shares
Vodafone Enterprise Germany GmbH	100.00	Ordinary shares, Ordinary #2 shares
Vodafone GmbH	100.00	Ordinary A shares, Ordinary B shares
Vodafone Group Services GmbH	100.00	Ordinary shares
Vodafone Institut für Gesellschaft und Kommunikation GmbH	100.00	Ordinary shares
Vodafone Stiftung Deutschland Gemeinnutzige GmbH	100.00	Ordinary shares
Vodafone Vierte Verwaltungs AG	100.00	Ordinary shares
Friedrich-Wilhelm-Strasse 2, 38100, Braunschweig, Germany		
KABELCOM Braunschweig Gesellschaft Fur Breitbandkabel-Kommunikation Mit Beschrankter Haftung [3]	76.70	Ordinary shares
Nobelstrasse 55, 18059, Rostock, Germany		
Urbana Teleunion Rostock GmbH & Co.KG [3]	53.69	Ordinary shares
Seilerstrasse 18, 38440, Wolfsburg, Germany		
KABELCOM Wolfsburg Gesellschaft Fur Breitbandkabel-Kommunikation Mit Beschrankter Haftung [3]	76.70	Ordinary shares
Ghana		
3rd Floor, The Elizabeth Building, 68 Senchi Link, Airport Residential Area, Accra, Ghana		
Vodacom Business (Ghana) Limited [5]	60.50	Ordinary shares and non-voting, irredeemable, non-cumulative preference shares
Telecom House, Nsawam Road, Accra-North, Greater Accra Region, PMB 221, Ghana		
Ghana Telecommunications Company Limited	70.00	Ordinary shares Preference shares
National Communications Backbone Company Limited	70.00	Ordinary shares
Vodafone Ghana Mobile Financial Services Limited	70.00	Ordinary shares
Greece		
1-3 Tzavella str, 152 31 Halandri, Athens, Greece		
Vodafone-Panafon Hellenic Telecommunications Company S.A.	99.87	Ordinary shares
12,5 km National Road Athens – Lamia, Metamorfosi / Athens, 14452, Greece		
Vodafone Innovus S.A.	99.87	Ordinary shares
Alexandras Avenue 128, ATHENS, ATHENS, 11471, Greece		
Cyta Telecommunications Hellas S.A. (merged with Vodafone-Panafon Hellenic Telecommunications Company S.A. on 1 April 2019)	99.87	Ordinary shares
Pireos 163 & Ehelidon, Athens, 11854, Greece		
360 Connect S.A.	99.87	Ordinary shares
Guernsey		
Martello Court, Admiral Park, St. Peter Port, GY1 3HB, Guernsey		
FB Holdings Limited	100.00	Ordinary shares
Le Bunt Holdings Limited	100.00	Ordinary shares
Silver Stream Investments Limited	100.00	Ordinary shares
Roseneath, The Grange, St Peter Port, GY1 2QJ, Guernsey		
VBA Holdings Limited [5]	60.50	Ordinary shares and non-voting, irredeemable, non-cumulative preference shares
VBA International Limited [5]	60.50	Ordinary shares, and non-voting, irredeemable, non-convertible, non-cumulative preference shares
Hong Kong		
Level 24, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong		
Vodafone Enterprise Global Network HK Ltd (merged with Vodafone Enterprise Hong Kong Limited on 1 April 2019)	100.00	Ordinary shares
Vodafone Enterprise Hong Kong Ltd	100.00	Ordinary shares
Hungary		
40-44 Hungaria Krt., Budapest, H-1087, Hungary		
VSSB Vodafone Shared Services Budapest Private Limited Company	100.00	Registered ordinary shares
6 Lechner Ödön fasor, Budapest, 1096, Hungary		
Vodafone Magyarország Mobile Távközlési Zártkörűen Működő Részvénytársaság	100.00	Series A Registered common shares
India		
10th Floor, Tower A&B, Global Technology Park, (Maple Tree Building), Marathahalli Outer Ring Road, Devarabeesanahalli Village, Varthur Hobli, Bengaluru, Karnataka, 560103, India		
Cable and Wireless (India) Limited – Branch [2]	100.00	Branch
Cable and Wireless Global (India) Private Limited	100.00	Ordinary shares
Cable & Wireless Networks India Private Limited	100.00	Equity shares
127, Maker Chamber III, Nariman Point, Mumbai, Maharashtra, 400021, India		
AG Mercantile Company Private Limited	100.00	Equity shares
Jaykay Finholding (India) Private Limited	100.00	Equity shares, Preference shares
MV Healthcare Services Private Limited	100.00	Equity shares, Preference shares
Nadal Trading Company Private Limited	100.00	Equity shares
ND Callus Info Services Private Limited	100.00	Equity shares
Omega Telecom Holdings Private Limited	100.00	Equity shares
Plustech Mercantile Company Private Limited	100.00	Equity shares, Preference shares
SMMS Investments Pvt Limited	100.00	Equity shares, and 0.01% Non-convertible, cumulative, redeemable preference shares
Telecom Investments India Private Limited	100.00	Equity shares, Preference shares
UMT Investments Limited	100.00	Equity shares
8th Floor, RDB Boulevard, Plot K-1, Block- EP & GP, Sector – V, Saltlake City, Kolkata, West Bengal, 700091, India		
Usha Martin Telematics Limited	100.00	Equity shares
Business @ Mantri, Tower A, 3rd Floor, S No.197, Wing A1 & A2, Near Hotel Four Points, Lohegaon, Pune, Maharashtra, 411014, India		
Vodafone Global Services Private Limited	100.00	Equity shares
Indiabulls Finance Center, 1201, 12 Floor, Tower 1, Senapati Bapat Road, Elphinstone (West), Maharashtra, 400013, India		
Scorpios Beverages Pvt. Ltd	100.00	Equity shares
Vodafone India Services Private Limited	100.00	Ordinary shares

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Ireland

Company name	% of share class held by Group Companies	Share class
Mountainview, Leopardstown, Dublin 18, Ireland		
Cable & Wireless GN Limited	100.00	Ordinary shares
Eudokia Limited	100.00	Ordinary shares
Stentor Limited	100.00	Ordinary shares
VF Ireland Property Holdings Limited	100.00	Ordinary euro shares
Vodafone Enterprise Global Limited	100.00	Ordinary shares
Vodafone Global Network Limited	100.00	Ordinary shares
Vodafone Group Services Ireland Limited	100.00	Ordinary shares
Vodafone Ireland Distribution Limited	100.00	Ordinary shares
Vodafone Ireland Limited	100.00	Ordinary shares
Vodafone Ireland Marketing Limited	100.00	Ordinary shares
Vodafone Ireland Retail Limited	100.00	Ordinary shares

Italy

Company name	% of share class held by Group Companies	Share class
Piazzale Luigi Cadorna, 4, 20123, Milano, Italy		
Vodafone Global Enterprise (Italy) S.R.L.	100.00	Ordinary shares
SS 33 del Sempione KM 35, 212, 21052 Busto Arsizio (VA), Italy		
Vodafone Automotive Italia S.p.A	100.00	Ordinary shares
Via Astico 41, 21100 Varese, Italy		
Vodafone Automotive Electronic Systems S.r.L	100.00	Ordinary shares
Vodafone Automotive SpA	100.00	Ordinary shares
Via Jervis 13, 10015, Ivrea, Tourin, Italy		
Vodafone Italia S.p.A.	100.00	Ordinary shares
VEI S.r.l.	100.00	Partnership interest shares
Via Lorenteggio 240, 20147, Milan, Italy		
Vodafone Enterprise Italy S.r.L	100.00	Euro shares
Vodafone Gestioni S.p.A.	100.00	Ordinary shares
Vodafone Servizi E Tecnologie S.R.L.	100.00	Equity shares

Japan

Company name	% of share class held by Group Companies	Share class
KAKiYa building, 9F, , 2-7-17 Shin-Yokohama, , Kohoku-ku, Yokoha- City, Kanagawa, 222-0033 , Japan		
Vodafone Automotive Japan KK	100.00	Ordinary shares
Marunouchi Trust Tower North 15F, 8-1, Marunouchi 1-chome, level 15 , Chiyoda-ku, Tokyo, Japan		
Vodafone Enterprise U.K. – Japanese Branch [2]	100.00	Branch
Vodafone Global Enterprise (Japan) K.K.	100.00	Ordinary shares

Jersey

Company name	% of share class held by Group Companies	Share class
44 Esplanade, St Helier, JE4 9WG, Jersey		
Aztec Limited	100.00	Ordinary shares
Globe Limited	100.00	Ordinary shares
Plex Limited	100.00	Ordinary shares
Vizzavi Finance Limited	100.00	Ordinary shares
Vodafone International 2 Limited	100.00	Ordinary shares
Vodafone Jersey Dollar Holdings Limited	100.00	Limited Liability shares
Vodafone Jersey Finance	100.00	Ordinary shares, B shares, C shares, D shares, F shares, G shares
Vodafone Jersey Yen Holdings Unlimited	100.00	Limited liability shares

Kenya

Company name	% of share class held by Group Companies	Share class
6th Floor, ABC Towers, ABC Place, Waiyaki Way, Nairobi, 00100, Kenya		
M-PESA Holding Co. Limited	100.00	Equity shares
Vodafone Kenya Limited	65.43	Ordinary voting shares

Korea, Republic of

Company name	% of share class held by Group Companies	Share class
3rd Floor, 54 Gongse-ro, Gieheung-gu, Yongin-si, Gyeonggi-do, Korea, Republic of		
Vodafone Automotive Korea Limited	100.00	Ordinary shares
ASEM Tower level 37, 517 Yeongdong-daero, Gangnam-gu, Seoul, 135-798, Korea, Republic of		
Vodafone Enterprise Korea Limited	100.00	Ordinary shares

Luxembourg

Company name	% of share class held by Group Companies	Share class
15 rue Edward Steichen, Luxembourg, 2540, Luxembourg		
Tomorrow Street GP S.à r.l.	100.00	Ordinary shares
Vodafone Asset Management Services S.à r.l.	100.00	Ordinary shares
Vodafone Enterprise Global Businesses S.à r.l.	100.00	Ordinary shares
Vodafone International 1 S.à r.l.	100.00	Ordinary shares
Vodafone International M S.à r.l.	100.00	Ordinary shares
Vodafone Investments Luxembourg S.à r.l.	100.00	Ordinary shares
Vodafone Luxembourg 5 S.à r.l.	100.00	Ordinary shares
Vodafone Luxembourg S.à r.l.	100.00	Ordinary shares
Vodafone Procurement Company S.à r.l.	100.00	Ordinary shares
Vodafone Real Estate S.à.r.l.	100.00	Ordinary shares
Vodafone Roaming Services S.à r.l.	100.00	Ordinary shares
Vodafone Services Company S.à r.l.	100.00	Ordinary shares
Vodafone Enterprise Luxembourg S.A.	100.00	Ordinary euro shares

Malaysia

Company name	% of share class held by Group Companies	Share class
Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia		
Vodafone Global Enterprise (Malaysia) Sdn Bhd	100.00	Ordinary shares

Malta

Company name	% of share class held by Group Companies	Share class
SkyParks Business Centre, Malta International Airport, Luqa, LQA 4000, Malta		
Multi Risk Indemnity Company Limited	100.00	'A' ordinary shares, 'B' ordinary shares
Multi Risk Limited	100.00	'A' ordinary shares, 'B' ordinary shares
Vodafone Malta Limited	100.00	Ordinary shares

Mauritius

Company name	% of share class held by Group Companies	Share class
10th Floor, Standard Chartered Towers, 19 Cybercity, Ebene, Mauritius		
Mobile Wallet VM1 [5]	60.50	Ordinary shares
Mobile Wallet VM2 [5]	60.50	Ordinary shares
VBA (Mauritius) Limited [5]	60.50	Ordinary shares, Redeemable preference shares
Vodacom International Limited [5]	60.50	Ordinary shares, Non-cumulative preference shares
Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius		
Al-Amin Investments Limited	100.00	Ordinary shares
Array Holdings Limited	100.00	Ordinary shares
Asian Telecommunication Investments (Mauritius) Limited	100.00	Ordinary shares
CCII (Mauritius), Inc.	100.00	Ordinary shares
CGP India Investments Ltd.	100.00	Ordinary shares
Euro Pacific Securities Ltd.	100.00	Ordinary shares
Mobilvest	100.00	Ordinary shares
Prime Metals Ltd.	100.00	Ordinary shares
Trans Crystal Ltd.	100.00	Ordinary shares
Vodafone Mauritius Ltd.	100.00	Ordinary shares
Vodafone Tele-Services (India) Holdings Limited	100.00	Ordinary shares
Vodafone Telecommunications (India) Limited	100.00	Ordinary shares

Mexico

Company name	% of share class held by Group Companies	Share class
Insurgentes Sur #1377 8th Floor, Colonia Insurgentes Mixcoac, Mexico City, Mexico 03920		
Vodafone Empresa México S.de R.L. de C.V.	100.00	Corporate certificate series A shares, Corporate certificate series B shares

Morocco

Company name	% of share class held by Group Companies	Share class
129 Rue du Prince Moulay, Abdellah, Casablanca, Morocco		
Vodafone Maroc SARL	79.75	Ordinary shares

Mozambique

Company name	% of share class held by Group Companies	Share class
Rua dos Desportistas, Numero 649, Cidade de Maputo, Mozambique		
VM, SA [5]	51.42	Ordinary shares
Vodafone M-Pesa, S.A [5]	51.42	Ordinary shares

Netherlands

Company name	% of share class held by Group Companies	Share class
Rivium Quadrant 173, 15th Floor, 2909 LC, Capelle aan den IJssel, Netherlands		
Vodafone Enterprise Netherlands B.V.	100.00	Ordinary shares
Vodafone Europe B.V.	100.00	Ordinary shares
Vodafone International Holdings B.V.	100.00	Ordinary shares
Vodafone Panafon International Holdings B.V.	99.87	Ordinary shares

New Zealand

Company name	% of share class held by Group Companies	Share class
74 Taharoto Road, Takapuna, Auckland, 0622, New Zealand		
Vodafone Mobile NZ Limited	100.00	Ordinary shares
Vodafone New Zealand Foundation Limited	100.00	Ordinary shares
Vodafone New Zealand Holdings Limited	100.00	Ordinary shares
Vodafone New Zealand Limited	100.00	Ordinary shares
Vodafone Next Generation Services Limited	100.00	Ordinary shares
8 Butler Street, Timaru, 7910, New Zealand		
BayCity Communications Limited	100.00	Ordinary shares

Nigeria

Company name	% of share class held by Group Companies	Share class
3A Aja Nwachukwu Close, Ikoyi, Lagos, Nigeria		
Vodacom Business Africa (Nigeria) Limited [5]	60.50	Ordinary shares, Preference shares

Norway

Company name	% of share class held by Group Companies	Share class
c/o EconPartner AS, Dronning Mauds gate 15, Oslo, 0250, Norway		
Vodafone Enterprise Norway AS	100.00	Ordinary shares
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
Vodafone Limited – Norway Branch [2]	100.00	Branch

Poland

Company name	% of share class held by Group Companies	Share class
Ul. Złota 59, 00-120 , Warszawa, Poland		
Vodafone Business Poland sp. z o.o.	100.00	Ordinary shares

Notes to the consolidated financial statements (continued)

32. Related undertakings (continued)

Company name	% of share class held by Group Companies	Share class
Portugal		
Av. D. João II, nº 36 – 8º Piso, 1998 – 017, Parque das Nações, Lisboa, Portugal		
Vodafone Portugal – Comunicacoes Pessoais, S.A. [1]	100.00	Ordinary shares
Oni Way – Infocomunicacoes, S.A	100.00	Ordinary shares
Av. da República, 50 – 10º, 1069-211, Lisboa, Portugal		
Vodafone Enterprise Spain, S.L.U. – Portugal Branch [2]	100.00	Branch
Romania		
201 Barbu Vacarescu, 8th Floor, 2nd District, Bucharest, Romania		
Vodafone Romania S.A	100.00	Ordinary shares
Sectorul 2, Strada Barbu Văcărescu, Nr. 201, Etaj 1, București, Romania		
Vodafone România M – Payments SRL	100.00	Ordinary shares
Vodafone România Technologies SRL	100.00	Ordinary shares
Sectorul 4, Strada Oltenitei, Nr. 2, Etaj 3, București, Romania		
Vodafone Shared Services Romania SRL	100.00	Ordinary shares
Şoseaua Vestului no. 1A, West Mall Ploieşti, First Floor, Ploieşti, Romania		
Evotracking SRL	100.00	Ordinary shares
Russian Federation		
Build. 2, 14/10, Chayanova str., 125047, Moscow, Russian Federation		
Cable & Wireless CIS Svyaz LLC	100.00	Charter capital shares
Room 26, Floor 1, bld. "A", Kotelnicheskaya Embankment 1/15, 105005, Moscow, Russian Federation		
Vodafone Global Enterprise Russia LLC	100.00	Equity shares
Serbia		
Vladimira Popovića 38-40, New Belgrade, 11070, Serbia		
Vodafone Enterprise Equipment Limited Ogranak u Beogradu [2]	100.00	Branch
Singapore		
Asia Square Tower 2, 12 Marina View, #17-01, Singapore, 018961, Singapore		
Vodafone Enterprise Singapore Pte Ltd	100.00	Ordinary shares
Slovakia		
Prievozská 6 , Bratislava, 821 09		
Vodafone Czech Republic A.S. – Slovakia Branch [2]	100.00	Branch
Zochova 6-8, Bratislava, 811 03, Slovakia		
Vodafone Global Network Limited – Slovakia Branch [2]	100.00	Branch
South Africa		
319 Frere Road, Glenwood, 4001, South Africa		
Cable and Wireless Worldwide South Africa (Pty) Ltd	100.00	Ordinary shares
9 Kinross Street, Germiston South, 1401, South Africa		
Vodafone Holdings (SA) Proprietary Limited	100.00	Ordinary shares
Vodafone Investments (SA) Proprietary Limited	100.00	Ordinary A shares, "B" ordinary no par value shares
Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand, 1685, South Africa		
GS Telecom (Pty) Limited [5]	60.50	Ordinary shares
Mezzanine Ware Proprietary Limited (RF) [5]	54.45	Ordinary shares
Motifprops 1 (Proprietary) Limited [5]	60.50	Ordinary shares
Scarlet Ibis Investments 23 (Pty) Limited [5]	60.50	Ordinary shares
Vodacom (Pty) Limited [5]	60.50	Ordinary shares, Ordinary A shares
Vodacom Business Africa Group (Pty) Limited [5]	60.50	Ordinary shares
Vodacom Financial Services (Proprietary) Limited [5]	60.50	Ordinary shares
Vodacom Group Limited [5]	60.50	Ordinary shares
Vodacom Insurance Administration Company (Proprietary) Limited [5]	60.50	Ordinary shares
Vodacom Insurance Company (RF) Limited [5]	60.50	Ordinary shares
Vodacom International Holdings (Pty) Limited [5]	60.50	Ordinary shares
Vodacom Life Assurance Company (RF) Limited [5]	60.50	Ordinary shares
Vodacom Payment Services (Proprietary) Limited [5]	60.50	Ordinary shares
Vodacom Properties No 1 (Proprietary) Limited [5]	60.50	Ordinary shares
Vodacom Properties No.2 (Pty) Limited [5]	60.50	Ordinary shares
Wheatfields Investments 276 (Proprietary) Limited [5]	60.50	Ordinary shares
XLink Communications (Proprietary) Limited [5]	60.50	Ordinary A Shares
Spain		
Antracita, 7 – 28045, Madrid CIF B-91204453, Spain		
Vodafone Automotive Iberia S.L.	100.00	Ordinary shares
Avenida de América 115, 28042, Madrid, Spain		
Vodafone Enabler España, S.L.	100.00	Ordinary shares
Vodafone Enterprise Spain SLU	100.00	Ordinary shares, Ordinary euro shares
Vodafone Espana S.A.U.	100.00	Ordinary shares
Vodafone Holdings Europe S.L.U.	100.00	Ordinary shares
Vodafone ONO, S.A.U.	100.00	Ordinary A shares
Vodafone Servicios S.L.U.	100.00	Ordinary shares
Sweden		
c/o Hellström advokatbyrå, Box 7305, 103 90, Stockholm, Sweden		
Vodafone Enterprise Sweden AB	100.00	Ordinary shares, Shareholder's contribution shares
Switzerland		
Schiffbaustrasse 2, 8005, Zurich, Switzerland		
Vodafone Enterprise Switzerland AG	100.00	Ordinary shares
Via Franscini 10, 6850 Mendrisio, Switzerland		
Vodafone Automotive Telematics S.A	100.00	Ordinary shares
World Trade Center, Lia Lugano 13, 6982, Agno, Ticino, Switzerland		
Vodafone Enterprise Switzerland AG – Agno Branch [2]	100.00	Branch
Taiwan		
22F., No.100, Songren Road., Xinyi District, Taipei City, 11070, Taiwan		
Vodafone Global Enterprise Taiwan Limited	100.00	Ordinary shares
Tanzania, United Republic of		
3rd Floor, Maktaba (Library), ComplexBibi, Titi Mohaned Road, Dar es Salaam, Tanzania, United Republic of		
Gateway Communications Tanzania Limited (in liquidation) [5]	59.89	Ordinary shares
Turkey		
Büyükdere Caddesi, No: 251, Maslak, Şişli / İstanbul, Turkey, 34398, Turkey		
Vodafone Holding A.S.	100.00	Registered shares
Vodafone Dagitim, Servis ve Icerik Hizmetleri A.S.	100.00	Ordinary shares
Vodafone Net İletişim Hizmetleri A.Ş.	100.00	Ordinary shares
Vodafone Elektronik Para Ve Ödeme Hizmetleri A.Ş.	100.00	Registered shares
Vodafone Telekomunikasyon A.S	100.00	Registered shares
Vodafone Bilgi Ve Iletisim Hizmetleri AS	100.00	Registered shares
İTÜ Ayazağa Kampüsü, Koru Yolu, Arı Teknokent Arı 3 Binası, Maslak, İstanbul, 586553, Turkey		
Vodafone Teknoloji Hizmetleri A.S.	100.00	Registered shares
Ukraine		
Bohdana Khmelnytskogo Str. 19-21, Kyiv, Ukraine		
LLC Vodafone Enterprise Ukraine	100.00	Ordinary shares
United Arab Emirates		
Office 101, 1st Floor, DIC Building 1, Dubai Internet City, Dubai, United Arab Emirates		
Vodafone Enterprise Europe (UK) Limited – Dubai Branch [2]	100.00	Branch
United Kingdom		
1-2 Berkeley Square, 99 Berkeley Street, Glasgow, G3 7HR, Scotland		
Thus Group Holdings Limited	100.00	Ordinary shares
Thus Group Limited	100.00	Ordinary shares, Cumulative participating non-redeemable preference shares
Thus Profit Sharing Trustees Limited	100.00	Ordinary shares
Imperial House, 4 – 10 Donegall Square East, Belfast, BT1 5HD		
Vodafone (NI) Limited	100.00	Ordinary shares
Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh, Scotland, EH12 9RG, United Kingdom		
Pinnacle Cellular Group Limited	100.00	Ordinary shares
Pinnacle Cellular Limited	100.00	Ordinary shares
Vodafone (Scotland) Limited	100.00	Ordinary shares
Woodend Group Limited	100.00	Ordinary shares
Woodend Holdings Limited	100.00	Ordinary shares, Redeemable preference
Quarry Corner, Dundonald, Belfast, BT16 1UD, Northern Ireland		
Energis (Ireland) Limited	100.00	A Ordinary shares, B Ordinary shares, C Ordinary shares
Shuttleworth House, 21 Bridgewater Close, Network 65 Business Park, Hapton, Burnley, Lancashire, England, BB11 5TE, United Kingdom		
Navtrak Ltd	100.00	Ordinary shares
Vodafone Automotive UK Limited	100.00	Ordinary shares
Staple Court, 11 Staple Inn Building, London, WC1V 7QH, United Kingdom		
Vodacom Business Africa Group Services Limited [5]	60.50	Ordinary shares, Preference shares
Vodacom UK Limited [5]	60.50	Ordinary shares, Non-redeemable ordinary A shares, Ordinary B shares, Non-irredeemable preference shares

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Company name	% of share class held by Group Companies	Share class
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
AAA (Euro) Limited	100.00	Ordinary shares
Apollo Submarine Cable System Limited	100.00	Ordinary shares
Aspective Limited	100.00	Ordinary shares, A preference shares, B preference shares, C preference shares
Astec Communications Limited	100.00	Ordinary shares
Bluefish Communications Limited	100.00	Ordinary A shares, Ordinary B shares, Ordinary C shares, Ordinary D shares
Cable & Wireless Aspac Holdings Limited	100.00	Ordinary shares
Cable & Wireless CIS Services Limited	100.00	Ordinary shares
Cable & Wireless Communications Data Network Services Limited	100.00	'A' ordinary shares, 'B' ordinary shares
Cable & Wireless Europe Holdings Limited	100.00	Ordinary shares
Cable & Wireless Global Business Services Limited	100.00	Ordinary shares
Cable & Wireless Global Holding Limited	100.00	Ordinary shares
Cable & Wireless Global Telecommunication Services Limited	100.00	Ordinary shares
Cable & Wireless UK Holdings Limited	100.00	Ordinary shares
Cable & Wireless Worldwide Limited	100.00	Ordinary shares, Redeemable preference shares
Cable & Wireless Worldwide Voice Messaging Limited	100.00	Ordinary shares
Cable and Wireless (India) Limited	100.00	Ordinary shares
Cable and Wireless Nominee Limited	100.00	Ordinary shares
Cellops Limited	100.00	Ordinary shares
Central Communications Group Limited	100.00	Ordinary shares, Ordinary A shares
Energis Communications Limited	100.00	Ordinary shares
Energis Squared Limited	100.00	Ordinary shares
Flexphone Limited	100.00	Ordinary shares
General Mobile Corporation Limited	100.00	Ordinary shares
Legend Communications Limited	100.00	Ordinary shares
London Hydraulic Power Company	100.00	Ordinary shares, 5% Non-Cumulative preference shares
MetroHoldings Limited	100.00	Ordinary shares
ML Integration Group Limited	100.00	Ordinary shares, Redeemable preference shares
ML Integration Services Limited	100.00	Ordinary shares
Project Telecom Holdings Limited [1]	100.00	Ordinary shares
PTI Telecom Limited (dissolved 2 April 2019)	100.00	Ordinary shares
Rian Mobile Limited	100.00	Ordinary shares
Singlepoint (4U) Limited	50.00	Ordinary shares
Talkland Communications Limited	100.00	Ordinary shares
Talkland International Limited	100.00	Ordinary shares
Talkmobile Limited	100.00	Ordinary shares
Ternhill Communications Limited	100.00	Ordinary shares, Non-convertible redeemable preference shares
The Eastern Leasing Company Limited	100.00	Ordinary shares
Thus Limited	100.00	Ordinary shares
Vizzavi Limited	100.00	Ordinary shares
Voda Limited	100.00	Ordinary shares; Zero coupon redeemable preference shares
Vodafone (New Zealand) Hedging Limited	100.00	Ordinary shares
Vodafone 2.	100.00	Ordinary shares
Vodafone 4 UK	100.00	Ordinary shares
Vodafone 5 Limited	100.00	Ordinary shares
Vodafone 5 UK	100.00	Ordinary shares
Vodafone 6 UK	100.00	Ordinary shares
Vodafone Americas 4	100.00	Ordinary shares
Vodafone Benelux Limited	100.00	Ordinary shares, Preference shares
Vodafone Business Solutions Limited	100.00	Ordinary shares
Vodafone Cellular Limited [1]	100.00	Ordinary shares
Vodafone Central Services Limited	100.00	Ordinary shares
Vodafone Connect 2 Limited	100.00	Ordinary shares
Vodafone Connect Limited	100.00	Ordinary shares
Vodafone Consolidated Holdings Limited	100.00	Ordinary shares
Vodafone Corporate Limited	100.00	Ordinary shares
Vodafone Corporate Secretaries Limited [1]	100.00	Ordinary shares
Vodafone DC Pension Trustee Company Limited [1]	100.00	Ordinary shares
Vodafone Distribution Holdings Limited	100.00	Ordinary shares
Vodafone Enterprise Corporate Secretaries Limited	100.00	Ordinary shares
Vodafone Enterprise Equipment Limited	100.00	Ordinary shares
Vodafone Enterprise Europe (UK) Limited	100.00	Ordinary shares
Vodafone Enterprise U.K.	100.00	Ordinary shares, Fixed rate irredeemable preference shares, Non-voting redeemable participating shares, Voting redeemable fixed rate preference shares
Vodafone Euro Hedging Limited	100.00	Ordinary shares
Vodafone Euro Hedging Two	100.00	Ordinary shares
Vodafone Europe UK	100.00	Ordinary shares
Vodafone European Investments [1]	100.00	Ordinary shares
Vodafone European Portal Limited [1]	100.00	Ordinary shares
Vodafone Finance Limited [1]	100.00	Ordinary shares
Vodafone Finance Luxembourg Limited	100.00	Ordinary shares
Vodafone Finance Sweden	100.00	Ordinary shares, Ordinary deferred
Vodafone Finance UK Limited	100.00	Ordinary shares
Vodafone Financial Operations	100.00	Ordinary shares
Vodafone Global Content Services Limited	100.00	Ordinary shares, 5% fixed rate non-voting preference shares
Vodafone Global Enterprise Limited	100.00	Ordinary shares; Deferred shares, B deferred shares
Vodafone Group (Directors) Trustee Limited [1]	100.00	Ordinary shares
Vodafone Group Pension Trustee Limited [1]	100.00	Ordinary shares
Vodafone Group Services Limited	100.00	Ordinary shares, Deferred shares
Vodafone Group Services No.2 Limited [1]	100.00	Ordinary shares
Vodafone Group Share Trustee Limited [1]	100.00	Ordinary shares
Vodafone Hire Limited	100.00	Ordinary shares
Vodafone Holdings Luxembourg Limited	100.00	Ordinary shares
Vodafone Intermediate Enterprises Limited	100.00	Ordinary shares
Vodafone International Holdings Limited	100.00	Ordinary shares
Vodafone International Operations Limited	100.00	Ordinary shares
Vodafone Investment UK	100.00	Ordinary shares
Vodafone Investments Australia Limited	100.00	Ordinary shares
Vodafone Investments Limited [1]	100.00	Ordinary shares, Zero coupon redeemable shares
Vodafone IP Licensing Limited [1]	100.00	Ordinary shares
Vodafone Limited	100.00	Ordinary shares
Vodafone M.C. Mobile Services Limited	100.00	Ordinary shares; A preference
Vodafone Marketing UK	100.00	Ordinary shares
Vodafone Mobile Communications Limited	100.00	Ordinary shares
Vodafone Mobile Enterprises Limited	100.00	A-ordinary shares, Ordinary one pound shares
Vodafone Mobile Network Limited	100.00	A-ordinary shares, Ordinary one pound shares
Vodafone Nominees Limited [1]	100.00	Ordinary shares
Vodafone Oceania Limited	100.00	Ordinary shares
Vodafone Old Show Ground Site Management Limited	100.00	Ordinary shares
Vodafone Overseas Finance Limited	100.00	Ordinary shares
Vodafone Overseas Holdings Limited	100.00	Ordinary shares
Vodafone Panafon UK	100.00	Ordinary shares
Vodafone Partner Services Limited	100.00	Ordinary shares, Redeemable preference shares
Vodafone Property Investments Limited	100.00	Ordinary shares
Vodafone Retail (Holdings) Limited	100.00	Ordinary shares
Vodafone Retail Limited	100.00	Ordinary shares
Vodafone Sales & Services Limited	100.00	Ordinary shares
Vodafone Satellite Services Limited	100.00	Ordinary shares
Vodafone UK Content Services Limited	100.00	Ordinary shares
Vodafone UK Investments Limited	100.00	Ordinary shares
Vodafone UK Limited [1]	100.00	Ordinary shares
Vodafone Ventures Limited [1]	100.00	Ordinary shares
Vodafone Worldwide Holdings Limited	100.00	Ordinary shares; Cumulative preference
Vodafone Yen Finance Limited	100.00	Ordinary shares
Vodafone-Central Limited	100.00	Ordinary shares
Vodaphone Limited	100.00	Ordinary shares
Vodata Limited	100.00	Ordinary shares
Your Communications Group Limited	100.00	A ordinary shares, B ordinary shares, Redeemable preference shares

Notes to the consolidated financial statements (continued)

32. Related undertakings (continued)

Associated undertakings and joint arrangements

United States

Company name	% of share class held by Group Companies	Share class
154 W 14th Street, 8th Floor, New York, NY 10011		
Bluefish Communications Inc.	100.00	Common stock shares, Preference shares
Cable & Wireless a-Services, Inc	100.00	Common shares
Cable & Wireless Americas Systems, Inc.	100.00	Common stock shares
Vodafone Americas Virginia Inc.	100.00	Common stock shares
Vodafone US Inc.	100.00	Common stock shares, Preference stock shares

Zambia

Company name	% of share class held by Group Companies	Share class
May Building, The Gallery Office Park, Stand 4015, Lagos Road, Lusaka, Zambia		
Africonnect (Zambia) Limited [5]	60.50	Ordinary shares, Redeemable preference shares

Australia

Company Name	% of share class held by Group Companies	Share Class
c/- Telstra Corporation, Level 41, 242-282 Exhibition Street, Melbourne VIC 3000, Australia		
3gis Properties (No. 1) Pty Ltd	25.00	Ordinary shares
3gis Properties (No. 2) Pty Ltd	25.00	Ordinary shares
3gis Pty Limited	25.00	Ordinary shares
Mondjay Pty Limited	25.00	Ordinary shares
Tovadan Pty Limited	25.00	Ordinary shares
Level 1, 177 Pacific Highway, North Sydney NSW 2060, Australia		
H3GA Properties (No.3) Pty Limited	50.00	Ordinary shares
Mobile JV Pty Limited	25.00	Ordinary shares
Mobileworld Communications Pty Limited	50.00	Ordinary shares
Mobileworld Operating Pty Ltd	50.00	Ordinary shares
Vodafone Australia Pty Limited	50.00	Ordinary shares, Class B shares, Redeemable preference shares
Vodafone Foundation Australia Pty Limited	50.00	Ordinary shares
Vodafone Hutchison Australia Pty Limited	50.00	Ordinary shares
Vodafone Hutchison Finance Pty Limited	50.00	Ordinary shares
Vodafone Hutchison Receivables Pty Limited	50.00	Ordinary shares
Vodafone Hutchison Spectrum Pty Limited	50.00	Ordinary shares
Vodafone Network Pty Limited	50.00	Ordinary shares
Vodafone Pty Limited	50.00	Ordinary shares

Congo, The Democratic Republic of the

Company Name	% of share class held by Group Companies	Share Class
Building Comimmo II Ground Floor Right, 3157 Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, DRC Congo, The Democratic Republic of the		
Vodacash S.A [5]	30.85	Ordinary shares

Czech Republic

Company Name	% of share class held by Group Companies	Share Class
U Rajské zahrady 1912/3, Praha 3, 130 00, Czech Republic		
COOP Mobil s.r.o.	33.33	Ordinary shares

Egypt

Company Name	% of share class held by Group Companies	Share Class
23 Kasr El Nil St, Cairo, Egypt, 11211, Egypt		
Wataneya Telecommunications S.A.E	50.00	Ordinary shares

Germany

Company Name	% of share class held by Group Companies	Share Class
38 Berliner Allee, 40212, Düsseldorf, Germany		
MNP Deutschland Gesellschaft bürgerlichen Rechts	33.33	Partnership share
Nobelstrasse 55, 18059, Rostock, Germany		
Verwaltung "Urbana Teleunion" Rostock GmbH [3]	38.35	Ordinary shares

Greece

Company Name	% of share class held by Group Companies	Share Class
43-45 Valtetsiou Str., Athens, Greece		
Safenet N.P.A.	24.97	Ordinary shares
56 Kifisias Avenue & Delfwn , Marousi, 151 25		
Tilegnous IKE	49.94	Ordinary shares
Marathonos Ave 18 km & Pylou, Pallini, Attica, Pallini, Attica, 15351, Greece		
Victus Networks S.A.	49.94	Ordinary shares

India

Company Name	% of share class held by Group Companies	Share Class
A-19, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi, New Delhi, Delhi, 110044, India		
FireFly Networks Limited	22.64	Equity shares
A-26/5 Mohan Co-operative Industrial Estate, Mathura Road, New Delhi, New Delhi, Delhi, 110044, India		
Idea Telesystems Limited	45.28	Equity shares
A4, Aditya Birla Centre, S.K. Ahire Marg, Worli, Mumbai, Maharashtra, 400059, India		
Aditya Birla Idea Payments Bank Limited	22.19	Equity shares
Building No.10, Tower-A, 4th Floor, DFL Cyber City, Gurgaon – 122002, India		
Indus Towers Limited [7]	47.05	Equity shares
Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai, 400 013, India		
Vodafone m-pesa Limited	45.28	Equity shares
Vodafone Technology Solutions Limited	45.28	Equity shares
Mobile Commerce Solutions Limited	45.28	Equity shares
Vodafone Foundation	45.28	Equity shares
Vodafone India Ventures Limited	45.28	Equity shares
Plot No 54, Marol Co-op Industrial Area, Makwana, , Off Andheri Kurla Road, Andheri East, Mumbai, Mumbai, Maharashtra, 400059, India		
You Broadband India Limited	45.28	Equity shares
You System Integration Private Limited	45.28	Equity shares
Skyline Ikon, 1st Floor, 86/92, Andheri Kurla Road, Marol Naka, Andheri East, Mumbai, Maharashtra, 400059, India		
Connect (India) Mobile Technologies Private Limited	45.28	Equity shares
Suman Tower Plot No. 18, Sector No. 11, Gandhinagar, 382011, Gujarat, India		
Idea Cellular Services Limited	45.28	Equity shares
Vodafone Idea Limited	45.28	Equity shares
Vodafone House, Corporate Road, Prahladnagar, Off S. G. Highway, Ahmedabad, Gujarat, 380051, India		
Vodafone Business Services Limited	45.28	Equity shares
Vodafone India Digital Limited	45.28	Equity shares
Vodafone Towers Limited	45.28	Equity shares

Ireland

Company Name	% of share class held by Group Companies	Share Class
Two Gateway, East Wall Road, Dublin 3, Ireland		
Siro Limited	50.00	Ordinary shares

Italy

Company Name	% of share class held by Group Companies	Share Class
Via per Carpi 26/B, 42015, Correggio (RE), Italy		
VND S.p.A.	35.00	Ordinary shares

Kenya

Company Name	% of share class held by Group Companies	Share Class
LR No. 13263, Safaricom House, Waiyaki Way, PO Box 66827-00800, Nairobi, Kenya		
Safaricom PLC [6]	26.13	Ordinary shares
The Riverfront, 4th floor, Prof. David Wasawo Drive, Off Riverside Drive, Nairobi, Kenya		
Vodacom Business (Kenya) Limited [5]	48.40	Ordinary shares, Ordinary B shares

Lesotho

Company Name	% of share class held by Group Companies	Share Class
585 Mabile Road, Vodacom Park, Maseru, Lesotho		
Vodacom Lesotho (Pty) Limited [5]	48.40	Ordinary shares

Luxembourg

Company Name	% of share class held by Group Companies	Share Class
15 rue Edward Steichen, Luxembourg, 2540, Luxembourg		
Tomorrow Street SCA	50.00	Ordinary A shares, Ordinary B shares, Ordinary C shares

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Company Name	% of share class held by Group Companies	Share Class
Netherlands		
Assendorperdijk 2, 8012 EH Zwolle, The Netherlands		
Zoranet Connectivity Services B.V.	50.00	Ordinary shares
Avenue Ceramique 300, 6221 Kx, Maastricht, Netherlands		
Vodafone Libertel B.V.	50.00	Ordinary shares
Boven Vredenburgpassage 128, 3511 WR, Utrecht, Netherlands		
Amsterdamse Beheer- en Consultingmaatschappij B.V.	50.00	Ordinary shares
FinCo Partner 1 B.V.	50.00	Ordinary shares
LGE HoldCo V B.V.	50.00	Ordinary shares
LGE HoldCo VI B.V.	50.00	Ordinary shares
LGE Holdco VII B.V.	50.00	Ordinary shares
LGE HoldCo VIII B.V.	50.00	Ordinary shares
Vodafone Financial Services B.V.	50.00	Ordinary shares
Vodafone Nederland Holding I B.V.	50.00	Ordinary shares
Vodafone Nederland Holding II B.V.	50.00	Ordinary shares
VodafoneZiggo Group B.V.	50.00	Ordinary shares
VodafoneZiggo Group Holding B.V.	50.00	Ordinary shares
VZ Financing I B.V.	50.00	Ordinary shares
VZ Financing II B.V.	50.00	Ordinary shares
Ziggo B.V.	50.00	Ordinary shares
Ziggo Deelnemingen B.V.	50.00	Ordinary shares
Ziggo Finance 2 B.V.	50.00	Ordinary shares
Ziggo Holding B.V. (name changed to VodafoneZiggo Employment B.V. on 18 April 2019)	50.00	Ordinary shares
Ziggo Netwerk II B.V.	50.00	Ordinary shares
Ziggo Real Estate B.V.	50.00	Ordinary shares
Ziggo Services B.V.	50.00	Ordinary shares
Ziggo Services Employment B.V.	50.00	Ordinary shares
Ziggo Services Netwerk 2 B.V.	50.00	Ordinary shares
Ziggo Zakelijk Services B.V.	50.00	Ordinary shares
ZUM B.V.	50.00	Ordinary shares
Media Parkboulevard 2, 1217 WE Hilversum, Netherlands		
Liberty Global Content Netherlands B.V.	50.00	Ordinary shares
Monitorweg 1, 1322 BJ Almere, Netherlands		
Esprit Telecom B.V.	50.00	Ordinary shares
XB Facilities B.V.	50.00	Ordinary shares
Winschoterdiep 60, 9723 AB Groningen, Netherlands		
Zesko B.V.	50.00	Ordinary shares
Ziggo Bond Company B.V.	50.00	Ordinary shares
Ziggo Netwerk B.V.	50.00	Ordinary shares
New Zealand		
C/- The Office Of Minterellisonruddwatts, Level 20, Lumley Centre, 88 Shortland Street, Auckland, 1010, New Zealand		
Rural Connectivity Group Limited	33.33	Ordinary shares
Level 1, Building C, 14-22 Triton Drive, Albany, New Zealand		
TNAS Limited	50.00	Ordinary shares
Level 5, 151 Victoria Street West, Auckland 1010, New Zealand		
Centurion GSM Limited	24.99	Ordinary shares
Portugal		
Av. D. João II, no. 34, 1998 – 031, Parque das Nações, Lisboa, Portugal		
Celfocus – Solucoes Informaticas Para Telecomunicacoes S.A	45.00	Ordinary shares
Rua Pedro e Inês, Lote 2.08.01, 1990-075, Parque das Nações, Lisboa, Portugal		
Sport TV Portugal, S.A.	25.00	Nominative shares

Company Name	% of share class held by Group Companies	Share Class
Romania		
Floor 3, Module 2, Connected Buildings III, Nr. 10A, Dimitrie Pompei Boulevard, Bucharest, Sector 2, Romania		
Netgrid Telecom SRL	50.00	Ordinary shares
Russian Federation		
401, Building 3, 11, Promyshlennaya Street, Moscow 115 516		
Autoconnex Limited	35.00	Ordinary shares
Seychelles		
F20, 1st Floor, Eden Plaza, Eden Island, Seychelles		
Cavalry Holdings Limited [5]	29.64	Ordinary A shares
East Africa Investments (Mauritius) Limited [5]	29.64	Ordinary shares
South Africa		
76 Maude Street, Sandton, Johannesberg, 2196, South Africa		
Waterberg Lodge (Proprietary) Limited [5]	30.25	Ordinary shares
Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand, 1685, South Africa		
Jupicol (Proprietary) Limited [5]	42.35	Ordinary shares
Storage Technology Services (Pty) Limited [5]	30.85	Ordinary shares
Tanzania, United Republic of		
15 Floor, Vodacom Tower, Ursino Estate, Plot No. 23, Bagamoyo Road, Dar es Salaam, Tanzania, United Republic of		
Shared Networks Tanzania Limited [5]	37.28	Ordinary shares
Vodacom Tanzania Public Limited Company [5]	37.28	Ordinary shares
Plot No. 23, Ursino Estate, Bagamoyo Road, Dar es Salaam, Tanzania, United Republic of		
M-Pesa Limited [5]	31.06	Ordinary A shares, Ordinary B shares
Vodacom Tanzania Limited Zanzibar [5]	37.28	Ordinary shares
Vodacom Trust Limited [5]	37.28	Ordinary A shares, Ordinary B shares
Plot no. 77, Kipawa Kiwalani, Nyerere Road, PO Box 40954, Dar es Salaam, 12106, Tanzania, United Republic of		
Mirambo Ltd [5]	29.64	Ordinary shares
United Kingdom		
24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom		
Digital Mobile Spectrum Limited	25.00	Ordinary shares
Griffin House, 161 Hammersmith Road, London, W6 8BS, United Kingdom		
Cable & Wireless Trade Mark Management Limited	50.00	Ordinary B shares
Hive 2, 1530 Arlington Business Park, Theale, Reading, Berkshire, RG7 4SA, United Kingdom		
Cornerstone Telecommunications Infrastructure Limited	50.00	Ordinary shares
United States		
2711 Centerville Road, Suite 400, Wilmington, DE 19808 Delaware		
LG Financing Partnership	50.00	Partnership interest
Ziggo Financing Partnership	50.00	Partnership interest

Notes:
1 Directly held by Vodafone Group Plc.
2 Branches.
3 Shareholding is indirect through Vodafone Kabel Deutschland GmbH.
4 The Group has rights that enable it to control the strategic and operating decisions of Vodacom Congo (RDC) S.A.
5 Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 60.50% ownership interest in Vodacom.
6 At 31 March 2019 the fair value of Safaricom Plc was KES 1,103.8 billion (€9,764 million) based on the closing quoted share price on the Nairobi Stock Exchange.
7 Includes the indirect interest held through Vodafone Idea Limited.

Notes to the consolidated financial statements (continued)

32. Related undertakings (continued)

The table below shows selected financial data in respect of subsidiaries that have non-controlling interests that are material to the Group.

	Vodacom Group Limited		Vodafone Egypt Telecommunications S.A.E.		Vodafone Qatar Q.S.C.[1]	
	2019 €m	2018 €m	**2019 €m**	2018 €m	**2019 €m**	2018 €m
Summary comprehensive income information						
Revenue	5,443	5,692	1,116	962	–	468
Profit/(loss) for the financial year	940	934	271	206	–	(40)
Other comprehensive (expense)/income	14	(8)	–	–	–	–
Total comprehensive income/(expense)	954	926	271	206	–	(40)
Other financial information						
Profit/(loss) for the financial year allocated to non-controlling interests	331	342	123	93	–	(31)
Dividends paid to non-controlling interests	315	309	269	1	–	–
Summary financial position information						
Non-current assets	6,294	6,433	1,138	985	–	–
Current assets	2,426	2,389	515	407	–	–
Total assets	**8,720**	**8,822**	**1,653**	**1,392**	–	**–**
Non-current liabilities	(1,904)	(2,151)	(43)	(46)	–	–
Current liabilities	(2,320)	(2,104)	(1,009)	(522)	–	–
Total assets less total liabilities	**4,496**	**4,567**	**601**	**824**	–	**–**
Equity shareholders' funds	3,472	3,595	370	491	–	–
Non-controlling interests	1,024	972	231	333	–	–
Total equity	**4,496**	**4,567**	**601**	**824**	–	**–**
Statement of cash flows						
Net cash flow from operating activities	1,758	1,727	481	307	–	115
Net cash flow from investing activities	(556)	(541)	(109)	(145)	–	(119)
Net cash flow from financing activities	(1,410)	(879)	(314)	(55)	–	(33)
Net cash flow	**(208)**	**307**	**58**	**107**	–	**(37)**
Cash and cash equivalents brought forward	887	619	159	57	–	43
Exchange gain/(loss) on cash and cash equivalents	5	(39)	9	(5)	–	(6)
Cash and Cash Equivalents	**684**	**887**	**226**	**159**	–	**–**

Note:
1 The Group sold its 51% interest in Vodafone Qatar Q.S.C. on 29 March 2018 (see note 26 "Acquisitions and disposals").

The voting rights held by the Group equal the Group's percentage shareholding as shown on pages 191 to 197.

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33. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2019.

Name	Registration number
AAA (Euro) Limited	3056112
Aspective Limited	3866545
Astec Communications Limited	2023193
Cable & Wireless Aspac Holdings Limited	4705342
Cable & Wireless CIS Services Limited	2964774
Cable & Wireless Europe Holdings Limited	4659719
Cable & Wireless Global Business Services Limited	3537591
Cable & Wireless Global Holding Limited	3740694
Cable & Wireless UK Holdings Limited	3840888
Cable & Wireless Worldwide Limited	7029206
Cable & Wireless Worldwide Voice Messaging Limited	1981417
Cable and Wireless Nominee Limited	3249884
Central Communications Group Limited	4625248
Energis (Ireland) Limited	NI035793
Energis Communications Limited	2630471
Energis Squared Limited	3037442
Legend Communications Limited	3923166
London Hydraulic Power Company	ZC000055
MetroHoldings Limited	3511122
ML Integration Group Limited	3252903
ML Integration Services Limited	4087040
Pinnacle Cellular Group Limited	SC123629
Pinnacle Cellular Limited	SC127133
Project Telecom Holdings Limited	3891879
Singlepoint (4U) Limited	2795597
The Eastern Leasing Company Limited	1672832
Thus Group Holdings Limited	SC192666
Thus Group Limited	SC226738
Voda Limited	1847509
Vodafone (New Zealand) Hedging Limited	4158469
Vodafone (Scotland) Limited	SC170238
Vodafone 2	4083193
Vodafone 4 UK	6357658
Vodafone 5 Limited	6688527
Vodafone 5 UK	2960479
Vodafone 6 UK	8809444
Vodafone Americas 4	6389457
Vodafone Benelux Limited	4200960
Vodafone Business Solutions Limited	2186565
Vodafone Cellular Limited	896318
Vodafone-Central Limited	1913537
Vodafone Connect Limited	2225919
Vodafone Consolidated Holdings Limited	5754561
Vodafone Corporate Limited	1786055
Vodafone Corporate Secretaries Limited	2357692
Vodafone Distribution Holdings Limited	3357115
Vodafone Enterprise Corporate Secretaries Limited	2303594
Vodafone Enterprise Equipment Limited	1648524
Vodafone Enterprise Europe (UK) Limited	3137479
Vodafone Euro Hedging Limited	3954207
Vodafone Euro Hedging Two	4055111
Vodafone Europe UK	5798451
Vodafone European Investments	3961908
Vodafone European Portal Limited	3973442

Name	Registration number
Vodafone Finance Luxembourg Limited	5754479
Vodafone Finance Sweden	2139168
Vodafone Finance UK Limited	3922620
Vodafone Financial Operations	4016558
Vodafone Global Content Services Limited	4064873
Vodafone Hire Limited	2936653
Vodafone Holdings Luxembourg Limited	4200970
Vodafone Intermediate Enterprises Limited	3869137
Vodafone International Holdings Limited	2797426
Vodafone International Operations Limited	2797438
Vodafone Investment UK	5798385
Vodafone Investments Limited	1530514
Vodafone IP Licensing Limited	6846238
Vodafone Marketing UK	6858585
Vodafone Mobile Communications Limited	3942221
Vodafone Mobile Enterprises Limited	3961390
Vodafone Mobile Network Limited	3961482
Vodafone Nominees Limited	1172051
Vodafone Oceania Limited	3973427
Vodafone Overseas Finance Limited	4171115
Vodafone Overseas Holdings Limited	2809758
Vodafone Panafon UK	6326918
Vodafone Partner Services Limited	4012582
Vodafone Property Investments Limited	3903420
Vodafone Retail (Holdings) Limited	3381659
Vodafone Retail Limited	1759785
Vodafone UK Limited	2227940
Vodafone Worldwide Holdings Limited	3294074
Vodafone Yen Finance Limited	4373166
Vodaphone Limited	2373469
Vodata Limited	2502373
Woodend Group Limited	SC140935
Your Communications Group Limited	4171876

Other unaudited financial information

Prior year operating results

This section presents our operating performance for the 2018 financial year compared to the 2017 financial year on an IAS 18 basis, providing commentary on how the revenue and the adjusted EBITDA performance of the Group and its operating segments developed over those years. The results for both years include the results of Vodafone India as discontinued operations following the agreement to combine it with Idea Cellular.

Group[1,2]

	Europe €m	Rest of the World[1] €m	Other[3] €m	Eliminations €m	2018 €m	2017 €m	% change Reported	% change Organic*
Revenue	33,888	11,462	1,408	(187)	46,571	47,631	(2.2)	3.8
Service revenue	30,713	9,501	1,037	(185)	41,066	42,987	(4.5)	1.6[4]
Other revenue	3,175	1,961	371	(2)	5,505	4,644		
Adjusted EBITDA	11,036	3,757	(56)	–	14,737	14,149	4.2	11.8
Depreciation and amortisation	(8,181)	(1,655)	(74)	–	(9,910)	(10,179)		
Adjusted EBIT	**2,855**	**2,102**	**(130)**	**–**	**4,827**	**3,970**	**21.6**	**47.2**
Share of result in associates and joint ventures[5]	40	351	(2)	–	389	164		
Adjusted operating profit	**2,895**	**2,453**	**(132)**	**–**	**5,216**	**4,134**	**26.2**	**49.0**
Adjustments for:								
Restructuring costs					(156)	(415)		
Amortisation of acquired customer bases and brand intangible assets					(974)	(1,046)		
Other income[6]					213	1,052		
Operating profit					**4,299**	**3,725**		

Notes:
* All amounts in the Our financial performance section marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. Organic growth is an alternative performance measure. See "Alternative performance measures" on page 231 for further details and reconciliations to the respective closest equivalent GAAP measure.
1 Group revenue and service revenue includes the results of Europe, Rest of the World, Other (which includes the results of partner markets) and eliminations. The Rest of the World region (previously Africa, Middle East and Asia Pacific) comprises the Vodacom and Other Markets operating segments. 2018 results reflect average foreign exchange rates of €1:£0.88, €1:INR 75.48, €1:ZAR 15.19, €1:TKL 4.31 and €1: EGP 20.84.
2 Service revenue, adjusted EBITDA, adjusted EBIT and adjusted operating profit are alternative performance measures which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Alternative performance measures" on page 231 for reconciliations to the closest respective equivalent GAAP measure and "Definition of terms" on page 250 for further details.
3 The "Other" segment primarily represents the results of shareholder recharges received from Vodafone Netherlands, VodafoneZiggo and Vodafone India, partner markets and the net result of unallocated central Group costs.
4 Excluding the impact of a German legal settlement.
5 Excludes amortisation of acquired customer bases and brand intangible assets of €0.4 billion (2017: €0.1 billion).
6 Year ended 31 March 2017 includes a €1.3 billion gain on the formation of the VodafoneZiggo joint venture in the Netherlands.

Revenue

Group revenue decreased 2.2% to €46.6 billion and service revenue decreased 4.5% to €41.1 billion. In Europe, organic service revenue increased 0.9%* and in the Rest of the World, organic service revenue increased by 7.7%*. Further details on the performance of these regions is set out below.

Adjusted EBITDA

Group adjusted EBITDA increased 4.2% to €14.7 billion, with organic growth in Europe and the Rest of the World partly offset by foreign exchange movements and the deconsolidation of Vodafone Netherlands following the creation of our joint venture "VodafoneZiggo". The Group's adjusted EBITDA margin improved by 1.9 percentage points to 31.6%. On an organic basis, adjusted EBITDA rose 11.8%* and the Group's adjusted EBITDA margin increased by 2.2* percentage points driven by organic margin improvement in Europe.

Adjusted EBIT

Adjusted EBIT increased by 21.6% to €4.8 billion as a result of both strong adjusted EBITDA growth and lower depreciation and amortisation expenses. On an organic basis, adjusted EBIT increased by 47.2%* for the year.

Operating profit

Adjusted EBIT excludes certain income and expenses that we have identified separately to allow their effect on the results of the Group to be assessed. The items that are included in operating profit but are excluded from adjusted EBIT are discussed below.

The Group's share of adjusted results in associates and joint ventures was €0.4 billion, up from €0.2 billion in the prior year due to higher contributions from VodafoneZiggo and Vodafone Hutchison Australia. Restructuring costs decreased by €0.2 billion due to the prior year including the impact of cost efficiency actions taken in Germany and the UK. Amortisation of intangible assets in relation to customer bases and brands is recognised under accounting rules after we acquire businesses and was €1.0 billion, largely unchanged compared to the prior year. Other income and expense were a €0.2 billion gain during the year compared to €1.1 billion in the prior year which included a €1.3 billion gain on the formation of VodafoneZiggo.

Including the above items, operating profit increased by €0.6 billion to €4.3 billion. Higher adjusted EBIT and share of adjusted results in associates and joint ventures and lower restructuring costs more than offset the inclusion of the gain on the formation of the VodafoneZiggo joint venture in the prior year.

Note:
* All amounts in the Operating Results section marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. Organic growth is an alternative performance measure. See "Alternative performance measures" on page 231 for further details and reconciliations to the respective closest equivalent GAAP measure.

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Europe

	Germany €m	Italy €m	UK €m	Spain €m	Other Europe €m	Eliminations €m	Europe €m	% change Reported	% change Organic*
Year ended 31 March 2018									
Revenue	10,847	6,204	7,078	4,978	4,941	(160)	33,888	(1.9)	3.0
Service revenue	10,262	5,302	6,094	4,587	4,625	(157)	30,713	(3.9)	0.9
Other revenue	585	902	984	391	316	(3)	3,175		
Adjusted EBITDA	4,010	2,329	1,762	1,420	1,515	–	11,036	7.3	13.0
Adjusted operating profit	1,050	1,049	168	163	465	–	2,895	53.2	86.3
Adjusted EBITDA margin	37.0%	37.5%	24.9%	28.5%	30.7%		32.6%		
Year ended 31 March 2017									
Revenue	10,600	6,101	6,925	4,973	6,128	(177)	34,550	(5.2)	(0.4)
Service revenue	10,006	5,247	6,632	4,507	5,756	(173)	31,975	(4.2)	0.6
Other revenue	594	854	293	466	372	(4)	2,575		
Adjusted EBITDA	3,617	2,229	1,212	1,360	1,865	–	10,283	(1.9)	3.1
Adjusted operating profit	568	948	(542)	180	736	–	1,890	(1.9)	(5.0)
Adjusted EBITDA margin	34.1%	36.5%	17.5%	27.3%	30.4%		29.8%		

European revenue decreased by 1.9%. Foreign exchange movements contributed a 0.8 percentage point negative impact and the deconsolidation of Vodafone Netherlands contributed a 4.1 percentage point negative impact, offset by 3.0% organic growth. Service revenue increased by 0.9%* or 0.6%* excluding a legal settlement in Germany in Q4, driven by strong fixed customer growth and the benefit of the Group's "more-for-more" mobile propositions in several markets, which offset increased regulatory headwinds following the implementation of the EU's "Roam Like At Home" policy in June and the impact of the introduction of handset financing in the UK. Excluding regulation and UK handset financing, as well as a legal settlement in Germany in Q4, service revenue growth was 2.0%* (Q3: 1.9%*, Q4: 1.7%*).

Adjusted EBITDA increased 7.3%, including a 5.1 percentage point negative impact from the deconsolidation of Vodafone Netherlands and a 0.6 percentage point negative impact from foreign exchange movements. On an organic basis, adjusted EBITDA increased 13.0%*, supported by the benefit of the introduction of handset financing in the UK, regulatory settlements in the UK and a legal settlement in Germany. Excluding these items, as well as the net impact of roaming, adjusted EBITDA grew by 7.9*, reflecting operating leverage and tight cost control through our "Fit for Growth" programme.

Adjusted EBIT increased by 86.3%*, reflecting strong adjusted EBITDA growth and stable depreciation and amortisation expenses.

	Reported change %	Other activity (including M&A) pps	Foreign exchange pps	Organic* change %
Revenue – Europe	**(1.9)**	**4.1**	**0.8**	**3.0**
Service revenue				
Germany	2.6	–	–	2.6
Italy	1.0	0.2	–	1.2
UK	(8.1)	0.1	4.5	(3.5)
Spain	1.8	0.3	–	2.1
Other Europe	(19.6)	22.9	(0.4)	2.9
Europe	**(3.9)**	**4.0**	**0.8**	**0.9**
Adjusted EBITDA				
Germany	10.9	(0.1)	(0.1)	10.7
Italy	4.5	0.1	–	4.6
UK	45.4	(1.2)	7.6	51.8
Spain	4.4	0.6	–	5.0
Other Europe	(18.8)	26.8	(0.3)	7.7
Europe	**7.3**	**5.1**	**0.6**	**13.0**
Europe adjusted operating profit	**53.2**	**34.8**	**(1.7)**	**86.3**

Germany

Service revenue grew 2.6%* or 1.6%* excluding the benefit in Q4 of a one-off fixed line legal settlement. This performance was driven by strong contract customer base growth in both mobile and fixed, partially offset by regulatory drags. Excluding regulation and the legal settlement, service revenue grew by 2.5%*. Q4 service revenue grew 5.9%*, or 1.8%* excluding the legal settlement, a slower rate of growth than in Q3 (2.5%*). This reflected a tough prior year comparator, particularly in wholesale, which more than offset the benefit from fully lapping the MTR cut implemented on 1 December 2016.

Mobile service revenue grew 0.4%* or 1.8%* excluding regulation. This was driven by a higher contract customer base, which more than offset lower contract ARPU (driven by a mix shift towards SIM-only/multi-SIM family contracts and regulation) and lower wholesale revenues. Q4 mobile service revenue grew 0.3%* (Q3: 1.8%*), with minimal impact from regulation. This slowdown in quarterly trends primarily reflects the lapping of strong wholesale MVNO revenues in the prior year. Our commercial performance in the year was strong as we added 657,000 contract customers (2016/17: 212,000). This was driven by higher activity in direct channels, lower contract churn and the continued success of our Gigacube fixed-wireless proposition. Our 4G population coverage is now 92% with the ability to offer 500Mbps in 40 cities, and we are currently piloting 1Gbps services in four cities. Our customer service was recently ranked 1st by "Connect" for overall service quality, consistent with our market-leading NPS ranking.

Fixed service revenue grew by 6.1%* or 3.5%* excluding the legal settlement. This was supported by good customer base growth. Quarterly service revenue trends (excluding the legal settlement) improved to Q4: 4.2%* (Q3: 3.5%*). During the year we added 362,000 broadband customers, of which 258,000 were on cable with the rest on DSL. Customer demand for our high speed propositions increased, with over 70% of cable gross adds in Q4 now taking our 200Mbps to 500Mbps offers. Our TV base remained stable at 7.7 million. Our convergence momentum continued to improve, supported by our GigaKombi proposition, and we added 278,000 converged customers in the year, taking our total consumer converged customer base to 700,000.

Other unaudited financial information (continued)

Prior year operating results (continued)

Adjusted EBITDA grew 10.7%* or 8.3%* excluding the legal settlement. This was driven by service revenue growth, our focus on more profitable direct channels, and a reduction in operating costs of 2.3%* despite the strong growth in customer numbers. Our adjusted EBITDA margin was 37.0% and the adjusted EBITDA margin improved by 2.9 percentage points, or 2.4 percentage points excluding the legal settlement.

Italy

Service revenue grew 1.2%* supported by strong customer base growth in fixed line, partly offset by lower mobile revenues. Q4 service revenue grew 0.7%* (Q3: -0.4%*), with the quarterly improvement led by mobile. In April 2018 we implemented a shift from 28-day billing to "solar" monthly billing across all products, however the antitrust authority (AGCOM) blocked the related change in monthly pricing; subsequently, we announced new price plans, which were implemented at the end of May 2018.

Mobile service revenue declined 1.0%*, driven by intense price competition in the prepaid market and the lapping of pricing actions from the prior year. Promotional activity in the prepaid segment remained high, driven by aggressive "below-the-line" offers. During the year we launched new segment led propositions and personalised offers, which helped to improve our sales mix and customer retention, supporting prepaid ARPU despite a competitive environment. We also retained our market leading network and NPS position in consumer and enterprise. Q4 mobile service revenue declined 1.5%* (Q3: -2.9%*).

Fixed line service revenue grew 12.4%* driven by continued strong customer base growth and higher ARPU. This strong momentum was maintained in Q4 with service revenue growth of 11.1%* (Q3: 12.0%*). We added a record 307,000 broadband households in the year to reach a total broadband customer base of 2.5 million. Through our owned NGN footprint and strategic partnership with Open Fiber, we now cover 5.3 million marketable households. In April 2018, we announced an extension to our wholesale partnership with Open Fiber, enabling us to provide FTTH services to 9.5m households (271 cities) by 2022, at attractive commercial terms. During the year, we launched our new converged proposition "Vodafone One", providing customers with a single fibre and 4.5G offer that can be enriched via Vodafone TV as well as exclusive advantages for family members. We added 268,000 converged consumer customers in the year, taking our total base to 743,000.

Adjusted EBITDA grew 4.6%*, with a 1.0 percentage point improvement in adjusted EBITDA margin to 37.5%. This was driven by revenue growth and tight cost control, having delivered a 6.0%* reduction in operating costs in the year.

UK

Service revenue declined 3.5%*, impacted by the drag from handset financing which weighed on organic service revenue by 2.5 percentage points. Excluding the impact of handset financing and regulatory drags, service revenue grew 0.3%*, with trends improving throughout the year, driven by improvements in consumer mobile and fixed line, largely offset by continued declines in Enterprise fixed. Q4 service revenue declined 3.4%* (Q3: -4.8%*), including an increased drag from handset financing of 4.4 percentage points (Q3: 3.6 percentage points). Excluding the impact from handset financing and regulation, Q4 service revenue grew 1.4%* (Q3: 0.4%*).

Mobile service revenue declined 4.2%*, but grew 0.7%* excluding the impact of handset financing and regulation. This underlying growth was supported by more-for-more actions, a better inflow mix of higher-value customers, and RPI-linked consumer price increases. Enterprise continued to decline in a competitive market, however ARPU trends improved with an increasing proportion of customers adopting our bespoke SoHo tariffs. Q4 mobile service revenue declined 5.7%* (Q3: 5.2%*), but grew 0.7%* (Q3: 1.6%*) excluding handset financing and regulation. Our operational performance during the year improved, resulting in our best ever network performance and customer net promoter scores. Our 4G network coverage is now 99%, and we are well positioned for the evolution to 5G having acquired the largest share of 3.4GHz spectrum (50MHz) in the recent UK auction. We added 106,000 contract customers in the year excluding Talkmobile, our low end mobile brand which is being phased out.

Fixed line service revenue declined 1.1%*, with strong customer momentum in consumer broadband being more than offset by competitive pricing pressure and a lower customer base in enterprise. In Q4 service revenue returned to growth (Q4: 3.6%*, Q3: -3.6%*), supported by the timing of project work in Enterprise and record consumer broadband net additions of 65,000 (Q3: 39,000), making us the fastest growing operator in the UK broadband market. In total we now serve 382,000 broadband customers.

Adjusted EBITDA grew 51.8%* and the adjusted EBITDA margin was 24.9%. Excluding the impact of handset financing and regulatory settlements in the year, adjusted EBITDA grew by 1.4%* and the adjusted EBITDA margin improved 0.3* percentage points as out-of-bundle roaming declines were more than offset by lower operating costs delivered through our Fit for Growth programme. In total we delivered a 4.9% reduction in operating costs year-on-year.

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Spain

Service revenue grew by 2.1%*. This was driven by a higher customer base in both mobile and fixed and our more-for-more tariff refresh at the start of the year, partly offset by increased promotional activity particularly in the value segment. In Q4 promotional activity moderated but the market remained highly competitive driven by value players offering aggressive prices and handset subsidies. Interconnect revenues also fell following an MTR cut on 1 February. As a result, Q4 service revenue grew 1.0%* (Q3: 2.0%*).

We continued to grow our customer base adding 164,000 mobile contract customers, 109,000 fixed broadband households and 51,000 TV households in the year, however high competitive intensity in Q4 led to an increase in churn and a decline in our broadband and TV base. Vodafone One, our fully integrated fixed, mobile and TV service, reached 2.5 million households by the end of the year, up 154,000 year-on-year. Consumer converged revenues grew by 13.7%* and now represent 59% of total consumer revenue.

We maintained our market leading NPS position in consumer, and further improved our market leading network position during the year. This was reflected in the latest independent network tests by P3 which showed we had extended our overall lead across both voice and data. Our 4G coverage is now 96%. In fixed, including our commercial wholesale agreement with Telefónica, our NGN footprint now covers 20.5 million households (of which 10.3 million are on-net). We continued to deploy DOCSIS 3.1 in our cable footprint, enabling us to deliver broadband speeds of up to 1Gbps to 7.9 million households by the end of the year. We expect to complete the DOCSIS 3.1 rollout in the first half of fiscal 2018/19.

Adjusted EBITDA grew 5.0%*, and the adjusted EBITDA margin improved by 1.2 percentage points to 28.5%. This improvement was driven by service revenue growth and lower commercial and operating costs; these more than offset higher content, roaming and wholesale access costs. Operating costs were 2.5%* lower year-on-year, reflecting the impact of our Fit for Growth programme.

Other Europe

Service revenue grew 2.9%* with all of the larger markets growing during the year (excluding the impact of an MTR cut in Ireland). Quarterly service revenue trends were broadly stable at 3.3%* in Q4 (Q3: 2.9%*). Adjusted organic EBITDA grew 7.7%* in the year, and adjusted EBITDA margin grew 0.3 percentage points to 30.7% reflecting continued strong cost control.

In Ireland service revenue declined 0.2%*, but grew 1.3%* excluding the impact of regulation, supported by fixed customer growth. Portugal service revenue grew 4.6%* driven by a return to growth in mobile, and continued strong customer growth in fixed. In Greece, service revenue grew by 3.7%*, driven by ARPU growth in consumer mobile and strong fixed customer base growth. In January 2018, we announced the acquisition of fixed and mobile telecommunications provider CYTA Hellas for a total enterprise value of €118 million. This acquisition provides further scale and momentum to our fixed line and convergence strategy in Greece. The transaction completed on 11 July 2018.

VodafoneZiggo joint venture

The results of VodafoneZiggo (in which Vodafone owns a 50% stake), are reported here on a US GAAP basis, broadly consistent with Vodafone's accounting policies.

Total revenue declined by 3.8%, or by 2.2% excluding the impact of regulation. This reflected intense price competition in mobile, particularly in the SoHo segment, partially offset by growth in fixed line driven by higher RGUs and ARPU. In Q4 revenues declined 2.9% (Q3: 3.7%) or 1.5% (Q3: -1.9%) excluding regulation. Within this mobile declined 12.5% (Q3: -12.4%) and fixed grew 1.3% (Q3: 0.6%). Excluding the drags from regulation, a mix-shift towards SIM-only sales and convergence discounts, mobile revenue was stable.

We gained good commercial momentum during the year, supported by our new converged offers. We added 924,000 converged customers, equivalent to 28% of our fixed customer base, with these households using a total of 1.3 million mobile SIMs, including 62% of Vodafone-branded consumer contract customers. This strong take up of our converged products is contributing to a higher customer NPS and a significant reduction in churn across both mobile and fixed. In Q4 we recorded mobile contract net additions of 35,000 (Q3: 14,000), excluding the impact of discontinued non-revenue generating secondary SIMs as part of the migration of former Ziggo mobile subscribers to Vodafone. In fixed broadband we maintained our good momentum, adding 12,000 customers (Q3: 26,000).

Adjusted EBITDA declined 3.8%, as lower revenues were partly offset by lower equipment expenses as a result of new consumer credit regulations which increased the proportion of SIM-only sales during the year. In Q4, adjusted EBITDA was down 0.6% year-on-year despite lower revenues, reflecting lower interconnect and roaming costs, lower equipment expenses, and operating cost savings from integration activities. We have continued to make good progress on integrating the business, and remain on track to deliver total annualised cost synergies of at least €210 million by 2021. Net third party debt and capital lease obligations was €10.1 billion at year-end, equivalent to 5.4x annualised adjusted EBITDA (last two quarters annualised).

During 2018 financial year, Vodafone received €220 million in dividends from the joint venture, €55 million in interest payments on the shareholder loan and €100 million of principal repayments on the shareholder loan, which reduced to €900 million. For calendar year 2018, VodafoneZiggo expects stabilising adjusted EBITDA, supporting total cash returns of €600–800 million to its parents. As a result, we expect to receive total cash returns (including dividends, interest payments and shareholder loan repayments) of €300–400 million during the 2018 calendar year from the joint venture.

Other unaudited financial information (continued)

Prior year operating results (continued)

Rest of the World[1]

	Vodacom €m	Turkey €m	Other Markets €m	Eliminations €m	Rest of the World €m	% change Reported	% change Organic*
Year ended 31 March 2018							
Revenue	5,692	2,845	2,925	–	11,462	(2.6)	9.4
Service revenue	4,656	2,146	2,699	–	9,501	(4.6)	7.7
Other revenue	1,036	699	226	–	1,961		
Adjusted EBITDA	2,203	644	910	–	3,757	(2.5)	8.6
Adjusted operating profit	1,594	270	589	–	2,453	9.6	17.9
Adjusted EBITDA margin	38.7%	22.6%	31.1%		32.8%		
Year ended 31 March 2017							
Revenue	5,294	3,052	3,427	–	11,773	(1.0)	7.4
Service revenue	4,447	2,310	3,199	–	9,956	(0.9)	7.7
Other revenue	847	742	228	–	1,817		
Adjusted EBITDA	2,063	646	1,145	–	3,854	4.0	13.2
Adjusted operating profit	1,381	215	642	–	2,238	15.3	25.2
Adjusted EBITDA margin	39.0%	21.2%	33.4%		32.7%		

Note:
1 Previously Africa, Middle East and Asia Pacific ('AMAP').

Revenue in the Rest of the World decreased 2.6%, with strong organic growth offset by an 11.5 percentage point adverse impact from foreign exchange movements, particularly with regards to the Turkish lira and Egyptian pound. On an organic basis service revenue was up 7.7%* driven by strong commercial momentum in South Africa, Turkey and Egypt.

Adjusted EBITDA decreased 2.5%, including a 10.8 percentage point adverse impact from foreign exchange movements. On an organic basis, adjusted EBITDA grew 8.6%*, driven by service revenue growth and a continued focus on cost control and efficiencies to offset inflationary pressures. Adjusted EBIT increased 11.6%*.

	Reported change %	Other activity (including M&A) pps	Foreign exchange pps	Organic* change %
Revenue – Rest of the World	**(2.6)**	**0.5**	**11.5**	**9.4**
Service revenue				
Vodacom	4.7	–	0.3	5.0
Turkey	(7.1)	0.1	21.1	14.1
Other Markets	(15.6)	2.1	21.1	7.6
Rest of the World	**(4.6)**	**0.6**	**11.7**	**7.7**
Adjusted EBITDA				
Vodacom	6.8	–	(0.3)	6.5
Turkey	(0.3)	0.3	22.6	22.6
Other Markets	(20.5)	0.3	24.6	4.4
Rest of the World	**(2.5)**	**0.3**	**10.8**	**8.6**
Adjusted operating profit – Rest of the World	**9.6**	**(1.6)**	**9.9**	**17.9**

Vodacom

Vodacom Group service revenue grew 5.0%*, supported by strong customer additions and data growth in South Africa, as well as growing data demand and M-Pesa in Vodacom's International operations. Q4 service revenue grew by 5.8%* (Q3: 5.3%*), supported by improved data growth despite out-of-bundle rates being reduced in South Africa during Q3 and the continued strong performance of our International operations.

In South Africa, service revenue grew 4.9%*, improving to 5.2%* in Q4 (Q3: 4.9%*). This was supported by continued strong customer base growth resulting from our effective segmentation and bundle strategy. We added 3.2 million prepaid customers in the year (excluding the impact of a change in disconnection policy in Q3), taking our total prepaid customer base to 44.8 million, an increase of 7.6% year-on-year. Our bundle strategy continued to deliver strong results, supported by big data applications to deliver personalised bundle offers. In total we now have 18.7 million bundle users, up 13.9% year-on year, and sold a total of 2.3 billion bundles, an increase of 51% year-on-year.

Data revenue grew 12.8%* in the year and now represents 43% of total service revenue. In October, we took the decision to reduce out-of-bundle data rates by up to 50% and increase bundles sizes in order to improve customer experience and stimulate data take-up. We are successfully managing this pricing migration, as demonstrated by the acceleration in data revenue growth in Q4 to 13.1%* (Q3: 8.7%*). Voice revenues declined 4.6%*, an improvement on the prior year, reflecting the success of our personalised bundle strategy through our "Just 4 You" platform. Our mobile network has now reached 80% 4G population coverage, and we also maintained our market leading NPS position.

Vodacom's International operations outside of South Africa, which represent 22.2% of Vodacom Group service revenue, grew 8.3%* in the year and 11.1%* in Q4 (Q3: 10.4%*). Service revenue growth accelerated in the second half of the year supported by strong growth in Mozambique and Lesotho, an improved performance in the DRC and sustained growth in Tanzania. This improvement was driven by strong data growth and by M-Pesa, which now contributes 23.8% of International revenues and grew 24% in the year. In total we added 2.5 million customers in the year, reaching 32.2 million, up 8.6% year-on-year. In each of these markets we are No.1 for customer NPS.

Vodacom's adjusted EBITDA grew by 6.5%*, reflecting revenue growth and good cost control. Adjusted EBITDA margins declined by 0.3 percentage points to 38.7%, primarily due to strong growth in handset sales.

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Turkey

In Turkey, service revenue grew 14.1%* supported by good growth in consumer contract and data revenue, outstripping local price inflation of 11% in the year. Organic adjusted EBITDA grew 22.6%* and adjusted EBITDA margin improved by 1.4 percentage points to 22.6%, driven by revenue growth and improved cost control.

Other Markets

Service revenue grew 7.6%*, with strong local currency growth in Egypt. This growth excludes the contribution of Vodafone Qatar in all periods, following the sale of our 51% stake in March 2018 for a total cash consideration of €301 million. Organic adjusted EBITDA grew 4.4%* and the organic adjusted EBITDA margin declined by 1.0* percentage points to 31.1% driven by good cost control which was more than offset by inflationary pressures.

Egypt service revenue grew by 20.7%* with successful segmented campaigns, rising data penetration and price increases supporting higher ARPU, combined with strong customer base growth. This significantly exceeded local price inflation of 13%. Organic adjusted EBITDA grew 14.9%* and adjusted EBITDA margin declined by 1.4 percentage points to 43.0% as revenue growth and strong cost discipline were more than offset by inflationary pressures.

In New Zealand, service revenue declined 0.5%*, with growth in mobile offset by pressure in fixed. We continue to explore a potential Initial Public Offering ('IPO') of Vodafone New Zealand.

Associates and joint ventures

Vodafone Hutchison Australia ('VHA') continued to perform well in a competitive environment, with local currency service revenue growth of 0.8% during year. This was driven by growth in our mobile contract customer base. Local currency adjusted EBITDA excluding changes in pricing structure for new mobile phone plans grew 1.9%, supported by revenue growth and strong commercial cost discipline.

Our stake in Indus Towers Limited ('Indus Towers'), the Indian towers company in which Vodafone owned a 42% interest during the year, achieved local currency revenue growth of 6.8% and adjusted EBITDA growth of 4.7%. In total, Indus Towers paid dividends of €138 million to the Group during the year.

On 25 April 2018, Vodafone, Bharti Airtel Limited ('Bharti Airtel') and Idea announced the merger of Indus Towers into Bharti Infratel Limited ('Bharti Infratel'), creating a combined company that will own the respective businesses of Bharti Infratel and Indus Towers. Bharti Airtel and Vodafone will jointly control the combined company, in accordance with the terms of a new shareholders' agreement. Vodafone will be issued with 783.1 million new shares in the combined company, in exchange for its shareholding in Indus Towers. On the basis that (a) Providence decides to sell 3.35% of its 4.85% shareholding in Indus Towers for cash and (b) Idea Group decides to sell its full 11.15% shareholding in Indus Towers for cash, these shares would be equivalent to a 29.4% shareholding in the combined company. The final number of shares issued to Vodafone will be subject to closing adjustments, including but not limited to movements in net debt and working capital for Bharti Infratel and Indus Towers. The transaction is conditional on regulatory and other approvals and is expected to close before the end of the financial year ending 31 March 2019.

India[1]

On 20 March 2017, Vodafone announced an agreement to combine its subsidiary, Vodafone India (excluding its 42% stake in Indus Towers), with Idea Cellular. The combined company will be jointly controlled by Vodafone and the Aditya Birla Group. Vodafone India has been classified as discontinued operations for Group reporting purposes. From an operational perspective, the Group remains highly focused on the management of the business and committed to its success, both prior to the completion of the merger and thereafter.

The results of Vodafone India are detailed below.

	2018 €m	2017 €m	% change Reported	% change Organic*
Revenue	4,670	5,853	(20.2)	(18.5)
Service revenue	4,643	5,834	(20.4)	(18.7)
Other revenue	27	19		
Direct costs	(1,165)	(1,583)		
Customer costs	(282)	(313)		
Operating expenses	(2,193)	(2,361)		
Adjusted EBITDA	1,030	1,596	(35.5)	(34.5)
Depreciation and amortisation	(40)	(1,116)		
Adjusted operating profit	**990**	**480**	**106.3**	**110.7**
Adjustments for:				
Impairment loss[2]	–	(4,515)		
Other income and expense[3]	416	–		
Other	(107)	(136)		
Operating profit/(loss)	**1,299**	**(4,171)**		
Adjusted EBITDA margin	22.1%	27.3%		

Notes:
1 The results of Vodafone India are classified as discontinued operations in accordance with IFRS.
2 2017 includes a gross impairment charge of €4.5 billion (€3.7 billion net of tax) recorded in respect of the Group's investment in India. In addition, in 2018 we recorded a non-cash re-measurement charge of €3.2 billion (€2.2 billion net of tax) in respect of Vodafone India's fair value less costs of disposal, as set out in note 7 "Discontinued operations, assets and liabilities held for sale" for further details.
3 Includes the profit on disposal of Vodafone India's standalone tower business to ATC Telecom during the year ended 31 March 2018 (2017: €nil).

Service revenue declined 18.7%* as a result of intense price competition following the arrival of the new entrant. During the second half of the year the market leader increased the competitiveness of its tariffs, triggering further price reductions by the new entrant in the fourth quarter. This was further exacerbated by cuts to both domestic and international MTR rates in the second half of the year. Excluding the impact of regulation, service revenue declined 14.0%*. In Q4 service revenue declined by 21.2%* (Q3: -23.1%*), or by 9.4%* ex-regulation (Q3: -14.2%*). On a sequential basis, local currency service revenues excluding regulation declined 3.8% quarter-on-quarter.

Adjusted EBITDA declined 34.5%*, with a 5.2 percentage point deterioration in adjusted EBITDA margin to 22.1%. This reflected lower revenues, partially offset by significant cost actions and a provision release in the fourth quarter following positive legal judgements. These cost initiatives included active network site sharing, the renegotiation of tower maintenance contracts and the closure of sites with low utilisation.

During the year we continued to invest in network quality in our leadership circles, with a capital expenditure/sales ratio of 20.4%. We added 48,500 sites in the year, supporting our leading network-NPS scores. As a result of this investment we were able to carry 4.5x more data traffic than last year.

Net debt in India was €7.7 billion at the end of the period, down from €8.7 billion at the end of the prior financial year due to the positive translation impact of closing foreign exchange rates on the debt balance of €1.2 billion and proceeds from the sale of Vodafone India's standalone towers to American Tower Corporation of €0.5 billion, partially offset by negative free cash flow of €0.2 billion and accrued interest expense of €0.3 billion.

Following the completion of Idea's equity raising in February 2018, under the terms of the merger agreement the Group intended to inject up to €1 billion of incremental equity into India, net of the proceeds of the sale of a stake in the joint venture to the Aditya Birla Group, prior to completion. In the event that the joint venture partners decide to put in additional funding in the future, the Group would draw upon the value of its stake in Indus Towers. The merger completed on 31 August 2018.

Company statement of financial position of Vodafone Group Plc

at 31 March

	Note	2019 €m	2018 €m
Fixed assets			
Shares in Group undertakings	2	83,773	83,728
Current assets			
Debtors: amounts falling due after more than one year	3	3,439	2,480
Debtors: amounts falling due within one year	3	243,424	221,233
Other investments	4	2,301	1,945
Cash at bank and in hand		178	174
		249,342	**225,832**
Creditors: amounts falling due within one year	5	(239,205)	(229,396)
Net current assets/(liabilities)		**10,137**	**(3,564)**
Total assets less current liabilities		**93,910**	**80,164**
Creditors: amounts falling due after more than one year	5	(48,149)	(34,332)
		45,761	**45,832**
Capital and reserves			
Called up share capital	6	4,796	4,796
Share premium account		20,381	20,380
Capital redemption reserve		111	111
Other reserves		4,797	2,646
Own shares held		(8,010)	(8,598)
Profit and loss account[1]		23,686	26,497
Total equity shareholders' funds		**45,761**	**45,832**

Note:
1 The profit for the financial year dealt with in the financial statements of the Company is €986 million (2018: loss of €253 million).

The Company financial statements on pages 206 to 213 were approved by the Board of Directors and authorised for issue on 14 May 2019 and were signed on its behalf by:

Nick Read
Chief Executive

Margherita Della Valle
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

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Company statement of changes in equity of Vodafone Group Plc

For the years ended 31 March

	Called up share capital €m	Share premium account[1] €m	Capital redemption reserve[1] €m	Other reserves[1] €m	Reserve for own shares[2] €m	Profit and loss account[3] €m	Total equity shareholders' funds €m
1 April 2017	4,796	20,379	111	4,385	(8,739)	31,048	51,980
Issue or reissue of shares[4]	–	1	–	(1,742)	1,876	–	135
Loss for the financial year	–	–	–	–	–	(253)	(253)
Dividends	–	–	–	–	–	(3,961)	(3,961)
Capital contribution given relating to share-based payments[5]	–	–	–	130	–	–	130
Contribution received relating to share-based payments	–	–	–	(127)	–	–	(127)
Repurchase of treasury shares[6]	–	–	–	–	(1,735)	–	(1,735)
Other movements[7]	–	–	–	–	–	(337)	(337)
31 March 2018	**4,796**	**20,380**	**111**	**2,646**	**(8,598)**	**26,497**	**45,832**
Issue or re-issue of shares[4]	–	1	–	(1,742)	1,834	–	93
Issue of mandatory convertible bonds[8]	–	–	–	3,848	–	–	3,848
Profit for the financial year	–	–	–	–	–	986	986
Dividends	–	–	–	–	–	(4,022)	(4,022)
Capital contribution given relating to share-based payments[5]	–	–	–	137	–	–	137
Contribution received relating to share-based payments	–	–	–	(92)	–	–	(92)
Repurchase of treasury shares[6]	–	–	–	–	(1,246)	–	(1,246)
Other movements[7]	–	–	–	–	–	225	225
31 March 2019	**4,796**	**20,381**	**111**	**4,797**	**(8,010)**	**23,686**	**45,761**

Notes:
1 These reserves are not distributable.
2 Own shares relate to treasury shares which are purchased out of distributable profits and therefore reduce reserves available for distribution.
3 The Company has determined what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 2/10 and the requirements of UK law. In accordance with UK Companies Act 2006 s831(2), a public company may make a distribution only if, after giving effect to such distribution, the amount of its net assets is not less than the aggregate of its called up share capital and non-distributable reserves.
4 Includes the reissue of 729.1 million of shares (€1,742 million) in August 2017 in order to satisfy the first tranche of the mandatory convertible bond and the reissue of 799.1 million (€1,742 million) in February 2019 in order to satisfy the second tranche of the mandatory convertible bond.
5 Includes €4 million tax credit (2018: €8 million credit).
6 These represent the irrevocable and non-discretionary share buyback programmes, announced on 25 August 2017 and 28 January 2019.
7 Includes the impact of the Company's cash flow hedges with €1,555 million net gain deferred to other comprehensive income during the year (2018: €1,811 million net loss; 2017: €787 million net gain) and €1,279 million net loss (2018: €1,460 million net loss; 2017: €654 million net gain) recycled to the income statement. These hedges primarily relate to foreign exchange exposure on fixed borrowings, with interest cash flows unwinding to the income statement over the life of the hedges and any foreign exchange on nominal balances impacting income statement at maturity (up to 2056). See note 21 "Capital and financial risk management" for further details.
8 Includes the equity component of the mandatory convertible bonds which are compound instruments issued in the year.

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Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 2006 and Financial Reporting Standard 101 "Reduced disclosure framework", ('FRS 101'). The Company will continue to prepare its financial statements in accordance with FRS 101 on an ongoing basis until such time as it notifies shareholders of any change to its chosen accounting framework.

The Company financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and in accordance with the UK Companies Act 2006. The financial statements have been prepared on a going concern basis.

The following exemptions available under FRS 101 have been applied:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, "Shared-based payment" (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 "Financial Instruments: Disclosures";
- Paragraph 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1 "Presentation of financial statements":
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7 "Statement of cash flows";
- Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.
- The requirements in IAS 36 to disclose valuation technique and assumptions used in determining recoverable amount.

As permitted by section 408(3) of the Companies Act 2006, the income statement of the Company is not presented in this Annual Report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key area of judgement that has the most significant effect on the amounts recognised in the financial statements is the review for impairment of investment carrying values.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional rate of currency prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

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Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is provided in full on temporary differences that exist at the reporting period date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the temporary differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting period date. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments.

The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy. Changes in values of all derivative financial instruments are included within the income statement unless designated in an effective cash flow hedge relationship when changes in value are deferred to other comprehensive income or equity respectively. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ('fair value hedges') or hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ('cash flow hedges'). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting.

Fair value hedges

The Company's policy is to use derivative financial instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. Gains and losses relating to any ineffective portion are recognised immediately in the income statement.

Cash flow hedges

Cash flow hedging is used by the Company to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. When the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

Pensions

The Company is the sponsoring employer of the Vodafone Group UK Pension Scheme, a defined benefit pension scheme. There is insufficient information available to enable the scheme to be accounted for as a defined benefit scheme because the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, the Company has applied the guidance within IAS 19 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2019 and 31 March 2018. The defined benefit scheme is recognised in the financial statements of the participating employers, Vodafone UK Limited and Vodafone Group Services Limited.

New accounting pronouncements

To the extent applicable the Company will adopt new accounting policies as set out in note 1 "Basis of preparation" in the consolidated financial statements.

Notes to the Company financial statements (continued)

2. Fixed assets

Accounting policies

Shares in Group undertakings are stated at cost less any provision for impairment and capital related to share-based payments. Contributions in respect of share-based payments are recognised in line with the policy set out in note 7 "Share-based payments".

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Shares in Group undertakings

	2019 €m	2018 €m
Cost:		
1 April	91,905	91,902
Capital contributions arising from share-based payments	137	130
Contributions received in relation to share-based payments	(92)	(127)
31 March	**91,950**	**91,905**
Amounts provided for:		
1 April	8,177	7,911
Impairment losses	–	266
31 March	**8,177**	**8,177**
Net book value:		
31 March	**83,773**	**83,728**

At 31 March 2019 the Company had the following principal subsidiary:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding Company	England	100

Details of direct and indirect related undertakings are set out in note 32 "Related undertakings" to the consolidated financial statements.

3. Debtors

Accounting policies

Amounts owed to subsidiaries are classified and recorded at amortised cost (2018: classified as loans and receivables) and reduced by allowances for expected credit losses. Estimate future credit losses are first recorded on initial recognition of a receivable and are based on estimated probability of default. Individual balances are written off when management deems them not to be collectible. Derivative financial instruments are measured at fair value through profit and loss.

	2019 €m	2018 €m
Amounts falling due within one year:		
Amounts owed by subsidiaries[1]	242,976	220,871
Taxation recoverable	233	–
Other debtors	32	199
Derivative financial instruments	183	163
	243,424	**221,233**
Amounts falling due after more than one year:		
Derivative financial instruments	3,439	2,449
Deferred tax	–	31
	3,439	**2,480**

Note:
1 Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand with sufficient liquidity in the group to flow funds if required. Therefore expected credit losses are considered to be immaterial.

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4. Other Investments

Accounting policies

Investments are classified and measured at amortised cost (2018: classified as loans and receivables) using the effective interest rate method, less any impairment.

	2019 €m	2018 €m
Investments[1]	2,301	1,945

Note:
1 Investments include collateral paid on derivative financial instruments of €1,081 million (2018: €718 million) and €1,218 million (2018: €1,225 million) of gilts and deposits paid as collateral primarily on derivative financial instruments.

5. Creditors

Accounting policies

Capital market and bank borrowings

Interest-bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a designated hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

	2019 €m	2018 €m
Amounts falling due within one year:		
Bank loans and other loans	4,835	8,367
Amounts owed to subsidiaries[1]	232,896	220,625
Derivative financial instruments	463	229
Taxation payable	–	9
Other creditors	945	120
Accruals and deferred income	66	46
	239,205	**229,396**
Amounts falling due after more than one year:		
Deferred tax	17	–
Other loans	46,208	32,199
Derivative financial instruments	1,924	2,133
	48,149	**34,332**

Notes:
1 Amounts owed to subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand.

Included in amounts falling due after more than one year are other loans of €31,157 million which are due in more than five years from 1 April 2019 and are payable otherwise than by instalments. Interest payable on these loans ranges from 0.375% to 7.875%.

Details of bond and other debt issuances are set out in note 20 "Borrowing and capital resources" in the consolidated financial statements.

Notes to the Company financial statements (continued)

6. Called up share capital

Accounting policies

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of direct issuance costs.

	2019		2018	
	Number	€m	Number	€m
Ordinary shares of 20 20/21 US cents each allotted, issued and fully paid:[1,2]				
1 April	28,814,803,308	4,796	28,814,142,848	4,796
Allotted during the year[3]	454,870	–	660,460	–
31 March	**28,815,258,178**	**4,796**	**28,814,803,308**	**4,796**

Notes:
1 At 31 March 2019 there were 50,000 (2018: 50,000) 7% cumulative fixed rate shares of £1 each in issue.
2 At 31 March 2019 the Group held 1,584,882,610 (2018: 2,139,038,029) treasury shares with a nominal value of €264 million (2018: €356 million). The market value of shares held was €2,566 million (2018: €4,738 million). During the year, 45,657,750 (2018: 53,026,317) treasury shares were reissued under Group share schemes. On 25 August 2017, 729,077,001 treasury shares were issued in settlement of tranche 1 of a maturing subordinated mandatory convertible bond issued on 19 February 2016. On 25 February 2019, 799,067,749 treasury shares were issued in settlement of tranche 2 of the maturing subordinated mandatory convertible bond. On 5 March 2019 the Group announced the placing of subordinated mandatory convertible bonds totalling £1.72 billion with a 2 year maturity date in 2021 and £1.72 billion with a 3 year maturity date due in 2022. The bonds are convertible into a total of 2,547,204,739 ordinary shares with a conversion price of £1.3505 per share. For further details see note 20 "Borrowings and capital resources" in the consolidated financial statements.
3 Represents US share awards and option scheme awards.

7. Share-based payments

Accounting policies

The Group operates a number of equity-settled share-based payment plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based payment plans is recognised as a capital contribution to the Company's subsidiaries over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these share-based payments.

The Company currently uses a number of equity-settled share plans to grant options and shares to the Directors and employees of its subsidiaries.

At 31 March 2019, the Company had 46 million ordinary share options outstanding (2018: 40 million).

The Company has made capital contributions to its subsidiaries in relation to share-based payments. At 31 March 2019, the cumulative capital contribution net of payments received from subsidiaries was €101 million (2018: €56 million). During the year ended 31 March 2019, the total capital contribution arising from share-based payments was €137 million (2018: €130 million), with payments of €92 million (2018: €127 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note 25 "Share-based payments" to the consolidated financial statements.

8. Reserves

The Board is responsible for the Group's capital management including the approval of dividends. This includes an assessment of both the level of reserves legally available for distribution and consideration as to whether the Company would be solvent and retain sufficient liquidity following any proposed distribution.

As Vodafone Group Plc is a Group holding company with no direct operations, its ability to make shareholder distributions is dependent on its ability to receive funds for such purposes from its subsidiaries in a manner which creates profits available for distribution for the Company. The major factors that impact the ability of the Company to access profits held in subsidiary companies at an appropriate level to fulfil its needs for distributable reserves on an ongoing basis include:

- the absolute size of the profit pools either currently available for distribution or capable of realisation into distributable reserves in the relevant entities;
- the location of these entities in the Group's corporate structure;
- profit and cash flow generation in those entities; and
- the risk of adverse changes in business valuations giving rise to investment impairment charges, reducing profits available for distribution.

The Group's consolidated reserves set out on page 113 do not reflect the profits available for distribution in the Group.

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9. Equity dividends

Accounting policies

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

	2019 €m	2018 €m
Declared during the financial year:		
Final dividend for the year ended 31 March 2018: 10.23 eurocents per share (2017: 10.03 eurocents per share, 2016: 7.77 pence per share)	2,729	2,670
Interim dividend for the year ended 31 March 2019: 4.84 eurocents per share (2018: 4.84 eurocents per share, 2017: 4.74 eurocents per share)	1,293	1,291
	4,022	**3,961**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2019: 4.16 eurocents per share (2018: 10.23 eurocents per share, 2017: 10.03 eurocents per share)	1,112	2,729

10. Contingent liabilities and legal proceedings

	2019 €m	2018 €m
Other guarantees and contingent liabilities	4,019	1,961

Other guarantees and contingent liabilities

Other guarantees principally comprise the Company's guarantee of the Group's 50% share of an AUD1.7 billion loan facility and a US$3.5 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited, and the guarantee of €1.9 billion of subsidiary spectrum payments.

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

As detailed in note 24 "Post employment benefits" to the consolidated financial statements, the Company is the sponsor of the Group's main defined benefit scheme in the UK, being the Vodafone Group UK Pension Scheme ('Vodafone UK plan'). The results, assets and liabilities associated with the Vodafone UK plan are recognised in the financial statements of Vodafone UK Limited and Vodafone Group Services Limited.

As detailed in note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements, the Company has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme and the Trustees of THUS Plc Group Scheme.

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 28 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

11. Other matters

The auditors' remuneration for the current year in respect of audit and audit-related services was €2.4 million (2018: €2.5 million) and for non-audit services was €0.4 million (2018: €0.1 million).

The Directors are remunerated by the Company for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the Directors' remuneration are disclosed in the "Annual Report on Remuneration" on pages 87 to 96.

The Company had two (2018: two) employees throughout the year.

Vodafone Group Plc is incorporated and domiciled in England and Wales (registration number 1833679). The registered address of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

Shareholder information

Unaudited information

Investor calendar

Ex-dividend date for final dividend	6 June 2019
Record date for final dividend	7 June 2019
AGM	23 July 2019
Trading update for the quarter ending 30 June 2019	26 July 2019
Final dividend payment	2 August 2019
Half-year financial results for the six-months ending 30 September 2019	12 November 2019

Dividends

See pages 34 and 144 for details on dividend amount per share.

Euro dividends

Dividends are declared in euros and paid in euros and pounds sterling according to where the shareholder is resident. Cash dividends to ADS holders are paid by the ADS depositary bank in US dollars. This aligns the Group's shareholder returns with the primary currency in which we generate free cash flow. The foreign exchange rates at which dividends declared in euros are converted into pounds sterling and US dollars are calculated based on the average exchange rate of the five business days during the week prior to the payment of the dividend.

Payment of dividends by direct credit

We pay cash dividends directly to shareholders' bank or building society accounts. This ensures secure delivery and means dividend payments are credited to shareholders' bank or building society accounts on the same day as payment. A dividend confirmation covering both the interim and final dividends paid during the financial year is sent to shareholders at the time of the interim dividend in February. ADS holders may alternatively have their cash dividends paid by cheque from our ADS depository bank, Deutsche Bank.

Dividend reinvestment plan

We offer a dividend reinvestment plan which allows holders of ordinary shares who choose to participate to use their cash dividends to acquire additional shares in the Company. These are purchased on their behalf by the plan administrator, Computershare Investor Services PLC ('Computershare'), through a low cost dealing arrangement. For ADS holders, Deutsche Bank, through its transfer agent, American Stock Transfer & Trust Company, LLC ('AST') maintains the DB Global Direct Investor Services Program which is a direct purchase and sale plan for depositary receipts with a dividend reinvestment facility.

See vodafone.com/dividends for further information about dividend payments or, alternatively please contact our registrar, Computershare or AST for ADS holders as applicable. See page 215 for their contact information.

Taxation of dividends

See page 219 for details on dividend taxation.

Managing your shares via Investor Centre

Computershare operates a portfolio service for investors in ordinary shares, called Investor Centre. This provides our shareholders with online access to information about their investments as well as a facility to help manage their holdings online, such as being able to:

- update dividend bank mandate instructions and review dividend payment history;
- update member details and address changes; and
- register to receive Company communications electronically.

Computershare also offers an internet and telephone share dealing service to existing shareholders. The service can be obtained at www.investorcentre.co.uk.

Shareholders with any queries regarding their holding should contact Computershare. See page 215 for their contact details.

Shareholders may also find the investors section of our corporate website, vodafone.com/investor, useful for general queries and information about the Company.

Shareholder communications

A growing number of our shareholders have opted to receive their communications from us electronically using email and web-based communications. The use of electronic communications, rather than printed paper documents, means information about the Company can be received as soon as it is available and has the added benefit of reducing our impact on the environment and our costs. Each time we issue a shareholder communication, shareholders who have elected for electronic communication will be sent an email alert containing a link to the relevant documents.

We encourage all our shareholders to sign up for this service by providing us with an email address. You can register your email address via Computershare at www.investorcentre.co.uk or contact them via the telephone number provided on page 215. See vodafone.com/investor for further information about this service.

AGM

Our thirty-fifth AGM will be held at the Royal Lancaster London, Lancaster Terrace, London W2 2TY on 23 July 2019 at 11.00 am. The AGM will be transmitted via a live webcast which can be viewed on our website at vodafone.com/agm on the day of the meeting. A recording will be available to view after that date.

ShareGift

We support ShareGift, the charity share donation scheme (registered charity number 1052686). Through ShareGift, shareholders who have only a very small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities.

See sharegift.org or call +44 (0)20 7930 3737 for further details.

Landmark Financial Asset Search

We participate in an online service which provides a search facility for solicitors and probate professionals to quickly and easily trace UK shareholdings relating to deceased estates. Visit www.landmarkfas.co.uk or call +44 (0)844 844 9967 for further information.

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Warning to shareholders ("boiler room" scams)

Over recent years we have become aware of investors who have received unsolicited calls or correspondence, in some cases purporting to have been issued by us, concerning investment matters. These callers typically make claims of highly profitable opportunities in UK or US investments which turn out to be worthless or simply do not exist. These approaches are usually made by unauthorised companies and individuals and are commonly known as "boiler room" scams. Investors are advised to be wary of any unsolicited advice or offers to buy shares. If it sounds too good to be true, it often is.

See the FCA website at fca.org.uk/scamsmart for more detailed information about this or similar activities.

Contact details for Computershare and AST

The Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road, Bristol BS99 6ZZ, United Kingdom
Telephone: +44 (0)370 702 0198
www.investorcentre.co.uk/contactus

Holders of ordinary shares resident in Ireland

Computershare Investor Services (Ireland) Ltd
PO Box 13042
Tallaght
Dublin 24, Ireland

Telephone: +353 (0)818 300 999
www.investorcentre.co.uk/contactus

ADS holders

AST
Operations Center
6201 15th Avenue
Brooklyn
NY 11219
United States of America

Telephone: +1 800 233 5601 (toll free) or, for calls outside the United States: +1 201 806 4103
www.astfinancial.com
Email: db@astfinancial.com

Markets

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and in the form of ADSs on NASDAQ.

ADSs, each representing ten ordinary shares, are traded on NASDAQ under the symbol "VOD". The ADSs are evidenced by ADRs issued by Deutsche Bank, as depositary, under a deposit agreement, dated 27 February 2017 between the Company, the depositary and the holders from time to time of ADRs issued thereunder.

ADS holders are not shareholders in the Company but may instruct Deutsche Bank on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See "Articles of Association and applicable English law" and "Rights attaching to the Company's shares – Voting rights" on page 216.

Shareholders as at 31 March 2019

Number of ordinary shares held	Number of accounts	% of total issued shares
1–1,000	302,376	0.23
1,001–5,000	43,396	0.34
5,001–50,000	12,478	0.56
50,001–100,000	518	0.13
100,001–500,000	717	0.62
More than 500,000	1,152	98.12
	360,637	100

Major shareholders

As at 13 May 2019, Deutsche Bank, as custodian of our ADR programme, held approximately 16.36% of our ordinary shares of 20 20/21 US cents each as nominee. At this date, the total number of ADRs outstanding was 438,927,453 and 1,699 holders of ordinary shares had registered addresses in the United States and held a total of approximately 0.010% of the ordinary shares of the Company.

At 31 March 2019, the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, ('DTR 5'), have been notified to the Directors.

Shareholder	Shareholding[1]
BlackRock, Inc.[2]	6.90%

Notes:
1 The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.
2 On 6 February 2019, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 2,057,729,218 ordinary shares of the Company as of 31 December 2018, representing 7.7% of that class of shares at that date.

The Company is not aware of any changes in the interests disclosed under DTR 5 between 31 March 2019 and 13 May 2019.

At 31 March 2019, the Company was also aware of the following percentage interest in its ordinary share capital:

– On 13 February 2018, Morgan Stanley disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 947,417,830 ordinary shares of the Company as of 29 December 2017, representing 3.6% of that class of shares as at that date.

As far as the Company is aware, between 1 April 2016 and 13 May 2019, no shareholder, other than described above, held 3% or more of the voting rights attributable to the ordinary shares of the Company other than Deutsche Bank, as custodian of our ADR programme, and Bank of New York Mellon as custodian of our ADR programme prior to 27 February 2017.

The rights attaching to the ordinary shares of the Company held by these shareholders are identical in all respects to the rights attaching to all the ordinary shares of the Company. As at 13 May 2019 the Directors are not aware of any other interest of 3% or more in the ordinary share capital of the Company. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity. There are no arrangements known to the Company that could result in a change of control of the Company.

Shareholder information (continued)

Unaudited information

Articles of Association and applicable English law

The following description summarises certain provisions of the Company's Articles of Association and applicable English law. This summary is qualified in its entirety by reference to the Companies Act 2006 and the Company's Articles of Association. See "Documents on display" on page 217 for information on where copies of the Articles of Association can be obtained. The Company is a public limited company under the laws of England and Wales. The Company is registered in England and Wales under the name Vodafone Group Public Limited Company with the registration number 1833679.

All of the Company's ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares.

English law specifies that any alteration to the Articles of Association must be approved by a special resolution of the Company's shareholders.

Articles of Association

The Company's Articles of Association do not specifically restrict the objects of the Company.

Directors

The Directors are empowered under the Articles of Association to exercise all the powers of the Company subject to any restrictions in the Articles of Association, the Companies Act 2006 (as defined in the Articles of Association) and any special resolution.

Under the Company's Articles of Association a Director cannot vote in respect of any proposal in which the Director, or any person connected with the Director, has a material interest other than by virtue of the Director's interest in the Company's shares or other securities. However, this restriction on voting does not apply in certain circumstances as set out in the Articles of Association.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to 1.5 times the aggregate of the Group's share capital and reserves calculated in the manner prescribed in the Articles of Association unless sanctioned by an ordinary resolution of the Company's shareholders.

The Company can make market purchases of its own shares or agree to do so in the future provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006. Such authority was given at the 2018 AGM and on 28 January 2019 the Company announced the commencement of an irrevocable and non-discretionary share buy-back programme as a result of the maturing of the second tranche of the mandatory convertible bond ('MCB') in February 2019. In order to satisfy the second tranche of the MCB, 799,067,749 ordinary shares were issued from treasury shares on 25 February 2019 at a conversion price of £1.8021. Under this programme the Company is expected to purchase up to the number of ordinary shares of $20\,^{20}/_{21}$ US cents each announced for the programme on 28 January 2019. The number of shares expected to be purchased is below the number permitted to be purchased by the Company pursuant to the authority granted by the shareholders at the 2018 AGM. Further information can be found on page 34.

At each AGM all Directors shall offer themselves for re-election in accordance with the Company's Articles of Association and in the interests of good corporate governance.

Directors are not required under the Company's Articles of Association to hold any shares of the Company as a qualification to act as a Director, although the Executive Directors are required to under the Company's Remuneration Policy. Further details are set out on pages 81 to 86.

Rights attaching to the Company's shares

At 31 March 2019, the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each and 27,230,375,568 ordinary shares (excluding treasury shares) of $20\,^{20}/_{21}$ US cents each. As at 31 March 2019, 1,584,882,610 ordinary shares were held in Treasury.

Dividend rights

Holders of 7% cumulative fixed rate shares are entitled to be paid in respect of each financial year, or other accounting period of the Company, a fixed cumulative preferential dividend of 7% per annum on the nominal value of the fixed rate shares. A fixed cumulative preferential dividend may only be paid out of available distributable profits which the Directors have resolved should be distributed.

The fixed rate shares do not have any other right to share in the Company's profits.

Holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Board of Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Dividends on ordinary shares can be paid to shareholders in whatever currency the Directors decide, using an appropriate exchange rate for any currency conversions which are required.

If a dividend has not been claimed for one year after the date of the resolution passed at a general meeting declaring that dividend or the resolution of the Directors providing for payment of that dividend, the Directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If the dividend remains unclaimed for 12 years after the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company.

Voting rights

At a general meeting of the Company, when voting on substantive resolutions (i.e. any resolution which is not a procedural resolution) each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held (a poll vote). Procedural resolutions (such as a resolution to adjourn a general meeting or a resolution on the choice of Chairman of a general meeting) shall be decided on a show of hands, where each shareholder who is present at the meeting has one vote regardless of the number of shares held, unless a poll is demanded. Shareholders entitled to vote at general meetings may appoint proxies who are entitled to vote, attend and speak at general meetings.

Two shareholders present in person or by proxy constitute a quorum for purposes of a general meeting of the Company.

Under English law, shareholders of a public company such as the Company are not permitted to pass resolutions by written consent. Record holders of the Company's ADSs are entitled to attend, speak and vote on a poll or a show of hands at any general meeting of the Company's shareholders by the depositary's appointment of them as corporate representatives or proxies with respect to the underlying ordinary shares represented by their ADSs. Alternatively, holders of ADSs are entitled to vote by supplying their voting instructions to the depositary or its nominee who will vote the ordinary shares underlying their ADSs in accordance with their instructions.

Holders of the Company's ADSs are entitled to receive notices of shareholders' meetings under the terms of the deposit agreement relating to the ADSs.

Employees who hold shares in a vested nominee share account are able to vote through the respective plan's trustees. Note there is now a vested share account with Computershare (in respect of shares arising from a SAYE exercise) and Equatex (MyShareBank).

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Holders of the Company's 7% cumulative fixed rate shares are only entitled to vote on any resolution to vary or abrogate the rights attached to the fixed rate shares. Holders have one vote for every fully paid 7% cumulative fixed rate share.

Liquidation rights

In the event of the liquidation of the Company, after payment of all liabilities and deductions in accordance with English law, the holders of the Company's 7% cumulative fixed rate shares would be entitled to a sum equal to the capital paid up on such shares, together with certain dividend payments, in priority to holders of the Company's ordinary shares. The holders of the fixed rate shares do not have any other right to share in the Company's surplus assets.

Pre-emptive rights and new issues of shares

Under section 549 of the Companies Act 2006 Directors are, with certain exceptions, unable to allot the Company's ordinary shares or securities convertible into the Company's ordinary shares without the authority of the shareholders in a general meeting. In addition, section 561 of the Companies Act 2006 imposes further restrictions on the issue of equity securities (as defined in the Companies Act 2006 which include the Company's ordinary shares and securities convertible into ordinary shares) which are, or are to be, paid up wholly in cash and not first offered to existing shareholders. The Company's Articles of Association allow shareholders to authorise Directors for a period specified in the relevant resolution to allot (i) relevant securities generally up to an amount fixed by the shareholders; and (ii) equity securities for cash other than in connection with a pre-emptive offer up to an amount specified by the shareholders and free of the pre-emption restriction in section 561. At the 2018 AGM the amount of relevant securities fixed by shareholders under (i) above and the amount of equity securities specified by shareholders under (ii) above were in line with the Pre-Emption Group's Statement of Principles. Further details of such proposals are provided in the 2019 Notice of AGM.

Disclosure of interests in the Company's shares

There are no provisions in the Articles of Association whereby persons acquiring, holding or disposing of a certain percentage of the Company's shares are required to make disclosure of their ownership percentage although such requirements exist under the Disclosure Guidance and Transparency Rules.

General meetings and notices

Subject to the Articles of Association, AGMs are held at such times and place as determined by the Directors of the Company. The Directors may also, when they think fit, convene other general meetings of the Company. General meetings may also be convened on requisition as provided by the Companies Act 2006.

An AGM is required to be called on not less than 21 days' notice in writing. Subject to obtaining shareholder approval on an annual basis, the Company may call other general meetings on 14 days' notice. The Directors may determine that persons entitled to receive notices of meetings are those persons entered on the register at the close of business on a day determined by the Directors but not later than 21 days before the date the relevant notice is sent. The notice may also specify the record date, the time of which shall be determined in accordance with the Articles of Association and the Companies Act 2006.

Under section 336 of the Companies Act 2006 the AGM must be held each calendar year and within six months of the Company's year end.

Variation of rights

If at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act 2006, either with the consent in writing of the holders of three quarters in nominal value of the shares of that class or at a separate meeting of the holders of the shares of that class.

At every such separate meeting all of the provisions of the Articles of Association relating to proceedings at a general meeting apply, except that (i) the quorum is to be the number of persons (which must be at least two) who hold or represent by proxy not less than one third in nominal value of the issued shares of the class or, if such quorum is not present on an adjourned meeting, one person who holds shares of the class regardless of the number of shares he holds; (ii) any person present in person or by proxy may demand a poll; and (iii) each shareholder will have one vote per share held in that particular class in the event a poll is taken. Class rights are deemed not to have been varied by the creation or issue of new shares ranking equally with or subsequent to that class of shares in sharing in profits or assets of the Company or by a redemption or repurchase of the shares by the Company.

Limitations on transfer, voting and shareholding

As far as the Company is aware there are no limitations imposed on the transfer, holding or voting of the Company's ordinary shares other than those limitations that would generally apply to all of the shareholders, those that apply by law (e.g. due to insider dealing rules) or those that apply as a result of failure to comply with a notice under section 793 of the Companies Act 2006. No shareholder has any securities carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Documents on display

The Company is subject to the information requirements of the Exchange Act applicable to foreign private issuers. In accordance with these requirements the Company files its Annual Report on Form 20-F and other related documents with the SEC. These documents may be inspected at the SEC's public reference rooms located at 100 F Street, NE Washington, DC 20549. Information on the operation of the public reference room can be obtained in the United States by calling the SEC on +1-800-SEC-0330. In addition, some of the Company's SEC filings, including all those filed on or after 4 November 2002, are available on the SEC's website at sec.gov. Shareholders can also obtain copies of the Company's Articles of Association from our website at vodafone.com/governance or from the Company's registered office.

Shareholder information (continued)

Unaudited information

Material contracts

At the date of this Annual Report the Group is not party to any contracts that are considered material to its results or operations except for:

- its US$4.2 billion and €3.9 billion revolving credit facilities which are discussed in note 20 "Borrowings and capital resources" to the consolidated financial statements;
- its trust deeds for the £3.44 billion of subordinated mandatory convertible bonds placed on 12 March 2019 as discussed in note 20 "Borrowings and capital resources" to the consolidated financial statements;
- the Contribution and Transfer Agreement in respect of the Dutch joint venture with Liberty Global as detailed in note 27 "Commitments" to the consolidated financial statements;
- the Implementation Agreement dated 20 March 2017, as amended on 30 August 2018, relating to the combination of the Indian mobile telecommunications businesses of Vodafone Group and Idea Group as detailed in note 26 "Acquisitions and disposals" to the consolidated financial statements;
- the Implementation Agreement dated 25 April 2018 relating to the combination of the businesses of Indus Towers and Bharti Infratel;
- the Sale and Purchase Agreement dated 9 May 2018 relating to the purchase of Liberty Global plc's businesses in Germany, Romania, Hungary and the Czech Republic; and
- the Scheme Implementation Deed dated 30 August 2018 relating to the proposed merger between Vodafone Hutchison Australia Pty Limited and TPG Telecom Limited.

Exchange controls

There are no UK Government laws, decrees or regulations that restrict or affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on the ordinary shares or on the conduct of the Group's operations.

Taxation

As this is a complex area investors should consult their own tax advisor regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances.

This section describes, primarily for a US holder (as defined below), in general terms, the principal US federal income tax and UK tax consequences of owning or disposing of shares or ADSs in the Company held as capital assets (for US and UK tax purposes). This section does not, however, cover the tax consequences for members of certain classes of holders subject to special rules including, for example, US expatriates and former long-term residents of the United States; officers and employees of the Company; holders that, directly, indirectly or by attribution, hold 5% or more of the Company's stock (by vote or value); financial institutions; insurance companies; individual retirement accounts and other tax-deferred accounts; tax-exempt organisations; dealers in securities or currencies; investors that will hold shares or ADSs as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes; investors holding shares or ADSs in connection with a trade or business conducted outside of the US; or investors whose functional currency is not the US dollar.

A US holder is a beneficial owner of shares or ADSs that is for US federal income tax purposes:

- an individual citizen or resident of the United States;
- a US domestic corporation;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. Holders that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisors concerning the US federal income tax consequences to them and their partners of the ownership and disposition of shares or ADSs by the partnership.

This section is based on the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the tax laws of the UK, the Double Taxation Convention between the United States and the UK (the 'treaty') and current HM Revenue and Customs ('HMRC') published practice, all as currently in effect. These laws and such practice are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For the purposes of the treaty and the US-UK double taxation convention relating to estate and gift taxes (the 'Estate Tax Convention'), and for US federal income tax and UK tax purposes, this section is based on the assumption that a holder of ADRs evidencing ADSs will generally be treated as the owner of the shares in the Company represented by those ADRs. Investors should note that a ruling by the first-tier tax tribunal in the UK has cast doubt on this view, but HMRC have stated that they will continue to apply their long-standing practice of regarding the holder of such ADRs as holding the beneficial interest in the underlying shares. Similarly, the US Treasury has expressed concern that US holders of depositary receipts (such as holders of ADRs representing our ADSs) may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between such holders and the issuer of the security underlying the depositary receipts, or a party to whom depositary receipts or deposited shares are delivered by the depositary prior to the receipt by the depositary of the corresponding securities, has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit, such as a disposition of such security. Such actions may also be inconsistent with the claiming of the reduced tax rates that may be applicable to certain dividends received by certain non-corporate holders, as described below. Accordingly, (i) the creditability of any UK taxes and (ii) the availability of the reduced tax rates for any dividends received by certain non-corporate US holders, each as described below, could be affected by actions taken by such parties or intermediaries. Generally exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK tax other than stamp duty or stamp duty reserve tax (see the section on these taxes on page 219).

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Taxation of dividends

UK taxation

Under current UK law, there is no requirement to withhold tax from the dividends that we pay. Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on the dividends we pay unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends we pay would generally be exempt.

Individual shareholders in the Company who are resident in the UK will be subject to the income tax on the dividends we pay. Dividends will be taxable in the UK at the dividend rates applicable where the income received is above the dividend allowance (currently £2,000 per tax year) which is taxed at a nil rate. Dividend income is treated as the highest part of an individual shareholder's income and the dividend allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the allowance.

US federal income taxation

Subject to the passive foreign investment company ('PFIC') rules described below, a US holder is subject to US federal income taxation on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes). However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US holders should therefore assume that any distribution by the Company with respect to shares will be reported as ordinary dividend income. Dividends paid to a non-corporate US holder will be taxable to the holder at the reduced rate normally applicable to long-term capital gains provided that certain requirements are met.

Dividends must be included in income when the US holder, in the case of shares, or the depositary, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

The amount of the dividend distribution to be included in income will be the US dollar value of the pound sterling or euro payments made determined at the spot pound sterling/US dollar rate or the spot euro/US dollar rate, as applicable, on the date the dividends are received by the US holder, in the case of shares, or the depositary, in the case of ADSs, regardless of whether the payment is in fact converted into US dollars at that time. If dividends received in pounds sterling or euros are converted into US dollars on the day they are received, the US holder generally will not be required to recognise any foreign currency gain or loss in respect of the dividend income.

Where UK tax is payable on any dividends received, a US holder may be entitled, subject to certain limitations, to a foreign tax credit in respect of such taxes.

Taxation of capital gains

UK taxation

A US holder that is not resident in the UK will generally not be liable for UK tax in respect of any capital gain realised on a disposal of our shares or ADSs.

However, a US holder may be liable for both UK and US tax in respect of a gain on the disposal of our shares or ADSs if the US holder:

- is a citizen of the United States and is resident in the UK;
- is an individual who realises such a gain during a period of "temporary non-residence" (broadly, where the individual becomes resident in the UK, having ceased to be so resident for a period of five years or less, and was resident in the UK for at least four out of the seven tax years immediately preceding the year of departure from the UK);
- is a US domestic corporation resident in the UK by reason of being centrally managed and controlled in the UK; or
- is a citizen or a resident of the United States, or a US domestic corporation, that has used, held or acquired the shares or ADSs in connection with a branch, agency or permanent establishment in the UK through which it carries on a trade, profession or vocation in the UK.

In such circumstances, relief from double taxation may be available under the treaty. Holders who may fall within one of the above categories should consult their professional advisers.

US federal income taxation

Subject to the PFIC rules described below, a US holder that sells or otherwise disposes of our shares or ADSs generally will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder's adjusted tax basis, determined in US dollars, in the shares or ADSs. This capital gain or loss will be a long-term capital gain or loss if the US holder's holding period in the shares or ADSs exceeds one year.

The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of losses is subject to limitations.

Additional tax considerations

UK inheritance tax

An individual who is domiciled in the United States (for the purposes of the Estate Tax Convention) and is not a UK national will not be subject to UK inheritance tax in respect of our shares or ADSs on the individual's death or on a transfer of the shares or ADSs during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the United States and was not a UK national. Where the shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the estate tax convention generally provides a credit against US federal tax liabilities for UK inheritance tax paid.

UK stamp duty and stamp duty reserve tax

Stamp duty will, subject to certain exceptions, be payable on any instrument transferring our shares to the custodian of the depositary at the rate of 1.5% on the amount or value of the consideration if on sale or on the value of such shares if not on sale. Stamp duty reserve tax ('SDRT'), at the rate of 1.5% of the amount or value of the consideration or the value of the shares, could also be payable in these circumstances but no SDRT will be payable if stamp duty equal to such SDRT liability is paid.

Shareholder information (continued)

Unaudited information

Following rulings of the European Court of Justice and the first-tier tax tribunal in the UK, HMRC have confirmed that the 1.5% SDRT charge will not be levied on an issue of shares to a depositary receipt system on the basis that such a charge is contrary to EU law.

No stamp duty should in practice be required to be paid on any transfer of our ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the UK. A transfer of our shares in registered form will attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

SDRT is generally payable on an unconditional agreement to transfer our shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but if, within six years of the date of the agreement, an instrument transferring the shares is executed and stamped, any SDRT which has been paid would be repayable or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled. However, an agreement to transfer our ADSs will not give rise to SDRT.

PFIC rules

We do not believe that our shares or ADSs will be treated as stock of a PFIC for US federal income tax purposes for our current taxable year or the foreseeable future. This conclusion is a factual determination that is made annually and thus is subject to change. If we are treated as a PFIC, US holders of shares would be required (i) to pay a special US addition to tax on certain distributions and (ii) any gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as a capital gain unless a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs.

Otherwise a US holder would be treated as if he or she has realised such gain and certain "excess distributions" rateably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated. An interest charge in respect of the tax attributable to each such preceding year beginning with the first such year in which our shares or ADSs were treated as stock in a PFIC would also apply. In addition, dividends received from us would not be eligible for the reduced rate of tax described above under "Taxation of Dividends – US federal income taxation".

Back-up withholding and information reporting

Payments of dividends and other proceeds to a US holder with respect to shares or ADSs, by a US paying agent or other US intermediary will be reported to the Internal Revenue Service ('IRS') and to the US holder as may be required under applicable regulations. Back-up withholding may apply to these payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements.

Certain US holders are not subject to back-up withholding. US holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of shares or ADSs, including requirements related to the holding of certain foreign financial assets.

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History and development

Unaudited information

The Company was incorporated under English law in 1984 as Racal Strategic Radio Limited (registered number 1833679). After various name changes, 20% of Racal Telecom Plc share capital was offered to the public in October 1988. The Company was fully demerged from Racal Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc.

Since then we have entered into various transactions which significantly impacted on the development of the Group. The most significant of these transactions are summarised below:

- The merger with AirTouch Communications, Inc. which completed on 30 June 1999. The Company changed its name to Vodafone AirTouch Plc in June 1999 but then reverted to its former name, Vodafone Group Plc, on 28 July 2000.
- The completion on 10 July 2000 of the agreement with Bell Atlantic and GTE to combine their US cellular operations to create the largest mobile operator in the United States, Verizon Wireless, resulting in the Group having a 45% interest in the combined entity.
- The acquisition of Mannesmann AG which completed on 12 April 2000. Through this transaction we acquired businesses in Germany and Italy and increased our indirect holding in Société Française u Radiotéléphone S.A. ('SFR').
- On 8 May 2007 we acquired companies with controlling interests in Vodafone India Limited ('VIL'), formerly Vodafone Essar Limited, for US$10.9 billion (€7.7 billion).
- On 20 April 2009 we acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR20.6 billion (€1.8 billion). On 18 May 2009 Vodacom became a subsidiary.
- Through a series of business transactions on 1 June and 1 July 2011, we acquired an additional 22% stake in VIL from the Essar Group for a cash consideration of US$4.2 billion (€2.9 billion) including withholding tax.
- Through a series of business transactions in 2011 and 2012, Vodafone assigned its rights to purchase approximately 11% of VIL from the Essar Group to Piramal Healthcare Limited ('Piramal'). On 18 August 2011 Piramal purchased 5.5% of VIL from the Essar Group for a cash consideration of INR28.6 billion (€410 million). On 8 February 2012, it purchased a further 5.5% of VIL from the Essar Group for a cash consideration of approximately INR30.1 billion (€460 million) taking Piramal's total shareholding in VIL to approximately 11%.
- On 27 July 2012 we acquired the entire share capital of Cable & Wireless Worldwide plc for a cash consideration of £1,050 million (€1,340 million).
- On 31 October 2012 we acquired TelstraClear Limited in New Zealand for a cash consideration of NZ$840 million (€660 million).
- On 13 September 2013 we acquired a 76.57% interest in Kabel Deutschland Holding AG in Germany for cash consideration of €5.8 billion.
- The completion on 21 February 2014 of the agreement, announced on 2 September 2013, to dispose of our US Group whose principal asset was its 45% interest in Verizon Wireless ('VZW') to Verizon Communications Inc. ('Verizon'), Vodafone's joint venture partner, for a total consideration of US$130 billion (€95 billion) including the remaining 23.1% minority interest in Vodafone Italy. Following completion, Vodafone shareholders received Verizon shares and cash totalling US$85 billion (€37 billion).
- In March 2014 we acquired the indirect equity interests in VIL held by Analjit Singh and Neelu Analjit Singh, taking our stake to 89.03% and then in April 2014 we acquired the remaining 10.97% of VIL from Piramal Enterprises Limited for cash consideration of INR89.0 billion (€1.0 billion), taking our ownership interest to 100%.
- On 23 July 2014 we acquired the entire share capital of Grupo Corporativo Ono, S.A. ('Ono') in Spain for total consideration, including associated net debt acquired, of €7.2 billion.
- On 31 December 2016 we completed the transaction with Liberty Global plc to combine our Dutch operations in a 50:50 joint venture called VodafoneZiggo Group Holding B.V. ('VodafoneZiggo').
- On 29 March 2018, we completed the transaction with the Qatar Foundation to sell acquire Vodafone Europe B.V.'s 51% stake in the joint venture company, Vodafone and Qatar Foundation LLC, that controls Vodafone Qatar for a total cash consideration of QAR1,350 million (€301 million).
- On 31 March 2018, Vodafone India completed the sale of its standalone tower business in India to ATC Telecom Infrastructure Private Limited ('ATC') for an enterprise value of INR 38.5 billion (€478 million).
- On 25 April 2018, Vodafone, Bharti Airtel Limited ('Bharti Airtel') and Idea announced the merger of Indus Towers Limited ('Indus Towers') into Bharti Infratel Limited ('Bharti Infratel'), creating a combined company that will own the respective businesses of Bharti Infratel and Indus Towers. Bharti Airtel and Vodafone will jointly control the combined company, in accordance with the terms of a new shareholders' agreement. See note 27 "Commitments" for further details.
- On 9 May 2018, Vodafone announced that it had agreed to acquire Unitymedia GmbH in Germany and Liberty Global's operations (excluding its "Direct Home" business) in the Czech Republic, Hungary and Romania, for a total enterprise value of €18.4 billion. This is expected to comprise approximately €10.8 billion of cash consideration paid to Liberty Global and €7.6 billion of existing Liberty debt, subject to completion adjustments. See note 27 "Commitments" for further details.
- On 30 August 2018, Vodafone announced that Vodafone Hutchison Australia Pty Limited ('VHA') and TPG Telecom Limited ('TPG') had agreed a merger to establish a new fully integrated telecommunications operator in Australia ('MergeCo'). Vodafone and Hutchison Telecommunications (Australia) Limited ('HTAL') would each own an economic interest of 25.05% in MergeCo, with TPG shareholders owning the remaining 49.9%. The Australian Competition and Consumer Commission (ACCC) opposed the proposed merger. The Group is challenging the decision through the federal court. See note 27 "Commitments" for further details.
- On 31 August 2018, the Group completed the transaction to combine its subsidiary, Vodafone India (excluding its 42% stake in Indus Towers), with Idea Cellular to form Vodafone Idea, with the combined company being jointly controlled by Vodafone and the Aditya Birla Group. See note 26 "Acquisitions and disposals" for further details.

Details of other significant transactions that occurred after 31 March 2019 and before the signing of this Annual Report on 14 May 2019 are included in note 31 "Subsequent events".

Regulation

Unaudited information

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 national and regional level and in the European Union ('EU'), in which we had significant interests during the year ended 31 March 2019. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union ('EU')

In June 2018, the European Parliament and the Council reached an overall political agreement on the European Electronic Communications Code (EECC) and BEREC Regulation, with formal adoption finalised in December 2018. This means that member states must complete transposition into national law by the end of 2020. In the Code, the EU institutions agreed on, among other things: a gigabit standard network typically being FTTH/5G, the introduction of a minimum duration of spectrum licences that requires Member States to ensure licence rights of at least 15 years with an adequate extension to provide a period of at least 20 years, 5G spectrum 3.6 GHz/26 GHz available by 2020 (2022 at the latest), continued regulation of operators with significant market power, infrastructure competition through non-discrimination measures, duct and pole access and co-investment and the inclusion of over the top communications services within the scope of the framework. Universal Services are limited to affordable broadband, voice services and services for disabled end users and funding is possible through both the state budget and an industry fund. The Code provides for maximum harmonisation of consumer protection requirements, with some exceptions. Rules capping prices on intra-EU international calls come into force May 2019 and BEREC has issued further Guidelines on the implementation of these requirements.

The European Parliament and Council have reached provisional agreement on the following:

- The Digital Content Directive and the Tangible Goods Directive.
- The proposed Directive on better enforcement of consumer law.
- The proposed Regulation on fair treatment of business users of online platforms.
- The Directive laying down rules on the exercise of copyright applicable to certain online transmissions of broadcasting organisations and retransmissions.
- The Directive on copyright in the digital single market.

The Commission's legislative proposal for an e-Privacy Regulation, which will update the existing e-Privacy Directive with specific rules applicable to the electronic communications sector and a proposal for a regulation on the removal of terrorist content online, is ongoing along with the Directive on Collective Redress.

The new AudioVisual Services Directive was approved in November 2018. This Directive aims to update existing rules and achieve a better level playing field between linear TV and on-demand audiovisual media services. It imposes rules on on-demand services including, inter alia, EU works quotas and stronger obligations to protect minors.

The Cybersecurity Act is expected to enter into force in May 2019. This includes a permanent mandate, expanded responsibilities, more resources for the EU Cybersecurity Agency, and promotion of security by design and by default by implementing a framework for the voluntary cybersecurity certification of ICT products, services and processes.

The High Level Expert Group appointed by the Commission published final AI ethics guidelines in April 2019. The expert group will also publish a set of recommendations on policy and investment conditions to stimulate AI development before the summer.

The Geo Blocking Regulation was directly applicable throughout the EU from December 2018. This ensures that EU customers are not discriminated against for reasons related to their nationality or place of residence when they try to access goods and services online.

The Free Flow of (non-personal) Data Regulation comes into force May 2019. This will facilitate the cross-border provision within the EU of data storage and processing services such as cloud computing, big data analytics and IoT by proscribing unjustified data localisation mandates.

In March 2019, The European Commission published a non-binding recommendation as a first step towards having EU security requirements for 5G networks in the future.

Europe region

Germany

In May 2017, the national regulatory authority ('BNetzA') initiated the market review process for wholesale access at fixed locations currently covering both unbundled local loop ('ULL') and virtual unbundled local access ('VULA') as well as bitstream wholesale products. The modification of Fibre to the Home ('FTTH') regulation includes a possibility that access to the incumbent's FTTH network may only be regulated by a light touch approach or be fully deregulated.

In August 2017, BNetzA published its decision regarding the reference offer on the migration of very high-rate digital subscriber line unbundled local loop ('VDSL ULL') and the introduction of a VULA product at street cabinets in view of Deutsche Telekom's Vectoring deployment in nearshore areas. The migration of Vodafone Germany's VDSL ULL customers on to the substitute bitstream products must be completed by January 2020.

In May 2018, BNetzA confirmed that expiring 2.1 GHz spectrum and frequencies from 3.4 GHz to 3.7 GHz ranges will be allocated on a nationwide basis by auction. Frequencies in the 3.7-3.8 GHz range will be allocated in a case-by-case application process. The auction started in March 2019 and is ongoing.

In June 2018, BNetzA ruled against the Vodafone Pass EU-roaming-exclusion and fair use policy. Vodafone Germany appealed and filed for legal protection in the administrative court. The BNetzA ruling is suspended until the court proceedings are concluded.

Italy

In March 2017, the national regulatory authority ('AGCOM') imposed a minimum billing period of one-month for fixed and convergent offers, effective by the end of June 2017. The operators appealed AGCOM's resolution before the Administrative Court and the appeal was rejected in February 2018. Vodafone Italy has filed an appeal before the Council of State and the proceeding is pending.

AGCOM adopted a decision to impose reimbursements/restitutions for fixed and convergent customers for the period between June 2017 and April 2018. The Council of State suspended the reimbursement until May 2019 after Vodafone Italy filed an appeal.

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In February 2018, the Italian Competition Authority ('AGCM') opened an antitrust investigation into Vodafone Italy, three of its competitors and the industry trade association. The investigation alleges that operators infringed competition law by agreeing not to comply with an AGCOM resolution and exchanged information on future pricing strategies in response to a subsequent law, which forced the operators to revert to monthly billing. The final term of the proceeding will commence in July 2019.

In October 2018, Vodafone Italy secured licences for 2x10MHz in the 700MHz band and 80MHz in the 3.7GHz band and 200MHz in the 26GHz band, expiring at the end of 2037 by auction and at a cost of €2,400 million.

In December 2018, the Ministry of Economic Development approved the decree on networks and electronic communications services security that came into force January 2019, to ensure the security and integrity of networks.

In January 2019, AGCOM opened a national consultation on the wholesale local and central fixed access market review. The draft proposal modifies the criteria for defining competitive areas and lowers wholesale prices in non-competitive areas. A final decision is expected in 2019 after notifying the European Commission.

United Kingdom

The national regulatory authority ('Ofcom') has signalled its intention to regulate the business connectivity market and the more consumer focused fixed wholesale local access market under one access review to encourage greater levels of fibre investment. This would result in less price regulation for Openreach services, with more emphasis on competitive fibre build.

In January 2019, Ofcom set the Annual Licence Fees for 900MHz and 1800MHz spectrum. Ofcom is currently consulting on the arrangements for the 700MHz auction.

In January 2019, Ofcom agreed that Vodafone and Telefonica UK be permitted to swap spectrum (900MHz) in order to reduce fragmentation of this band. Implementation is currently underway.

Vodafone UK has signed up to Ofcom's voluntary code on auto-compensation for fixed consumers and are preparing for implementation.

Ofcom's investigation into Vodafone Passes tariffs has been closed with no further action after Vodafone UK made changes to its traffic management policy.

Spain

In September 2017, the National Audience court declared the fines that had been previously applied to Telefónica, Orange and Vodafone Spain in December 2012, for abuse of dominant position by imposing excessive pricing of wholesale SMS/MMS services on mobile virtual network operators ('MVNO'), as void. The national regulatory authority ('CNMC') appealed against this ruling in the Supreme Court. In January 2019, the Supreme Court notified its final ruling on the case confirming the National Audience court decision.

In December 2017, a draft Ministerial Order was issued for a rural LTE plan that requires holders of spectrum in the 800 MHz band to achieve joint coverage in areas with less than 5,000 inhabitants, with a minimum speed of 30 Mbps for 90% of population, before January 2020. The Final Order approving the Plan of Coverage to comply with obligations was published in November 2018.

In June 2017, the Spanish Supreme Court dismissed the appeal brought by Vodafone Spain against the Royal Decree on the so-called "TV Tax" that requires the financing of the RTVE Corporation to be supported by private TV networks and telecom operators. In February 2018, the National Audience court presented its preliminary ruling before the European Court of Justice ('ECJ') on the compatibility of the TV Tax with the Authorisation Directive. In March 2019, ECJ concluded the TV tax is compatible with the Authorization Directive. However, the case remains open at the national level.

In July 2018, Vodafone Spain secured a licence for 90MHz of spectrum in the 3.7GHz band, expiring in 2038 at a cost of €198 million.

Vodafone Spain has requested the modification of the commitments in relation to the Movistar–DTS merger in 2015. The commitment period will end in April 2020 but is subject to a three-year extension period.

Netherlands

In April 2018, the European Commission commenced an investigation in relation to the acquisition of sports rights at several media companies in Europe, including VodafoneZiggo's sports channel, Ziggo Sport. The Commission's investigation is currently ongoing.

In May 2018, the Commission cleared the acquisition of the Ziggo business by Liberty Global subject to similar remedies as in the original 2014 clearance decision.

In September 2018, the appeals court rejected VodafoneZiggo's appeal against the national regulatory authority's ('ACM') glide path for MTRs based on BULRIC Plus.

In September 2018, ACM published the final decision in its Wholesale Fixed Access market analysis and entered into force in October 2018. VodafoneZiggo is required to provide regulated access to its cable network. VodafoneZiggo has appealed the ACM decision in the national court and at the EU level.

In November 2018, the European Commission approved the take-over of Tele2 NL by T-Mobile NL without any remedies. Both companies have merged into the "new" T-Mobile NL on 2 January 2019.

Ireland

In April 2018, the national regulatory authority ('ComReg') published the results of the auction for 26GHz. Vodafone Ireland paid €370K for this licence, which expires in 2028.

In December 2018, ComReg and the incumbent operator in Ireland reached an agreement on a future model for regulatory governance of the incumbent. ComReg's decision is being challenged by Sky Ireland on several grounds and while the decision has taken effect these proceedings are ongoing.

The EU Commission has been notified of the decision to move the MTR rate to €0.67c in Ireland. It is expected that ComReg will publish a final decision in 2019.

Regulation (continued)

Unaudited information

Portugal

In July 2018, the national regulatory authority ('ANACOM') published the report on the 5G Roadmap public consultation. No timeline for the award procedures was provided.

In October 2018, ANACOM decided to deregulate the fixed call origination market as it considers that the market no longer meets the three criteria test to be susceptible to ex ante regulation.

Vodafone Portugal continues to challenge payment notices totalling €34.8 million issued by ANACOM regarding 2012-2014 extraordinary compensation of Universal Service net costs.

A new ANACOM regulation on security and integrity of electronic communications networks and services is in force as of April 2019.

Romania

In December 2018, there was a national consultation process on the "5G for Romania" national strategy document issued by the IT&C Ministry and the national regulatory authority ('ANCOM').

In December 2018, the Romanian Government adopted a wide range of fiscal measures that would affect the telecom sector. These measures include, but are not limited to, a monitoring tariff that increased to a fixed percentage of 3% on the annual turnover of the telecom sector (which has not yet been implemented), and a new method for setting minimum prices for spectrum bidding/ licences renewal that would drive up spectrum prices.

In January 2019, ANCOM launched a public consultation on the Spectrum Position on frequency bands to be included in the upcoming 5G auction, which is expected to be finalised by October 2019.

Greece

Following the national regulatory authority's ('EETT') plenary change, repeat hearings were held for two competition complaints, with decisions still pending. First, Vodafone Greece against Cosmote on abuse of its dominant position in the prepay market through the on-net/off-net differential pricing imposed in its What's Up community (September 2018). Second, Wind against Vodafone Greece and Cosmote on abuse of dominance in relation to calls to mobile networks in Albania (June 2018).

In September 2018, EETT's VULA specifications and provisions entered into force. EETT ran a public consultation on both the methodology related to the main principles of the BULRIC+ model for wholesale copper and fibre access pricing and the modelling approach & implementation.

EETT addressed hearings (to all MNOs) regarding base stations that are operating either without licence or without the proper type of licence. Vodafone Greece filed a four-month extension request to respond to the hearings.

Forthnet has filed a complaint before the EETT and the Administrative Court of Appeals asking that the Vectoring/FTTH allocation decisions be annulled. The hearing date is set for September 2019.

In February 2019, EETT finalised its decision on the MVNO access dispute resolution between Forthnet and Vodafone Greece & Cosmote. Forthnet selected Vodafone Greece for the conclusion of an MVNO agreement. Vodafone Greece submitted a legal appeal of the decision in April 2019.

Czech Republic

The European Commission ('DG Competition') investigation into a network sharing agreement between O2 CZ/CETIN and T-Mobile CZ is ongoing.

In April 2018, the national regulatory authority ('CTU') prolonged the original GSM licence (900 MHz & part of 1800 MHz band) until June 2029 for a one-off fee of CZK 165m.

In January 2019, the CTU updated their 5G framework position of the 700MHz spectrum. The auction will now include 3410-3600 MHz spectrum. Announcement of the auction is expected in November 2019 with bidding to start in March 2020.

Hungary

The investigation of the Economic Competition Office into the network & spectrum sharing and possible collusion in the previous spectrum tender by Magyar Telekom and Telenor is ongoing.

In December 2018, Vodafone Hungary renewed its licence for 2x15 MHz of 2100MHz spectrum at a cost of €33 million, due to expire in 2027.

NMHH has started the preparation of the 2019 spectrum tender, in which licences for the unused blocks of previously assigned bands in 2100MHz, 2600MHz, and 3.4-3.8 GHz, as well as a new 700MHz band may be offered for sale.

NMHH's investigation into Vodafone's Red Infinity offer has been closed with no further action after the regulator found the offer did not infringe net neutrality rules.

Albania

In October 2018, the national regulatory authority ('AKEP') announced the continuation of symmetric MTRs for the nationally originated traffic applicable to all three operators with Significant Market Power ('SMP') in the relevant markets.

In October 2018, AKEP announced that the wholesale market of access and origination in mobile networks, the wholesale international calls market, and the retail market of mobile services would be regulated. However, AKEP withdrew the approved market analysis two weeks later. In April 2019, AKEP launched a new Market Analysis for public consultation.

In February 2018, Vodafone Albania secured a licence for 2x10MHz in the 800MHz, expiring at the end of 2034 by auction and at a cost of €7.4 million.

In April 2019, Albania, Bosnia & Herzegovina, Kosovo, North Macedonia, Serbia and Montenegro signed the WB6 Regional Roaming Agreement. The Agreement states the RLAH+ regime will be effective starting in July 2019, and RLAH will be effective from July 2021.

Malta

In March 2018, the Maltese Government announced its intention to introduce SIM registration requirements for all new and existing accounts. Vodafone Malta responded to the public consultation led by the national regulatory authority ('MCA').

MCA is currently consulting on a 'Revised Radio Spectrum Policy Programme for the upcoming five years – Terrestrial ECS Operators'. The findings and subsequent proposals will be subject to a public consultation process.

In October 2018, Vodafone Malta entered into the Regulated Equivalence of Outputs VULA Agreement with GO Plc to provide FTTH fixed broadband services to end-users.

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Africa, Middle East and Asia-Pacific region

India

In September 2017, the national regulatory authority ('TRAI') issued its revised Interconnect Usage Charge ('IUC') Regulation, reducing the MTR from INR 0.14 per minute to INR 0.06 per minute. Vodafone India challenged this Regulation in the Bombay High Court and the next hearing date is pending. Vodafone India's petition in the Delhi High Court against the February 2015 IUC regulation that reduced the MTR to INR 0.14 has a final hearing in July 2019.

In January 2018, the pleadings in the Delhi High Court on Vodafone India's challenge against TRAI's recommended fine for alleged failure to provide adequate points of interconnection to Reliance Jio ('RJIL') were completed and the decision of the Central Government is pending. In January 2019, Vodafone India's challenge against RJIL's zero/free mobile tariff offers being non-compliant with TRAI's tariff requirements for interconnect usage charges was rejected.

In February 2018, TRAI issued Telecommunication Tariff (63rd Amendment) Order ('TTO') in which SMP predatory pricing would be based on subscribers and gross revenue, and segmented tariff offers would be required to be reported and published. Vodafone India challenged the TTO in the Madras High Court, and the Court ordered TRAI not to take any penal action for not publishing segmented tariffs. In December 2018, The Telecom Tribunal ('TDSAT') set aside TRAI's rule on predatory pricing due to the lack of transparency in the guidelines.

In March 2018, Vodafone India challenged TRAI's reduction of International Termination Charges from INR 0.53 to INR 0.30 per minute in the Mumbai High Court. The next hearing date is pending.

In May 2018, the Telecom Commission approved a set of TRAI recommendations to create a regulatory framework for internet telephony, the proliferation of broadband via public Wi-Fi networks, the introduction of in-flight connectivity service provider licences, and the creation of a telecoms ombudsman under TRAI and for the broadcasting sector.

In July 2018, the Department of Telecommunications ('DoT') issued a communication on the framework for Net Neutrality that prohibits licensees from engaging in discriminatory treatment of content, with some exemptions. Exemptions include proportional, transient and transparent measures such as reasonable traffic management, emergency services, implementation of Court Orders and security measures. The DoT issued licence amendments to Access and Internet licences in September 2018.

The Ministry of Electronics and Information Technology ('MEITY') issued a draft amendment to the intermediary rules introducing new privacy policies including the obligation of an intermediary to notify users once a month to comply with rules and to provide assistance or information when asked by any Government agency within 72 hours. Vodafone India made comments through Industry Associations on the proposed amendments.

In August 2018, TRAI submitted its recommendations on 'Auction of Spectrum' including reserve prices, bands and block sizes. DoT issued harmonisation instructions for 900MHz, 1800MHz and 2100 MHz bands, making the Vodafone and Idea spectrum contiguous in these bands. Sub-judice blocks of 2100MHz have been excluded. The harmonisation of 1800MHz in Assam, North East, Madhya Pradesh, J&K & Orissa service areas, where Vodafone India paid for administrative spectrum up to 4.4MHz is pending.

In October 2018, the National Digital Communications Policy was approved and issued by the Digital Communications Commission with an implementation deadline of 2022.

Effective October 2018, the National Frequency Allocation Plan ('NFAP') identified and consolidated various bands for mobile services. The NFAP increased the quantum of licence exempt spectrum from 50 to 605MHz in 5 GHz band to promote hi-speed broadband through Wi-Fi, while formally recognising short-range devices and ultra-wide band devices.

TDSATs hearing for Vodafone India's challenge against the financial demands by the DoT for approving the transfer of Vodafone India's licences in 2015 is pending.

In January 2019, the DoT issued an amendment to the access licences on closure/discontinuation of service by access service licences. This requires them to give at least 60 calendar days' notice to DoT and TRAI and 30 calendar days' notice to subscribers. The DoT has also mandated that if a licensee discontinues wireless access service, provided on administratively allocated spectrum, it would need to immediately surrender such spectrum.

Vodacom: South Africa

In November 2017, The Competition Commission initiated a market inquiry into data services. The purpose of the inquiry is to understand what factors in the market(s) and value chain may lead to high prices for data services and to make recommendations that lower prices for data services. A provisional report was published in April 2019 for consultation. The Competition Commission will assess the consultation submissions and engage further with key stakeholders before publishing a final report. The expected completion of the Data Market Inquiry is December 2019.

In May 2018, the national regulatory authority ('ICASA') published the End-user and Subscriber Service Charter Amendment Regulations, which came into effect in March 2019. The main objective was to address consumer concerns with regard to out-of-bundle charges and expiry of data. Following consultations, ICASA made further changes to the regulations, which came into effect April 2019.

In August 2018, ICASA concluded its inquiry to identify their priorities for market reviews and potential regulation in the Electronic Communications Sector ('ECS'). The markets identified were wholesale fixed access, upstream infrastructure markets, and mobile services that include the retail market for mobile services and the wholesale supply of mobile network services including relevant facilities.

In September 2018, ICASA published Final Call Termination Regulations ('CTR') effective as of October 2018.

In November 2018, ICASA commenced a market inquiry into mobile broadband services to assess the state of competition and determine whether there are markets or market segments within the mobile broadband services value chain that may require regulatory intervention.

In February 2019, the Minister of Communications informed the Parliamentary Portfolio Committee of her decision to withdraw the Electronic Communications Act ('ECA') Amendment Bill from the Parliamentary process. The withdrawal of the ECA Amendment Bill means licensing of High Demand Spectrum can be managed under the existing legislation.

Regulation (continued)

Unaudited information

Vodacom: Democratic Republic of Congo

In June 2017, the Tax Authority commenced investigations on whether Vodacom Congo's 2G licence renewal in December 2015 was legally obtained. In March 2019, the Ministry of Communications re-opened the matter with intention to pursue it further with the Tax Authority. Vodacom Congo has made representations to show accordance with the law.

In September 2017, the Public Prosecutor commenced its SIM registration investigation with all MNOs. The outcome of the investigation has not yet been communicated.

In March 2018, an ordinance law was signed that included the extension of 10% excise duty on telecommunications services that are provided free to the end user, such as promotions with free minutes, data usage and messaging. Vodacom DRC is participating in industry association engagement with the DRC government to clarify aspects of the law.

In January 2018, the Minister of Communications and the Communications Regulator put forward a decree to implement a traffic monitoring system. In February 2019, the new President instructed cancellation of the Decree. The Prime Minister subsequently instructed cancellation of the third-party supplier contract. Negotiations for a new supplier and traffic monitoring system have commenced. The Communications Regulator supported by the Minister of Communications have proposed that industry pays a fee of USD 3.5 m/month for the implementation of a new traffic monitoring system. Vodacom Congo is participating in industry engagements on the matter.

In June 2018, a new decree was issued to govern implementation of the law requiring that all sub-contracts must be with Congolese owned and registered companies. This included the establishment of a regulatory body to oversee implementation.

Vodacom: Tanzania

In December 2017, Vodacom Tanzania received a non-compliance order from the national regulatory authority ('TCRA') in relation to tests conducted in September 2017 on SIM registration. Vodacom Tanzania has submitted its defence and awaits TCRA's final decision.

In December 2017, TCRA published a new MTR of TZS15.60 per minute from 1 January 2018. The glide path reduces the MTR to TZS2.00 per minute by January 2022. Vodacom Tanzania has filed an appeal with the Fair Competition Commission.

In February 2019, the Central Bank of Tanzania approved the Electronic Money Issuance Licence for the new M-Pesa Limited entity for US$ 849 for a term of 5 years.

In June 2018, Vodacom Tanzania secured a licence for 2x10MHz of 700MHz spectrum at a cost of US$10 million, due to expire in 2033.

Vodacom Group has entered into an agreement with Mirambo Limited to acquire Mirambo's 588 million shares in Vodacom Tanzania. This will result in Vodacom Group increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75% (direct). The transaction has received requisite regulatory approvals, but is yet to be finalised.

In April 2019, several of Vodacom Tanzania Plc's (Vodacom Tanzania) employees, including the Managing Director, were arrested by the Tanzanian Police in relation to a customer's alleged illegal use of network facilities. These employees were charged with a number of offences, including economic crimes, which are non-bailable offences under Tanzania's Economic Organised Crime Act ('EOCA'). Vodacom Tanzania paid a fine of TZS 30 million as well as an amount of TZS 5.2 billion, as compensation for the financial losses occasioned to the Tanzanian Communication Regulatory Authority ('TCRA'), after pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting use of network services in contravention of the Electronic and Postal Communications Act ('EPOCA'). Vodacom Tanzania, its parent companies Vodacom Group Limited and Vodafone Group Plc are committed to upholding the highest standards of business integrity, ethics and good corporate governance. The companies have retained global law firm, Squire Patton Boggs to assist it with an internal investigation into the underlying facts in line with the companies' legal and corporate governance principles and to safeguard the company.

Vodacom: Mozambique

In July 2018, Vodacom Mozambique acquired a unified licence attached to its existing 2G and 3G spectrum at a cost of US$ 40 million, extending the right of use of its 900MHz, 1800MHz and 2100MHz frequencies until August 2038.

In November 2018, Vodacom Mozambique secured 2x10 MHz of spectrum in the 800 MHz band through auction for US$ 33.3 million. The national regulatory authority is in the process of issuing the respective licence.

Vodacom: Lesotho

The national regulatory authority's ('LCA') sector review is ongoing and the draft paper raises concerns in relation to a two-player market structure. Vodacom Lesotho has submitted comments. Final determinations of the sector review are still pending.

In August 2018, LCA granted Vodacom Lesotho's application for an additional 79MHz of 3.5GHz spectrum for an annual licence fee of US$92,000.

In February 2019, the LCA implemented a new MTR glide path as follows: 2019/2020 – M0.15 (EUR 0, 0084); 2020/2021 – M0.12 (EUR 0, 0067); 2021/2022 – M0.09 (EUR 0, 0050).

International roaming in Africa

Vodacom has complied with transparency requirements proposed by the SADC Roaming Policy and Guidelines issued by the Communications Regulators Association of Southern Africa (CRASA) in 2016. In Lesotho and Mozambique, Vodacom has further implemented Phase 1 of the glide path recommended by CRASA based on requests by their national regulatory authority. In June 2018, CRASA conducted a consultative workshop and commissioned a cost model to inform regulation of wholesale and retail roaming rates across the region. CRASA issued data requests to all participating regulatory authorities to support this process. Vodacom South Africa, Mozambique and Tanzania submitted the data request in August 2018, as instructed by their national regulatory authority. In January 2019, the Lesotho Communications Regulator requested roaming data from operators, which is currently being collated. No request was received in the DRC. Minister of Communications in Tanzania has re-issued EAC Roaming Regulations unchanged from 2014. (USD 7 cents wholesale cap and USD 10 cents retail cap, removing receiving retail charge). Vodacom Tanzania has provided comments on the Regulations to the Ministry of Communications in March 2019.

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Turkey

In December 2017, the national regulatory authority ('ICTA') initiated the review process for the wholesale broadband access market, including remedies for margin squeeze test and VULA. Vodafone Turkey has submitted its response and the completion of the review is pending.

ICTA's proposed action to broaden the scope of the 3G coverage to include new metropolitan areas is still suspended by the Council of State motion, as Vodafone Turkey's appeal to the administrative court is still pending.

In October 2018, ICTA reintroduced a retail price cap tariff for all mobile operators.

Australia

In June 2018, the Australian Communications and Media Authority ('ACMA') introduced a new regulation to deal with improving consumer protections associated with the rollout of the National Broadband Network.

In August 2018, Vodafone Hutchison Australia announced plans to merge with TPG Telecom. The proposed merger with TPG Telecom is subject to various conditions including, court and regulatory approvals, and if regulatory approvals are obtained, the merger is expected to complete in 2019. The two businesses also formed a separate spectrum joint venture vehicle. During the 3.6 GHz spectrum auction held in 2018 the VHA and TPG joint venture secured 131 lots at auction for $263 million, expiring in 2030.

In September 2018, the Telecommunications Sector Security Reforms ('TSSR') came into effect. Under the TSSR, the Government has announced a ban on vendors in 5G networks who are likely to be subject to extra judicial directions from a foreign government that conflict with Australian law.

Egypt

In December 2018, the award for the interconnection arbitration case with Etisalat Misr was issued in favour of Etisalat Misr. Vodafone Egypt filed for an annulment of the award in March 2019.

In January 2019, Vodafone Egypt signed its latest acquired licence named "Gated Community Licence" for a period of fifteen years. This licence allows Vodafone Egypt to provide all its services including but not limited to Telecom services, M2M, IPTV, Internet Services and Smart Cities to Gated Compounds and Buildings within Egypt.

Ghana

In January 2018, Vodafone Ghana paid 30% of the judgment debt into court (€4.8 million) in line with a Conditional Stay of Execution in relation to a High Court decision, affirmed by a panel of the Court of Appeal, on a parcel of land located at Afransi in the Central Region of Ghana. The Ghana Lands Commission originally granted this land to Ghana Telecom. The Twidan Royal family of Gomoa Afransi stool contested Vodafone Ghana's title to the land in Court and secured a Judgment Debt equivalent to €13.6 million. An appeal against the substantive decision of the High Court has been filed and both parties and subsequently submitted written submissions on the Appeal in March 2019. Judgment of the Court on the Appeal is expected by May 2019.

In December 2018, Vodafone Ghana secured a licence for 2x5MHz of 800MHz spectrum at a cost of USD$30 million, due to expire in 2033. A provisional licence to provide 4G services was issued to Vodafone in December 2018, following the 1st of 3 instalment payments ending December 2019.

New Zealand

In November 2018, the New Zealand Government passed the Telecommunications (New Regulatory Framework) Amendment Act. This Act establishes the regulatory framework for fibre access, removes copper regulation over time, and provides the Commerce Commission with increased regulatory oversight of retail service quality. The Commerce Commission has commenced work on Input Methodologies to assess the cost of access to Chorus' wholesale fibre network.

In March 2019, the Minister of Broadcasting, Communications and Digital Media announced that a total of 390MHz of 3.5GHz spectrum for 5G use will be available from November 2022, subject to separate decisions around Maori rights. The auction is expected to occur in Q1 2020.

Safaricom: Kenya

In May 2018, the national regulatory authority ('CA') issued a public notice instructing all MNOs to deactivate all active unregistered and partially registered SIM-cards on their respective networks. The MNOs engaged the Ministry of Information, Communication and Technology as well as the CA on agreeing a sustainable registration framework and possible amendments to the current SIM-card Registration Regulations.

In February 2019, Telkom Kenya Ltd and Airtel Networks Kenya Limited announced their intention to merge their respective mobile, enterprise and carrier businesses in Kenya and operate under a joint venture: Airtel-Telkom. The merger is subject to various conditions including regulatory approvals and is expected to be completed in 2019.

In March 2019, the Kenyan Parliamentary Departmental Committee on Communication, Information and Innovation made recommendations from its 'Inquiry into the Legislative and Regulatory Gaps Affecting Competition in the Telecommunications Sub-Sector in Kenya'. The Parliament adopted the Committee's report in April 2019.

There are currently two Data Protection Bills under discussion in Kenya: in May 2018 the Data Protection Bill was introduced in the House and is currently before the Senate, and the draft Bill developed by a Ministerial Taskforce on Privacy and Data Protection is currently undergoing approval by the Kenyan Cabinet.

Regulation (continued)

Unaudited information

Overview of spectrum licences at 31 March 2019

Country by region	700MHz Quantity[1] (Expiry date)	800MHz Quantity[1] (Expiry date)	900MHz Quantity[1] (Expiry date)	1400/1500MHz Quantity[1] (Expiry date)	1800MHz Quantity[1] (Expiry date)	2.1GHz Quantity[1] (Expiry date)	2.6GHz Quantity[1] (Expiry date)	3.5GHz Quantity[1] (Expiry date)
Europe region								
Germany	**2x10** (2033)	**2x10** (2025)	**2x10** (2033)	**20** (2033)	**2x25** (2033)	**2x10+5** (2020)	**2x20+25** (2025)	**42** (2021)
						2x5[2] (2025)		
Italy	**2x10** (2037)	**2x10** (2029)	**2x10** (2029)	**20** (2029)	**2x15** (2029)	**2x15+5** (2021)	**2x15** (2029)	**80** (2037)
					2x5[2] (2029)			
UK[3]	**n/a**	**2x10** (2033)	**2x17.4**	**20** (2023)	**2x5.8**	**2x14.8** (2022)	**2x20+25** (2033)	**50** (2038)
Spain	**n/a**	**2x10** (2031)	**2x10** (2028)	**n/a**	**2x20** (2030)	**2x15+5** (2030)	**2x20+20** (2030)	**90** (2038)
Netherlands	**n/a**	**2x10** (2029)	**2x10** (2030)	**n/a**	**2x20** (2030)	**2x20** (2020)	**2x30** (2030)[4]	**n/a**
Ireland	**n/a**	**2x10** (2030)	**2x10** (2030)	**n/a**	**2x25** (2030)	**2x15** (2022)	**n/a**	**105**[5] (2032)
Portugal	**n/a**	**2x10** (2027)	**2x5** (2021)	**n/a**	**2x6** (2021)	**2x20** (2033)	**2x20+25** (2027)	**n/a**
			2x5[2] (2027)		**2x14**[2] (2027)			
Romania	**n/a**	**2x10** (2029)	**2x10** (2029)	**n/a**	**2x30** (2029)	**2x15+5** (2020)	**15** (2029)	**2x20** (2025)
Greece	**n/a**	**2x10** (2030)	**2x15** (2027)	**n/a**	**2x10** (2027)	**2x20+5** (2021)	**2x20+20** (2030)	**n/a**
					2x15[2] (2035)			
Czech Republic	**n/a**	**2x10** (2029)	**2x10** (2029)[6]	**n/a**	**2x27** (2029)	**2x20** (2025)	**2x20** (2029)	**40** (2032)
Hungary	**n/a**	**2x10** (2029)	**2x10** (2022)[6]	**n/a**	**2x15** (2022)[6]	**2x15** (2027)	**2x20+25** (2029)	**60** (2034)
			2x1 (2029)[5]					
Albania	**n/a**	**2x10** (2034)	**2x8** (2031)	**n/a**	**2x9** (2031)	**2x15+5** (2025)	**2x20+20** (2030)	**n/a**
			2x2[2] (2030)		**2x14**[2] (2030)	**2x5**[2] (2029)		
			2x4[7] (2024)		**2x5**[7] (2024)	**2x5**[7] (2021)		
Malta	**n/a**	**2x10** (2033)	**2x15** (2026)	**n/a**	**2x25** (2026)	**2x20+5** (2020)	**2x30+25** (2033)	**2x21** (2020)

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Country by region	700MHz Quantity[1] (Expiry date)	800MHz Quantity[1] (Expiry date)	900MHz Quantity[1] (Expiry date)	1400/1500MHz Quantity[1] (Expiry date)	1800MHz Quantity[1] (Expiry date)	2.1GHz Quantity[1] (Expiry date)	2.6GHz Quantity[1] (Expiry date)	3.5GHz Quantity[1] (Expiry date)
Africa, Middle East and Asia-Pacific								
India[8]	**n/a**	**n/a**	(2021–2036)	**n/a**	(2021–2037)	(2030–2036)	(2036)	**n/a**
Vodacom: South Africa[9]	**n/a**	**n/a**	**2x11**	**n/a**	**2x12**	**2x15+5**	**n/a**	**n/a**
Vodacom: Democratic Republic of Congo	**n/a**	**2x10** (2037)	**2x6** (2028)	**n/a**	**2x18** (2028)	**2x10+15** (2032)	**n/a**	**2x15** (2026)
Lesotho	**n/a**	**2x20[10]**	**2x22[10]**	**n/a**	**2x30[10]**	**2x15[10]**	**40[10]**	**40[10]**
								81 (2036)
Mozambique	**n/a**	**2x10** (2039)	**2x8** (2038)	**n/a**	**2x8** (2038)	**2x15+10** (2038)	**n/a**	**n/a**
Tanzania	**2x10** (2033)	**n/a**	**2x7.5** (2031)	**n/a**	**2x10** (2031)	**2x15** (2031)	**n/a**	**2x7+2x14** (2031)
Turkey	**n/a**	**2x10** (2029)	**2x11** (2023)	**n/a**	**2x10** (2029)	**2x15+5** (2029)	**2x15+10** (2029)	**n/a**
			2x1.4[2] (2029)					
Australia[11]	**2x5** (2030)	**2x10 (850MHz)** (2028)	**2x8** (annual)	**n/a**	**2x30** (2028)	**2x25+5** (2032)	**n/a**	**30** (2030)
Egypt	**n/a**	**n/a**	**2x12.5** (2031)	**n/a**	**2x10** (2031)	**2x20** (2031)	**n/a**	**n/a**
New Zealand	**2x15** (2031)	**n/a**	**2x15** (2031)	**n/a**	**2x25** (2021)	**2x25+10** (2021)	**2x15+5** (2028)	**2x28** (2022)
Safaricom: Kenya	**n/a**	**2x10** (TBC)[12]	**2x17.5** (2024)	**n/a**	**2x20** (2024)	**2x10** (2022)	**n/a**	**40** (2024)
Ghana	**n/a**	**2x5** (2023)	**2x8** (2019)[13]	**n/a**	**2x10** (2019)[13]	**2x15** (2023)[14]	**n/a**	**n/a**

Notes:
1 Single (or unpaired) blocks of spectrum are used for asymmetric data (non-voice) use; block quantity has been rounded to the nearest whole number.
2 Blocks within the same spectrum band but with different licence expiry dates are separately identified.
3 UK – all UK spectrum licences are perpetual so any dates given are the ones from which licence fees become payable, and where no date is given this means that license fees already apply.
4 Netherlands – Licence breakdown 2x10MHz from Vodafone, 2x20MHz from Ziggo.
5 Ireland – 105MHz in cities, 85MHz in regions.
6 Hungary – 900MHz and 1800MHz – conditional options to extend these licences to 2034.
7 Albania – spectrum acquired from PLUS' exit from market.
8 India comprises 22 separate service area licences with a variety of expiry dates.
9 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.
10 Vodacom's Lesotho spectrum licences are renewed annually. N.B. 40MHz in 2.6GHz column is actually 2.3GHz.
11 Australia – table refers to Sydney/Melbourne only. In total VHA has:
– 700MHz band – 2x5 MHz across Australia.
– 850MHz band – 2x10MHz in Sydney/Melbourne/Brisbane/Adelaide/Perth and 2x5MHz across the rest of Australia.
– 900MHz band – 2x8MHz across Australia.
– 800MHz band – 2x30MHz in Sydney/Melbourne, 2x25MHz in Brisbane/Adelaide/Perth/Canberra, 2x15MHz in South-West Western Australia, 2x10MHz in Victoria/North Queensland and 2x5MHz in Darwin/Tasmania/South Queensland.
– 2.1GHz band (excluding short-term 2.1GHz licences), VHA holds 2x25 MHz in Sydney/Melbourne, 2x20MHz in Brisbane/Adelaide/Perth, 2x20MHz Darwin/Hobart, 2x10 MHz in Canberra and 2x5MHz in regional Australia.
– 3.GHz band – VHA acquired 60 MHz as part of a joint venture. VHA only has access to 30MHz at this point in time.
12 Kenya – awaiting confirmation of full licence terms.
13 Ghana – licence renewal due December 2019.
14 Ghana – the NRA has issued provisional licences with the intention of converting them to full licences once the NRA has been reconvened.

Regulation (continued)

Unaudited information

Mobile Termination Rates ('MTRs')

National regulators are required to take utmost account of the Commission's existing recommendation on the regulation of fixed and MTRs. This recommendation requires MTRs to be set using a long run incremental cost methodology. Over the last three years MTRs effective for our subsidiaries were as follows:

Country by region	2017	2018	2019[1]	1 April 2019[2]
Europe				
Germany (€ cents)	1.10	1.07	0.95	
Italy (€ cents)	0.98	0.98	0.90	0.76
UK (GB £ pence)	0.50	0.50	0.479	
Spain (€ cents)	1.09	0.70	0.67	0.64
Netherlands (€ cents)	1.86	0.581	0.581	
Ireland (€ cents)	0.84	0.79	0.79	
Portugal (€ cents)	0.79	0.75	0.39	0.35
Romania (€ cents)	0.96	0.96	0.96	
Greece (€ cents)	1.07	0.958	0.946	
Czech Republic (CZK)	0.248	0.248	0.248	
Hungary (HUF)	1.71	1.71	1.71	
Albania (ALL)	1.48	1.48	1.22	1.11
Malta (€ cents)	0.40	0.40	0.40	
Africa, Middle East and Asia-Pacific				
India (rupees)[3]	0.14	0.06	0.06	
Vodacom: South Africa (ZAR)	0.13	0.13	0.12	0.10
Vodacom: Democratic Republic of Congo (USD cents)	2.70	2.40	1.50	
Lesotho (LSL/ZAR)	0.26	0.20	0.15	0.12
Mozambique (MZN/USD cents)	0.44	0.48	0.39	
Tanzania (TZN)	26.96	15.60	10.40	
Turkey (lira)	0.03	0.03	0.03	
Australia (AUD cents)	1.70	1.70	1.70	
Egypt (PTS/piastres)	10.00	11.00	11.00	
New Zealand (NZD cents)	3.56	3.56	3.56	
Safaricom: Kenya (shilling)	0.99	0.99	0.99	
Ghana (peswas)	4.00	4.00	4.00	

Notes:
1 All MTRs are based on end of financial year values.
2 MTR changes already announced to be implemented after 1 April 2019 are included at the current rate or where a glide-path or a final decision has been determined by the national regulatory authority.
3 India – 2018 MTR has been challenged this Regulation in the Bombay High Court. The next hearing is due 12 April 2018. Vodafone India's petition in Delhi High Court against TRAI's previous MTR reduction from 0.20 to 0.14 is listed for final hearing on 11 July 2019.

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Alternative performance measures

Unaudited information

In the discussion of the Group's reported operating results, alternative performance measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

IFRS 15 basis and IAS 18 basis

Following the adoption of IFRS 15 "Revenue from Contracts with Customers" on 1 April 2018, the Group's statutory results for year ended 31 March 2019 are on an IFRS 15 basis, whereas the statutory results for the year ended 31 March 2018 are on an IAS 18 basis as previously reported, with any comparison between the two bases of reporting not being meaningful. As a result, the discussion of our operating results in the Strategic Report is primarily performed on an IAS 18 basis for all years presented.

We believe that the IAS 18 basis metrics for the year ended 31 March 2019, which are not intended to be a substitute for, or superior to, our reported metrics on an IFRS 15 basis, provide useful information to allow comparable growth rates to be calculated. A reconciliation of service revenue, revenue, adjusted EBITDA, adjusted EBIT and adjusted operating profit to the statutory IFRS 15 basis for the year ended 31 March 2019 and for service revenue and revenue for the quarters ended 31 March 2019 and 31 December 2018 is included in the following pages.

In addition, to assist investors and other stakeholders in understanding the impact of IFRS 15 on the Group's results, the following pages also include pro forma results for the year ended 31 March 2018 and quarters ended 31 March 2018 and 31 December 2017 on an IFRS 15 basis, associated IFRS 15 and organic growths and a reconciliation to the statutory IAS 18 basis for those periods.

Service revenue

Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls. We believe that it is both useful and necessary to report this measure for the following reasons:

- It is used for internal performance reporting;
- It is used in setting director and management remuneration; and
- It is useful in connection with discussion with the investment analyst community.

Reconciliation of reported service revenue to the respective closest equivalent GAAP measure, revenue, are provided in the "Our financial performance" section on pages 26 to 33 and the "Prior year operating results" on pages 200 to 205.

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA is operating profit excluding share of results in associates and joint ventures, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs arising from discrete restructuring plans, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. We use adjusted EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted EBIT, adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that adjusted EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive to assess internal performance in conjunction with adjusted EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report adjusted EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because adjusted EBITDA does not take into account certain items that affect operations and performance, adjusted EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse adjusted EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. Adjusted EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance.

A reconciliation of adjusted EBITDA and adjusted EBITDA margin to the closest equivalent GAAP measure, operating profit, is provided in note 2 "Revenue disaggregation and segmental analysis" to the consolidated financial statements and page 235 respectively.

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Alternative performance measures (continued)

Unaudited information

Group adjusted EBIT, adjusted operating profit and adjusted earnings per share

Group adjusted EBIT and adjusted operating profit exclude impairment losses, restructuring costs arising from discrete restructuring plans, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted EBIT also excludes the share of results in associates and joint ventures. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects.

We believe that it is both useful and necessary to report these measures for the following reasons:

- These measures are used for internal performance reporting;
- These measures are used in setting director and management remuneration; and
- They are useful in connection with discussion with the investment analyst community and debt rating agencies.

Adjusted EBIT is reconciled to the respective closest equivalent GAAP measure, operating profit, in the "Our financial performance" section on page 26. A reconciliation of adjusted operating profit to the respective closest equivalent GAAP measure, operating profit, is provided in note 2 "Revenue disaggregation and segmental analysis" to the consolidated financial statements. A reconciliation of adjusted earnings per share to basic earnings per share is provided in the "Our financial performance" section on page 28.

Cash flow measures and capital additions

In presenting and discussing our reported results, free cash flow (pre-spectrum), free cash flow, capital additions and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- Free cash flow (pre-spectrum) and free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow (pre-spectrum) and capital additions do not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- Free cash flow facilitates comparability of results with other companies, although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- These measures are used by management for planning, reporting and incentive purposes; and
- These measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided below.

	2019 €m	2018 €m	2017 €m
Cash generated by operations (refer to note 18)	**14,182**	**13,860**	**13,781**
Capital additions	(7,227)	(7,321)	(7,675)
Working capital movement in respect of capital additions	(89)	171	(822)
Disposal of property, plant and equipment	45	41	43
Restructuring payments	195	250	266
Other	(35)	–	34
Operating free cash flow	**7,071**	**7,001**	**5,627**
Taxation	(1,040)	(1,010)	(761)
Dividends received from associates and investments	498	489	433
Dividends paid to non-controlling shareholders in subsidiaries	(584)	(310)	(413)
Interest received and paid	(502)	(753)	(830)
Free cash flow (pre-spectrum)	**5,443**	**5,417**	**4,056**
Licence and spectrum payments	(837)	(1,123)	(474)
Restructuring payments	(195)	(250)	(266)
Free cash flow	**4,411**	**4,044**	**3,316**

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2019 financial year guidance

The adjusted EBITDA and free cash flow guidance measures for the year ended 31 March 2019 were forward-looking alternative performance measures based on the Group's assessment of the global macroeconomic outlook and foreign exchange rates of €1:£0.87, €1:ZAR 15.1, €1:TRY 5.1 and €1:EGP 22.1. These guidance measures exclude the impact of licence and spectrum payments, material one-off tax-related payments, restructuring payments, changes in shareholder recharges from India and any fundamental structural change to the Eurozone. They also assume no material change to the current structure of the Group. We believe it is both useful and necessary to report these guidance measures to give investors an indication of the Group's expected future performance, the Group's sensitivity to foreign exchange movements and to report actual performance against these guidance measures.

Reconciliations of adjusted EBITDA and free cash flow to the 2019 financial year guidance basis is shown below.

	Adjusted EBITDA			Free cash flow (pre-spectrum)
	2019 €m	2018 €m	Growth	2019 €m
Reported (IAS 18 basis)	**14,139**	**14,737**	**(4.1)%**	**5,443**
Other activity (including M&A)	(95)	(341)		–
Foreign exchange	–	(288)		–
Handset financing and settlements	(198)	(674)		–
Guidance basis	**13,846**	**13,434**	**3.1%**	**5,443**

Other

Certain of the statements within the Strategic Report contains forward-looking alternative performance measures for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information. Certain of the statements within the section titled "FY19 guidance delivered and FY20 outlook" on page 25 contain forward-looking non-GAAP financial information which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Organic growth

All amounts in this document marked with an "*" represent "organic growth", which presents performance on a comparable basis in terms of merger and acquisition activity and foreign exchange rates. Whilst organic growth is neither intended to be a substitute for reported growth, nor is it superior to reported growth, we believe that these measures provide useful and necessary information for the following reasons:

- They provide additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- They are used for internal performance analysis; and
- They facilitate comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

The Group's organic growth rates for all periods exclude the results of Vodafone India Limited, which were reported in discontinued operations prior to the completion of the merger with Idea Cellular Limited on 31 August 2018, and the results of Vodafone Qatar following its disposal in the 2018 financial year. In addition, operating segment organic service revenue growth rates for all quarters have been amended to exclude the impact of changes to intercompany interconnect rates and the impact of excluding international wholesale voice transit revenues from service revenue with effect from 1 April 2018.

We have not provided a comparative in respect of organic growth rates as the current rates describe the change between the beginning and end of the current period, with such changes being explained by the commentary in this news release. If comparatives were provided, significant sections of the commentary from the news release for prior periods would also need to be included, reducing the usefulness and transparency of this document.

Alternative performance measures (continued)

Unaudited information

Reconciliations of organic growth to reported growth are shown where used or in the following tables.

			IAS 18			
	2019 €m	2018 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Year ended 31 March						
Revenue						
Germany	10,952	10,847	1.0	0.1	–	1.1
Italy	5,882	6,204	(5.2)	0.2	–	(5.0)
UK	6,799	7,078	(3.9)	0.1	–	(3.8)
Spain	4,688	4,978	(5.8)	0.3	–	(5.5)
Other Europe	5,121	4,941	3.6	(0.6)	0.2	3.2
Eliminations	(116)	(160)				
Europe	33,326	33,888	(1.7)	(0.2)	0.1	(1.8)
Vodacom	5,660	5,692	(0.6)	0.1	3.8	3.3
Other Markets	4,864	5,770	(15.7)	10.8	14.6	9.7
Of which: Turkey	2,344	2,845	(17.6)	0.5	32.3	15.2
Of which: Egypt	1,112	961	15.7	–	(1.4)	14.3
Rest of the World	10,524	11,462	(8.2)	4.9	9.4	6.1
Other	1,518	1,408				
Eliminations	(302)	(187)				
Group (IAS 18 basis)	**45,066**	**46,571**	**(3.2)**	**0.8**	**2.3**	**(0.1)**
Impact of adoption of IFRS 15	(1,400)					
Group (IFRS 15 basis)	**43,666**					
Adjusted EBITDA						
Germany	4,098	4,010	2.2	(0.2)	–	2.0
Italy	2,189	2,329	(6.0)	0.2	–	(5.8)
UK	1,527	1,762	(13.3)	(0.8)	–	(14.1)
Spain	1,079	1,420	(24.0)	0.5	–	(23.5)
Other Europe	1,628	1,515	7.5	0.1	–	7.6
Europe	**10,521**	**11,036**	**(4.7)**	**–**	**–**	**(4.7)**
Vodacom	2,155	2,203	(2.2)	–	4.1	1.9
Other Markets	1,395	1,554	(10.2)	11.4	12.8	14.0
Of which: Turkey	542	644	(15.8)	1.3	33.7	19.2
Of which: Egypt	514	413	24.5	(0.1)	(1.3)	23.1
Rest of the World	**3,550**	**3,757**	**(5.5)**	**4.2**	**7.6**	**6.3**
Other	68	(56)				
Group (IAS 18 basis)	**14,139**	**14,737**	**(4.1)**	**1.6**	**2.0**	**(0.5)**
Impact of adoption of IFRS 15	(221)					
Group (IFRS 15 basis)	**13,918**					
Percentage point change in adjusted EBITDA margin						
Europe	31.6%	32.6%	(1.0)	–	–	(1.0)
Rest of the World	33.7%	32.8%	0.9	(0.3)	(0.6)	–
Other Markets						
Of which: Turkey	23.1%	22.6%	0.5	0.1	0.1	0.7
Of which: Egypt	46.2%	43.0%	3.2	–	0.1	3.3
Group	**31.4%**	**31.6%**	**(0.2)**	**0.3**	**(0.2)**	**(0.1)**
Adjusted EBIT						
Europe	2,282	2,855	(20.1)	–	–	(20.1)
Rest of the World	2,140	2,102	1.8	(1.3)	7.3	7.8
Other	52	(130)				
Group (IAS 18 basis)	**4,474**	**4,827**	**(7.3)**	**1.9**	**2.9**	**(2.5)**
Impact of adoption of IFRS 15	(221)					
Group (IFRS 15 basis)	**4,253**					
Adjusted operating profit						
Europe	2,431	2,895	(16.0)	–	(0.1)	(16.1)
Rest of the World	1,701	2,453	(30.7)	32.9	4.4	6.6
Other	51	(132)				
Group (IAS 18 basis)	**4,183**	**5,216**	**(19.8)**	**17.2**	**2.4**	**(0.2)**
Impact of adoption of IFRS 15	(278)					
Group (IFRS 15 basis)	**3,905**					

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	IAS 18					
	Germany		UK		Group	
	2019 €m	2018 €m	**2019 €m**	2018 €m	**2019 €m**	2018 €m
Year ended 31 March 2019						
Other metrics						
Revenue	10,952	10,847	6,799	7,078	45,066	46,571
Impact of UK handset financing and settlements	–	(102)	(223)	(504)	(223)	(606)
Adjusted revenue excluding the impact of UK handset financing and settlements	10,952	10,745	6,576	6,574	44,843	45,965
Other activity (including M&A)	–	(12)	–	(9)	(113)	(486)
Foreign exchange	–	–	–	(2)	–	(1,076)
Adjusted revenue, organic excluding the impact of UK handset financing and settlements	10,952	10,733	6,576	6,563	44,730	44,403
Adjusted EBITDA	4,098	4,010	1,527	1,762	14,139	14,737
Impact of UK handset financing and settlements	–	(89)	(198)	(585)	(198)	(674)
Adjusted EBITDA excluding the impact of UK handset financing and settlements	4,098	3,921	1,329	1,177	13,941	14,063
Other activity (including M&A)	–	7	–	17	(95)	(341)
Foreign exchange	–	–	–	–	–	(288)
Adjusted EBITDA, organic excluding the impact of UK handset financing and settlements	4,098	3,928	1,329	1,194	13,846	13,434
Adjusted EBITDA margin	37.4%	37.0%	22.5%	24.9%	31.4%	31.6%
Adjusted EBITDA margin excluding the impact of UK handset financing and settlements	37.4%	36.5%	20.2%	17.9%	31.1%	30.6%

Alternative performance measures (continued)

Unaudited information

	2019 €m	2018 €m	IAS 18 Reported %	IAS 18 Other activity (including M&A) pps	IAS 18 Foreign exchange pps	IAS 18 Organic %
Year ended 31 March 2019						
Service revenue						
Germany	10,306	10,262	0.4	0.1	–	0.5
Mobile service revenue	6,126	6,087	0.6	0.2	–	0.8
Fixed service revenue	4,180	4,175	0.1	–	–	0.1
Italy	4,979	5,302	(6.1)	0.2	–	(5.9)
Mobile service revenue	3,893	4,310	(9.7)	0.3	–	(9.4)
Fixed service revenue	1,086	992	9.5	0.1	–	9.6
UK	5,775	6,094	(5.2)	0.1	–	(5.1)
Mobile service revenue	4,230	4,629	(8.6)	0.1	0.1	(8.4)
Fixed service revenue	1,545	1,465	5.5	–	(0.2)	5.3
Spain	4,275	4,587	(6.8)	0.4	–	(6.4)
Other Europe	4,743	4,625	2.6	(0.6)	0.1	2.1
Of which: Ireland	959	949	1.1	0.2	–	1.3
Of which: Portugal	967	950	1.8	0.6	–	2.4
Of which: Greece	875	815	7.4	(5.0)	–	2.4
Eliminations	(110)	(157)				
Europe	**29,968**	**30,713**	**(2.4)**	**(0.1)**	**–**	**(2.5)**
Vodacom	4,660	4,656	0.1	–	3.7	3.8
Of which: South Africa	3,506	3,601	(2.6)	–	4.7	2.1
Of which: International operations	1,151	1,034	11.3	–	(0.1)	11.2
Other Markets	4,083	4,845	(15.7)	11.4	13.2	8.9
Of which: Turkey	1,748	2,146	(18.5)	0.6	32.2	14.3
Of which: Egypt	1,077	927	16.2	–	(1.5)	14.7
Eliminations	–	–				
Rest of the World	**8,743**	**9,501**	**(8.0)**	**5.4**	**8.7**	**6.1**
Other	610	1,037				
Eliminations	(101)	(185)				
Total service revenue	**39,220**	**41,066**	**(4.5)**	**1.6**	**2.0**	**(0.9)**
Other revenue	5,846	5,505				
Revenue (IAS 18 basis)	**45,066**	**46,571**	**(3.2)**	**0.8**	**2.3**	**(0.1)**
Impact of adoption of IFRS 15	(1,400)					
Revenue (IFRS 15 basis)	**43,666**					
Other growth metrics						
Excluding the impact of UK handset financing and settlements:						
Group – Service revenue	39,220	41,066	(4.5)	2.0	2.8	0.3
Group – Mobile service revenue	28,962	30,660	(5.5)	2.4	2.5	(0.6)
Group – Fixed service revenue	10,258	10,406	(1.4)	0.6	3.7	2.9
Group – EBITDA	14,139	14,737	(4.1)	2.0	5.2	3.1
Group – EBIT	4,475	4,826	(7.3)	2.9	13.8	9.4
Europe – Service revenue	29,968	30,713	(2.4)	–	1.3	(1.1)
Europe – EBITDA	10,521	11,036	(4.7)	–	4.2	(0.5)
Vodafone Business – Service revenue	11,729	11,918	(1.6)	1.2	0.7	0.3
Vodafone Business – Service revenue (RoW)	1,780	1,943	(8.4)	7.0	5.1	3.7
Vodafone Business – Mobile service revenue	7,980	8,262	(3.4)	1.3	0.8	(1.3)
Vodafone Business – Fixed service revenue	3,749	3,656	2.5	0.8	0.5	3.8
Group – IoT revenue	783	747	4.8	0.1	4.8	9.7
Group – IoT Connectivity revenue	615	556	10.6	0.2	3.7	14.5
Europe – Consumer	19,144	19,752	(3.1)	–	2.0	(1.1)
Europe – Consumer mobile	13,636	14,319	(4.8)	0.1	2.3	(2.4)
Europe – Consumer fixed	5,507	5,434	1.4	–	1.2	2.6
Europe – Consumer excl. Italy and Spain	13,029	13,071	(0.3)	–	3.0	2.7
Europe – Consumer mobile excl. Italy and Spain	9,162	9,330	(1.8)	–	3.5	1.7
Europe – Consumer fixed excl. Italy and Spain	3,868	3,740	3.4	–	1.8	5.2
Emerging consumer – Service revenue	6,106	6,649	(8.2)	9.7	5.9	7.4
Germany – Service revenue	10,306	10,262	0.4	–	1.1	1.5
Germany – Mobile service revenue	6,126	6,087	0.6	–	0.2	0.8
Germany – Fixed service revenue	4,180	4,175	0.1	–	2.5	2.6
Germany – Service revenue excl. wholesale	9,832	9,731	1.0	–	1.2	2.2
Germany – Mobile service revenue excl. wholesale	5,863	5,784	1.4	–	0.2	1.6
Germany – Fixed service revenue excl. wholesale	3,970	3,948	0.6	–	2.6	3.2
Germany – EBITDA	4,098	4,010	2.2	–	2.1	4.3
UK – Service revenue	5,775	6,094	(5.2)	–	0.1	(5.1)
UK – Service revenue excl. handset financing	5,775	6,094	(5.2)	–	5.8	0.6
UK – Mobile service revenue excl. handset financing	4,231	4,629	(8.6)	0.1	7.7	(0.8)
UK – EBITDA	1,527	1,762	(13.3)	–	24.6	11.3
UK – Operating expenses	(1,820)	(1,911)	(4.7)	0.1	(0.7)	(5.3)
South Africa – Data revenue	1,527	1,540	(0.9)	4.8	(0.0)	3.9

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	IAS 18					
	2019 €m	2018 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Quarter ended 31 March 2019	5,775	6,094	(5.2%)	–	5.8pp	0.6%
Service revenue	4,231	4,629	(8.6%)	0.1pp	7.7pp	(0.8%)
Germany	1,527	1,762	(13.3%)	–	24.6pp	11.3%
Mobile service revenue	(1,820)	(1,911)	(4.7%)	0.1pp	(0.7pp)	(5.3%)
Fixed service revenue	1,527	1,540	(0.9%)	4.8pp	(0.0pp)	3.9%
Italy	3,970	3,948	0.6%	–	2.6pp	3.2%
Mobile service revenue	4,098	4,010	2.2%	–	2.1pp	4.3%
Fixed service revenue	5,775	6,094	(5.2%)	–	0.1pp	(5.1%)
UK	5,775	6,094	(5.2%)	–	5.8pp	0.6%
Mobile service revenue	4,231	4,629	(8.6%)	0.1pp	7.7pp	(0.8%)
Fixed service revenue	1,527	1,762	(13.3%)	–	24.6pp	11.3%
Spain	(1,820)	(1,911)	(4.7%)	0.1pp	(0.7pp)	(5.3%)
Other Europe	1,527	1,540	(0.9%)	4.8pp	(0.0pp)	3.9%
Of which: Ireland	241	244	(1.2)	0.1	–	(1.1)
Of which: Portugal	236	233	1.3	0.5	–	1.8
Of which: Greece	216	195	10.8	(7.4)	–	3.4
Eliminations	(23)	(35)				
Europe	**7,390**	**7,691**	**(3.9)**	**(0.2)**	**(0.2)**	**(4.3)**
Vodacom	1,164	1,197	(2.8)	–	5.3	2.5
Of which: South Africa	875	945	(7.4)	–	7.7	0.3
Of which: International operations	289	251	15.1	–	(5.6)	9.5
Other Markets	1,036	1,163	(10.9)	11.5	7.2	7.8
Of which: Turkey	437	505	(13.5)	0.5	26.1	13.1
Of which: Egypt	280	232	20.7	–	(9.5)	11.2
Rest of the World	**2,200**	**2,360**	**(6.8)**	**5.4**	**6.3**	**4.9**
Other	165	292				
Eliminations	(33)	(58)				
Total service revenue	**9,722**	**10,285**	**(5.5)**	**1.7**	**1.3**	**(2.5)**
Other revenue	1,414	1,414				
Revenue (IAS 18 basis)	**11,136**	**11,699**	**(4.8)**	**0.7**	**1.6**	**(2.5)**
Impact of adoption of IFRS 15	(316)					
Revenue (IFRS 15 basis)	**10,820**					
Other growth metrics						
Excluding the impact of UK handset financing and settlements						
Group – Service revenue	9,722	10,285	(5.5)	1.3	3.6	(0.6)
Group – Mobile service revenue	7,079	7,525	(5.9)	1.6	2.7	(1.6)
Group – Fixed service revenue	2,643	2,760	(4.2)	–	6.5	2.3
Europe – Service revenue	7,390	7,692	(3.9)	(0.2)	2.3	(1.8)
Germany – Service revenue	2,556	2,636	(3.0)	–	4.0	1.0
Germany – Mobile service revenue	1,506	1,501	0.4	–	0.2	0.6
Germany – Fixed service revenue	1,050	1,135	(7.5)	–	9.1	1.6
Germany – Service revenue excl. wholesale	2,447	2,505	(2.3)	–	4.2	1.9
Germany – Mobile service revenue excl. wholesale	1,447	1,428	1.4	–	0.2	1.6
Germany – Fixed service revenue excl. wholesale	1,000	1,077	(7.2)	–	9.6	2.4
UK – Service revenue	1,452	1,524	(4.7)	(1.3)	0.2	(5.8)
UK – Service revenue excl. handset financing	1,452	1,524	(4.7)	(1.3)	6.1	0.1
UK – Mobile service revenue excl. handset financing	1,027	1,114	(7.9)	(1.1)	8.3	(0.7)
Ireland – Service revenue excluding prior year benefit	241	244	(1.4)	–	2.4	1.0
South Africa – Data revenue	386	412	(6.2)	7.8	–	1.6

Alternative performance measures (continued)

Unaudited information

	2018 €m	2017 €m	IAS 18 Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Quarter ended 31 December 2018						
Service revenue						
Germany	2,590	2,564	1.0	0.1	–	1.1
Mobile service revenue	1,541	1,540	0.1	0.1	–	0.2
Fixed service revenue	1,049	1,024	2.4	0.1	–	2.5
Italy	1,261	1,324	(4.8)	0.2	–	(4.6)
Mobile service revenue	979	1,071	(8.6)	0.2	–	(8.4)
Fixed service revenue	282	253	11.5	(0.2)	–	11.3
UK	1,426	1,496	(4.7)	0.1	0.1	(4.5)
Mobile service revenue	1,041	1,138	(8.5)	0.2	0.1	(8.2)
Fixed service revenue	385	358	7.5	–	(0.2)	7.3
Spain	1,056	1,144	(7.7)	0.3	–	(7.4)
Other Europe	1,188	1,157	2.7	(0.5)	–	2.2
Of which: Ireland	238	236	0.8	0.6	–	1.4
Of which: Portugal	241	235	2.6	0.3	–	2.9
Of which: Greece	221	201	10.0	(7.0)	–	3.0
Eliminations	(25)	(36)				
Europe	**7,496**	**7,649**	**(2.0)**	**(0.2)**	**0.1**	**(2.1)**
Vodacom	1,156	1,149	0.6	–	0.9	1.5
Of which: South Africa	854	878	(2.7)	0.1	1.7	(0.9)
Of which: International operations	302	267	13.1	–	(2.0)	11.1
Other Markets	1,014	1,189	(14.7)	11.9	11.9	9.1
Of which: Turkey	424	520	(18.5)	0.4	32.9	14.8
Of which: Egypt	275	235	17.0	–	(2.6)	14.4
Rest of the World	**2,170**	**2,338**	**(7.2)**	**5.5**	**6.6**	**4.9**
Other	135	255				
Eliminations	(14)	(53)				
Total service revenue	**9,787**	**10,189**	**(3.9)**	**1.6**	**1.5**	**(0.8)**
Other revenue	1,598	1,608				
Revenue (IAS 18 basis)	**11,385**	**11,797**	**(3.5)**	**0.8**	**1.8**	**(0.9)**
Impact of adoption of IFRS 15	(389)					
Revenue (IFRS 15 basis)	**10,996**					
Other growth metrics						
Vodafone Business – Service revenue	2,938	2,999	(2.0)	0.7	0.8	(0.5)
Vodafone Business – Fixed service revenue	934	911	2.5	0.5	0.5	3.5
Vodafone Business – Mobile service revenue	2,004	2,088	(4.0)	0.9	0.9	(2.2)
Emerging Consumer – Service revenue	1,524	1,646	(7.4)	6.0	7.8	6.4
Germany – Service revenue excluding wholesale drag	2,590	2,564	1.0	0.9	–	1.9
South Africa – Data revenue	363	371	(2.1)	–	1.7	(0.4)
South Africa – Voice revenue	347	355	(2.2)	–	1.7	(0.5)
Excluding the impact of UK handset financing and settlements:						
Group – Service revenue	9,787	10,189	(3.9)	2.5	1.5	0.1
Europe – Service revenue	7,496	7,649	(2.0)	0.8	0.1	(1.1)
Europe Consumer – Service revenue	4,788	4,918	(2.6)	1.3	–	(1.3)
Europe Consumer – Service revenue excluding Italy and Spain	3,263	3,248	0.5	1.9	–	2.4
Europe Consumer – Fixed service revenue	1,382	1,351	2.3	(0.9)	–	1.4
Europe Consumer – Mobile service revenue	3,406	3,567	(4.5)	2.1	–	(2.4)
UK – Service revenue	1,426	1,496	(4.7)	5.5	0.1	0.9
UK – Mobile service revenue	1,041	1,138	(8.5)	7.3	0.1	(1.1)

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	IAS 18					
	2018 €m	2017 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Year ended 31 March 2018						
Revenue						
Europe	33,888	34,550	(1.9)	4.1	0.8	3.0
Rest of the World	11,462	11,773	(2.6)	0.5	11.5	9.4
Of which: Turkey	2,845	3,052	(6.8)	0.1	21.2	14.5
Of which: Egypt	961	1,329	(27.7)	–	48.0	20.3
Other	1,408	1,390				
Eliminations	(187)	(82)				
Total	**46,571**	**47,631**	**(2.2)**	**2.7**	**3.3**	**3.8**
India	*4,670*	*5,853*	*(20.2)*	*–*	*1.7*	*(18.5)*
Adjusted EBITDA						
Germany	4,010	3,617	10.9	(0.1)	(0.1)	10.7
Italy	2,329	2,229	4.5	0.1	–	4.6
UK	1,762	1,212	45.4	(1.2)	7.6	51.8
Spain	1,420	1,360	4.4	0.6	–	5.0
Other Europe	1,515	1,865	(18.8)	26.8	(0.3)	7.7
Europe	**11,036**	**10,283**	**7.3**	**5.1**	**0.6**	**13.0**
Vodacom	2,203	2,063	6.8	–	(0.3)	6.5
Other Markets	1,554	1,791	(13.2)	1.0	24.1	11.9
Of which: Turkey	644	646	(0.3)	0.3	22.6	22.6
Of which: Egypt	413	590	(30.0)	–	44.9	14.9
Rest of the World	**3,757**	**3,854**	**(2.5)**	**0.3**	**10.8**	**8.6**
Other	(56)	12				
Total	**14,737**	**14,149**	**4.2**	**4.3**	**3.3**	**11.8**
India	*1,030*	*1,596*	*(35.5)*	*–*	*1.0*	*(34.5)*
Percentage point change in adjusted EBITDA margin						
Europe	32.6%	29.8%	2.8	0.2	(0.1)	2.9
Rest of the World	32.8%	32.7%	0.1	(0.1)	(0.3)	(0.3)
Other Markets	26.9%	27.6%	(0.7)	(0.1)	1.0	0.2
Of which: Turkey	22.6%	21.2%	1.4	–	0.1	1.5
Of which: Egypt	43.0%	44.4%	(1.4)	–	(0.6)	(2.0)
Group	**31.6%**	**29.7%**	**1.9**	**0.3**	**–**	**2.2**
Adjusted EBIT						
Europe	2,855	1,939	47.2	40.6	(1.5)	86.3
Rest of the World	2,102	2,025	3.8	(1.6)	9.4	11.6
Other	(130)	6				
Total	**4,827**	**3,970**	**21.6**	**20.7**	**4.9**	**47.2**
Adjusted operating profit						
Europe	2,895	1,890	53.2	34.8	(1.7)	86.3
Rest of the World	2,453	2,238	9.6	(1.6)	9.9	17.9
Other	(132)	6				
Total	**5,216**	**4,134**	**26.2**	**17.4**	**5.4**	**49.0**
India	*990*	*480*	*106.3*	*0.1*	*4.3*	*110.7*

Alternative performance measures (continued)

Unaudited information

			IAS 18			
	2018 €m	2017 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Year ended 31 March 2018						
Service revenue						
Germany	10,262	10,006	2.6	–	–	2.6
Mobile service revenue	6,087	6,071	0.3	0.1	–	0.4
Fixed service revenue	4,175	3,935	6.1	–	–	6.1
Italy	5,302	5,247	1.0	0.2	–	1.2
Mobile service revenue	4,310	4,365	(1.3)	0.3	–	(1.0)
Fixed service revenue	992	882	12.5	–	(0.1)	12.4
UK	6,094	6,632	(8.1)	0.1	4.5	(3.5)
Mobile service revenue	4,629	5,079	(8.9)	0.1	4.6	(4.2)
Fixed service revenue	1,465	1,553	(5.7)	–	4.6	(1.1)
Spain	4,587	4,507	1.8	0.3	–	2.1
Other Europe	4,625	5,756	(19.6)	22.9	(0.4)	2.9
Of which: Ireland	949	954	(0.5)	0.3	–	(0.2)
Of which: Portugal	950	911	4.3	0.4	(0.1)	4.6
Of which: Greece	815	789	3.3	0.4	–	3.7
Eliminations	(157)	(173)				
Europe	**30,713**	**31,975**	**(3.9)**	**4.0**	**0.8**	**0.9**
Vodacom	4,656	4,447	4.7	–	0.3	5.0
Of which: South Africa	3,601	3,396	6.0	–	(1.1)	4.9
Of which: International operations	1,034	1,001	3.3	–	5.0	8.3
Other Markets	4,845	5,509	(12.1)	1.6	21.2	10.7.
Of which: Turkey	2,146	2,310	(7.1)	0.1	21.1	14.1
Of which: Egypt	927	1,278	(27.5)	–	48.2	20.7
Of which: New Zealand	1,099	1,169	(6.0)	–	5.5	(0.5)
Rest of the World	**9,501**	**9,956**	**(4.6)**	**0.6**	**11.7**	**7.7**
Other	1,037	1,138				
Eliminations	(185)	(82)				
Total service revenue	**41,066**	**42,987**	**(4.5)**	**3.1**	**3.2**	**1.8**
Other revenue	5,505	4,644				
Revenue	**46,571**	**47,631**	**(2.2)**	**2.7**	**3.3**	**3.8**
Other growth metrics						
Germany – Operating expenses	(2,537)	(2,597)	(2.3)	–	–	(2.3)
Italy – Operating expenses	(1,265)	(1,346)	(6.0)	–	–	(6.0)
UK – Operating expenses	(1,911)	(2,111)	(9.5)	–	4.6	(4.9)
Spain – Consumer converged revenues	1,804	1,586	13.7	–	–	13.7
Spain – Operating expenses	(1,121)	(1,149)	(2.4)	–	(0.1)	(2.5)
South Africa – Data revenue	1,540	1,352	13.9	–	(1.1)	12.8
South Africa – Voice revenue	1,459	1,505	(3.1)	–	(1.5)	(4.6)
Excluding the impact of legal settlement:						
Group – Service revenue	41,066	42,987	(4.5)	2.9	3.2	1.6
Germany – Service revenue	10,262	10,006	2.6	(1.0)	–	1.6
Germany – Fixed service revenue	4,175	3,935	6.1	(2.6)	–	3.5
Germany – Adjusted EBITDA	4,010	3,617	10.9	(2.5)	(0.1)	8.3
Excluding the impact of regulation, German legal settlement and handset financing:						
Group – Adjusted EBITDA	14,737	14,149	4.2	0.4	3.3	7.9
Europe – Service revenue	30,713	31,975	(3.9)	5.1	0.8	2.0
Europe – Adjusted EBITDA	11,036	10,283	7.3	–	0.6	7.9
Germany – Service revenue	10,262	10,006	2.6	(0.1)	–	2.5
Germany – Mobile service revenue	6,087	6,071	0.3	1.5	–	1.8
UK – Service revenue	6,094	6,632	(8.1)	3.9	4.5	0.3
UK – Mobile service revenue	4,629	5,079	(8.9)	5.0	4.6	0.7
UK – Adjusted EBITDA	1,762	1,212	45.4	(51.6)	7.6	1.4
UK – Adjusted EBITDA margin	24.9%	17.5	7.4	(7.2)	0.1	0.3
India – Service revenue	4,643	5,834	(20.4)	4.7	1.7	(14.0)

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			IAS 18			
	2018 €m	2017 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Quarter ended 31 March 2018						
Service revenue						
Germany	2,636	2,492	5.8	0.1	–	5.9
Mobile service revenue	1,501	1,500	0.1	0.2	–	0.3
Fixed service revenue	1,135	992	14.4	–	–	14.4
Italy	1,305	1,298	0.5	0.2	–	0.7
Mobile service revenue	1,051	1,069	(1.7)	0.2	–	(1.5)
Fixed service revenue	254	229	10.9	–	0.2	11.1
UK	1,524	1,624	(6.2)	0.1	2.7	(3.4)
Mobile service revenue	1,114	1,218	(8.5)	0.2	2.6	(5.7)
Fixed service revenue	410	406	1.0	–	2.6	3.6
Spain	1,117	1,109	0.7	0.3	–	1.0
Other Europe	1,144	1,102	3.8	0.2	(0.7)	3.3
Of which: Ireland	244	235	3.8	0.3	0.2	4.3
Of which: Portugal	232	226	2.7	0.3	0.1	3.1
Of which: Greece	195	189	3.2	0.1	–	3.3
Eliminations	(35)	(32)				
Europe	**7,691**	**7,593**	**1.3**	**–**	**0.5**	**1.8**
Vodacom	1,197	1,198	(0.1)	–	5.9	5.8
Of which: South Africa	946	937	1.0	(0.1)	4.3	5.2
Of which: International operations	251	252	(0.4)	–	11.5	11.1
Other Markets	1,163	1,239	(6.1)	1.0	15.3	10.2
Of which: Turkey	505	526	(4.0)	–	18.3	14.3
Of which: Egypt	232	224	3.6	–	15.1	18.7
Of which: New Zealand	265	303	(12.5)	–	11.4	(1.1)
Rest of the World	**2,360**	**2,437**	**(3.2)**	**0.3**	**10.7**	**7.8**
Other	292	314				
Eliminations	(58)	(23)				
Total service revenue	**10,285**	**10,321**	**(0.3)**	**–**	**2.7**	**2.4**
Other revenue	1,414	1,020				
Revenue	**11,699**	**11,341**	**3.2**	**(0.9)**	**2.9**	**5.2**
Other growth metrics						
Group – Enterprise service revenue	3,054	3,071	(0.6)	(0.1)	2.2	1.5
Group – IoT revenue	203	184	10.3	–	1.5	11.8
South Africa – Data revenue	411	380	8.2	–	4.9	13.1
India – Revenue	993	1,385	(28.3)	–	7.9	(20.4)
India – Service revenue	979	1,379	(29.0)	–	7.8	(21.2)
Excluding the impact of legal settlement:						
Group – Service revenue	10,285	10,321	(0.3)	(1.0)	2.7	1.4
Germany – Service revenue	2,636	2,492	5.8	(4.0)	–	1.8
Germany – Fixed service revenue	1,135	992	14.4	(10.2)	–	4.2
Excluding the impact of regulation, German legal settlement and handset financing:						
Europe – Service revenue	7,691	7,593	1.3	(0.1)	0.5	1.7
UK – Service revenue	1,524	1,624	(6.2)	4.9	2.7	1.4
UK – Mobile service revenue	1,114	1,218	(8.5)	6.6	2.6	0.7
Spain – Service revenue	1,117	1,109	0.7	1.1	–	1.8
India – Service revenue	979	1,379	(29.0)	11.8	7.8	(9.4)

Alternative performance measures (continued)

Unaudited information

			IAS 18			
	Restated 2017 €m	Restated 2016 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Quarter ended 31 December 2017						
Service revenue						
Germany	2,564	2,505	2.4	0.1	–	2.5
Mobile service revenue	1,540	1,516	1.6	0.1	0.1	1.8
Fixed service revenue	1,024	989	3.5	–	–	3.5
Italy	1,324	1,330	(0.5)	0.1	–	(0.4)
Mobile service revenue	1,071	1,105	(3.1)	0.2	–	(2.9)
Fixed service revenue	253	225	12.4	–	(0.4)	12.0
UK	1,496	1,607	(6.9)	0.1	2.0	(4.8)
Mobile service revenue	1,138	1,227	(7.3)	0.1	2.0	(5.2)
Fixed service revenue	358	380	(5.8)	–	2.2	(3.6)
Spain	1,144	1,125	1.7	0.3	–	2.0
Other Europe	1,157	1,537	(24.7)	28.0	(0.4)	2.9
Of which: Ireland	236	236	–	0.3	0.1	0.4
Of which: Portugal	236	228	3.5	0.3	0.1	3.9
Of which: Greece	201	195	3.1	0.2	0.3	3.6
Eliminations	(36)	(41)				
Europe	**7,649**	**8,063**	**(5.1)**	**5.1**	**0.3**	**0.3**
Vodacom	1,149	1,165	(1.4)	–	6.7	5.3
Of which: South Africa	878	896	(2.0)	–	6.9	4.9
Of which: International operations	267	256	4.3	–	6.1	10.4
Other Markets	1,189	1,363	(12.8)	–	21.1	8.3
Of which: Turkey	520	581	(10.5)	–	23.7	13.2
Of which: Egypt	235	288	(18.4)	–	37.2	18.8
Of which: New Zealand	264	300	(12.0)	–	10.3	(1.7)
Rest of the World	**2,338**	**2,528**	**(7.5)**	**–**	**14.3**	**6.8**
Other	255	282				
Eliminations	(53)	(18)				
Total service revenue	**10,189**	**10,855**	**(6.1)**	**3.9**	**3.3**	**1.1**
Other revenue	1,608	1,384				
Revenue	**11,797**	**12,239**	**(3.6)**	**3.8**	**3.5**	**3.7**
Other growth metrics						
Group – Enterprise service revenue	2,999	3,238	(7.4)	5.6	2.2	0.4
Group – IoT revenue	187	170	10.0	7.1	1.7	18.8
South Africa – Data revenue	372	366	1.6	(0.1)	7.2	8.7
India – Revenue	1,067	1,453	(26.6)	–	3.6	(23.0)
India – Service revenue	1,063	1,450	(26.7)	–	3.6	(23.1)
Excluding the impact of legal settlement:						
Germany – Service revenue	2,564	2,505	2.4	0.1	–	2.5
Germany – Fixed service revenue	1,024	989	3.5	–	–	3.5
Excluding the impact of regulation, German legal settlement and handset financing:						
Group – Enterprise service revenue	2,999	3,238	(7.4)	6.8	2.2	1.6
Europe – Service revenue	7,649	8,063	(5.1)	6.7	0.3	1.9
UK – Service revenue	1,496	1,607	(6.9)	5.3	2.0	0.4
UK – Mobile service revenue	1,138	1,227	(7.3)	6.9	2.0	1.6
India – Service revenue	1,063	1,450	(26.7)	8.9	3.6	(14.2)

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		IAS 18				
	Restated 2017 €m	Restated 2016 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic %
Year ended 31 March 2017						
Revenue						
Europe	34,550	36,462	(5.2)	2.0	2.8	(0.4)
Rest of the World	11,773	11,891	(1.0)	(0.2)	8.6	7.4
Other	1,390	1,567				
Eliminations	(82)	(110)				
Total	**47,631**	**49,810**	**(4.4)**	**1.5**	**4.1**	**1.2**
Service revenue						
Europe	31,975	33,381	(4.2)	1.8	3.0	0.6
Rest of the World	9,956	10,043	(0.9)	–	8.6	7.7
Other	1,138	1,303				
Eliminations	(82)	(109)				
Total	**42,987**	**44,618**	**(3.7)**	**1.4**	**4.2**	**1.9**
Other revenue	4,644	5,192				
Total	**47,631**	**49,810**	**(4.4)**	**1.5**	**4.1**	**1.2**
Adjusted EBITDA						
Europe	10,283	10,485	(1.9)	2.9	2.1	3.1
Rest of the World	3,854	3,706	4.0	–	9.2	13.2
Other	12	(36)				
Total	**14,149**	**14,155**	**–**	**1.8**	**4.0**	**5.8**
Adjusted EBIT						
Europe	1,939	1,934	0.3	(4.6)	(0.7)	(5.0)
Rest of the World	2,025	1,875	8.0	–	9.3	17.3
Other	6	(40)				
Total	**3,970**	**3,769**	**5.3**	**(3.0)**	**4.7**	**7.0**
Adjusted operating profit						
Europe	1,890	1,927	(1.9)	(2.4)	(0.7)	(5.0)
Rest of the World	2,238	1,941	15.3	–	9.9	25.2
Other	6	(39)				
Total	**4,134**	**3,829**	**8.0**	**(1.1)**	**4.9**	**11.8**

Alternative performance measures (continued)

Unaudited information

	IFRS 15 basis					
	2019 €m	2018 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic* %
Year ended 31 March 2019						
Service revenue						
Germany	9,145	9,185	(0.4)	0.1	–	(0.3)
Italy	5,030	5,376	(6.4)	0.2	–	(6.2)
UK	4,952	4,953	–	0.3	–	0.3
Spain	4,203	4,480	(6.2)	0.4	–	(5.8)
Other Europe	4,460	4,312	3.4	(1.1)	0.6	2.9
Eliminations	(110)	(157)				
Europe	27,680	28,149	(1.7)	(0.3)	0.2	(1.8)
Vodacom	4,391	4,379	0.3	3.6	–	3.9
Other Markets	4,011	4,759	(15.7)	36.7	(11.7)	9.3
Of which: Turkey	1,736	2,123	(18.2)	33.5	(0.6)	14.7
Eliminations	–	–				
Rest of the World	8,402	9,138	(8.1)	20.1	(5.6)	6.4
Other	477	897	(46.8)	84.4	(42.0)	(4.4)
Eliminations	(101)	(184)				
Service revenue	36,458	38,000	(4.1)	5.6	(1.7)	(0.2)
Other revenue	7,208	7,140	1.0	(4.8)	4.3	0.5
Revenue (IFRS 15 basis)	43,666	45,140	(3.3)	4.0	(0.8)	(0.1)
Adjusted EBITDA						
Germany	4,079	4,176	(2.3)	(0.2)	–	(2.5)
Italy	2,202	2,351	(6.3)	0.1	–	(6.2)
UK	1,364	1,257	8.5	(2.8)	1.9	7.6
Spain	1,038	1,411	(26.4)	0.4	–	(26.0)
Other Europe	1,606	1,499	7.1	0.6	(0.2)	7.5
Europe	10,289	10,694	(3.8)	(0.1)	0.1	(3.8)
Vodacom	2,157	2,225	(3.1)	4.0	–	0.9
Other Markets	1,404	1,568	(10.5)	35.9	(11.4)	14.0
Of which: Turkey	550	664	(17.2)	35.6	(1.2)	17.2
Rest of the World	3,561	3,793	(6.1)	16.0	(4.2)	5.7
Other	68	(55)				
Group (IFRS 15 basis)	13,918	14,432	(3.6)	5.5	(1.7)	0.2
Adjusted EBIT						
Europe	2,050	2,513	(18.4)	0.1	0.1	(18.2)
Rest of the World	2,151	2,138	0.6	4.9	1.2	6.7
Other	52	(129)				
Group (IFRS 15 basis)	4,253	4,522	(5.9)	7.5	(2.0)	(0.4)
Adjusted operating profit						
Europe	2,200	2,541	(13.4)	–	0.2	(13.2)
Rest of the World	1,653	2,496	(33.8)	70.4	(33.1)	3.5
Other	52	(133)				
Group (IFRS 15 basis)	3,905	4,904	(20.4)	40.4	(18.8)	1.2

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	IFRS 15					
	2019 €m	2018 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic* %
Quarter ended 31 March						
Service revenue						
Germany	2,267	2,366	(4.2)	0.2	–	(4.0)
Italy	1,234	1,330	(7.2)	0.2	–	(7.0)
UK	1,257	1,255	0.2	(0.9)	0.5	(0.2)
Spain	1,002	1,092	(8.2)	0.3	–	(7.9)
Other Europe	1,103	1,064	3.7	(2.2)	1.0	2.5
Eliminations	(23)	(35)				
Europe	6,840	7,072	(3.3)	(0.5)	0.3	(3.5)
Vodacom	1,096	1,113	(1.5)	5.0	–	3.5
Other Markets	1,012	1,136	(10.9)	31.0	(11.8)	8.3
Of which: Turkey	432	491	(12.0)	27.5	(0.5)	15.0
Rest of the World	2,108	2,249	(6.3)	17.7	(5.7)	5.7
Other	123	257				
Eliminations	(34)	(58)				
Total service revenue	9,037	9,520	(5.1)	5.1	(1.8)	(1.8)
Other revenue	1,783	1,796	(0.7)	(6.7)	5.1	(2.3)
Revenue (IFRS 15 basis)	10,820	11,316	(4.4)	3.2	(0.7)	(1.9)

	IFRS 15					
	2018 €m	2017 €m	Reported %	Other activity (including M&A) pps	Foreign exchange pps	Organic* %
Quarter ended 31 December						
Service revenue						
Germany	2,301	2,289	0.5	0.1	–	0.6
Italy	1,284	1,342	(4.3)	0.1	–	(4.2)
UK	1,235	1,228	0.6	–	(0.2)	0.4
Spain	1,039	1,117	(7.0)	0.3	–	(6.7)
Other Europe	1,119	1,078	3.8	(1.5)	1.0	3.3
Eliminations	(25)	(36)				
Europe	6,953	7,018	(0.9)	(0.4)	0.2	(1.1)
Vodacom	1,096	1,090	0.6	0.8	–	1.4
Other Markets	1,009	1,176	(14.2)	36.7	(12.3)	10.2
Of which: Turkey	432	522	(17.2)	34.0	(0.5)	16.3
Rest of the World	2,105	2,266	(7.1)	18.2	(5.7)	5.4
Other	109	214				
Eliminations	(14)	(53)				
Total service revenue	9,153	9,445	(3.1)	5.2	(1.8)	0.3
Other revenue	1,845	2,003	(7.9)	(4.3)	3.7	(8.5)
Revenue (IFRS 15 basis)	10,998	11,448	(3.9)	3.4	(0.8)	(1.3)

Form 20-F cross reference guide

Unaudited information

The information in this document that is referenced in the following table will be included in our Annual Report on Form 20-F for 2019 filed with the SEC (the '2019 Form 20-F'). The information in this document will be updated and supplemented at the time of filing with the SEC or later amended if necessary. No other information in this document is included in the 2019 Form 20-F or incorporated by reference into any filings by us under the Securities Act. Please see "Documents on display" on page 217 for information on how to access the 2019 Form 20-F as filed with the SEC. The 2019 Form 20-F has not been approved or disapproved by the SEC nor has the SEC passed judgement upon the adequacy or accuracy of the 2019 Form 20-F.

Item	Form 20-F caption	Location in this document	Page
1	**Identity of Directors, senior management and advisers**	Not applicable	–
2	**Offer statistics and expected timetable**	Not applicable	–
3	**Key information**		
	3A Selected financial data	Selected financial data	253
	3B Capitalisation and indebtedness	Not applicable	–
	3C Reasons for the offer and use of proceeds	Not applicable	–
	3D Risk factors	Risk management	44 to 51
4	**Information on the Company**		
	4A History and development of the Company	History and development	221
		Contact details	Back cover
		Shareholder information: Contact details for Computershare and AST	215
		Shareholder information: Articles of Association and applicable English law	216
		Chief Executive's strategic review	12 to 21
		Chief Financial Officer's review	24 and 25
		Note 1 "Basis of preparation"	115 to 123
		Note 2 "Revenue disaggregation and segmental analysis"	124 to 128
		Note 7: "Discontinued operations and assets and liabilities held for sale"	142 and 143
		Note 11 "Property, plant and equipment"	147 and 148
		Note 26 "Acquisitions and disposals"	178 and 179
		Note 27 "Commitments"	180 and 181
	4B Business overview	Highlights of the year	4
		Our business at a glance	6 and 7
		Key trends shaping our industry	8 and 9
		Our business model	10 and 11
		Chief Executive's strategic review	12 to 21
		Our financial performance	26 to 33
		Financial position and resources	34 and 35
		Sustainable business	36 to 41
		Prior year operating results	200 to 205
		Note 2 "Revenue disaggregation and segmental analysis" – Segmental revenue and profit	124 to 128
		Regulation	222 to 230
	4C Organisational structure	Note 32 "Related undertakings"	191 to 198
		Note 12 "Investments in associates and joint arrangements"	149 to 152
		Note 13 "Other investments"	153
	4D Property, plant and equipment	Chief Executive's strategic review	12 to 21
		Chief Financial Officer's review	24 and 25
		Financial position and resources	34 and 35
		Note 11 "Property, plant and equipment"	147 and 148
4A	**Unresolved staff comments**	None	–

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Item	Form 20-F caption	Location in this document	Page
5	**Operating and financial review and prospects**		
	5A Operating results	Our financial performance	26 to 33
		Prior year operating results	200 to 205
		Note 20 "Borrowings and capital resources"	159 to 161
		Regulation	222 to 230
	5B Liquidity and capital resources	Financial position and resources: Liquidity and capital resources	35
		Note 21 "Capital and financial risk management"	162 to 169
		Note 20 "Borrowings and capital resources"	159 to 161
		Note 27 "Commitments"	180 and 181
	5C Research and development, patents and licences, etc.	Chief Executive's strategic review	12 to 21
		Chief Financial Officer's review	24 and 25
		Regulation: Licences	228 and 229
	5D Trend information	Chief Executive's strategic review	12 to 21
		Industry trends	8 and 9
		Long-Term Viability Statement	50 and 51
	5E Off-balance sheet arrangements	Note 20 "Borrowings and capital resources"	159 to 161
		Note 27 "Commitments"	180 and 181
		Note 28 "Contingent liabilities and legal proceedings"	182 to 185
	5F Tabular disclosure of contractual obligations	Financial position and resources: Contractual obligations and commitments	34
	5G Safe harbor	Forward-looking statements	249
6	**Directors, senior management and employees**		
	6A Directors and senior management	Board of Directors	56 and 57
		Executive Committee	58 and 59
		Board leadership and company purpose	54
		Division of responsibilities	55
	6B Compensation	2019 Remuneration	88 to 96
		Remuneration Policy	81 to 86
		Note 22 "Directors and key management compensation"	170
	6C Board practices	Shareholder information: Articles of Association and applicable English law	216
		Remuneration policy	81 to 86
		Board of Directors	56 and 57
		Audit and Risk Committee	71 to 76
		Remuneration Committee	77 to 79
		Board leadership and company purpose	54
		Division of responsibilities	55
	6D Employees	Our people and culture	42 and 43
		Note 23 "Employees"	171
	6E Share ownership	2019 Remuneration	88 to 96
		Remuneration Policy	81 to 86
7	**Major shareholders and related party transactions**		
	7A Major shareholders	Shareholder information: Major shareholders	215
	7B Related party transactions	2019 Remuneration	88 to 96
		Note 28 "Contingent liabilities and legal proceedings"	182 to 185
		Note 29 "Related party transactions"	186
	7C Interests of experts and counsel	Not applicable	–
8	**Financial information**		
	8A Consolidated statements and other financial information	Financials[1]	111 to 199
		Audit report on the consolidated and parent company financial statements[1]	102 to 110
		Note 28 "Contingent liabilities and legal proceedings"	182 to 185
	8B Significant changes	Note 30 "Subsequent events"	187

Form 20-F cross reference guide (continued)

Unaudited information

Item	Form 20-F caption	Location in this document	Page
9	**The offer and listing**		
	9A Offer and listing details	Shareholder information	214
	9B Plan of distribution	Not applicable	–
	9C Markets	Shareholder information: Markets	215
	9D Selling shareholders	Not applicable	–
	9E Dilution	Not applicable	–
	9F Expenses of the issue	Not applicable	–
10	**Additional information**		
	10A Share capital	Not applicable	–
	10B Memorandum and Articles of Association	Shareholder information: Articles of Association and applicable English law	216
		Shareholder information: Rights attaching to the Company's shares	216
		Shareholder information: Disclosure of interests in the Company's shares	217
		Shareholder information: Limitations on transfer, voting and shareholding	217
	10C Material contracts	Shareholder information: Material contracts	218
	10D Exchange controls	Shareholder information: Exchange controls	218
	10E Taxation	Shareholder information: Taxation	218 to 220
	10F Dividends and paying agents	Not applicable	–
	10G Statement by experts	Not applicable	–
	10H Documents on display	Shareholder information: Documents on display	217
	10I Subsidiary information	Not applicable	–
11	**Quantitative and qualitative disclosures about market risk**	Note 21 "Capital and financial risk management"	162 to 169
12	**Description of securities other than equity securities**		
	12A Debt securities	Not applicable	–
	12B Warrants and rights	Not applicable	–
	12C Other securities	Not applicable	–
	12D American depositary shares	Filed with the SEC	–
13	**Defaults, dividend arrearages and delinquencies**	Not applicable	–
14	**Material modifications to the rights of security holders and use of proceeds**	Not applicable	–
15	**Controls and procedures**	Governance	52 to 79
		Directors' statement of responsibility: Management's report on internal control over financial reporting	–
		Report of independent registered public accounting firm	–
16	16A Audit Committee financial expert	Board Committees	68 to 79
	16B Code of ethics	Our US listing requirements	97
	16C Principal accountant fees and services	Note 3 "Operating (loss)/profit"	129
		Board Committees: Audit and Risk Committee – External audit	74 and 75
	16D Exemptions from the listing standards for audit committees	Not applicable	–
	16E Purchase of equity securities by the issuer and affiliated purchasers	Not applicable	–
	16F Change in registrant's certifying accountant	Not applicable	–
	16G Corporate governance	Our US listing requirements	97
	16H Mine safety disclosure	Not applicable	–
17	**Financial statements**	Not applicable	–
18	**Financial statements**	Financials[1]	111 to 199
		Report of independent registered public accounting firm	–
19	**Exhibits**	Filed with the SEC	–

Note:
1 The parent company financial statements together with the associated notes and the audit report relating thereto, on pages 206 to 213 and pages 102 to 110 respectively, should not be considered to form part of the Company's Annual Report on Form 20-F.

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Forward-looking statements

Unaudited information

This document contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses, and certain of the Group's plans and objectives.

In particular, such forward-looking statements include statements with respect to:

- the Group's expectations and guidance regarding its financial and operating performance, the performance of associates and joint ventures, other investments and newly acquired businesses, preparation for 5G and expectations regarding customers;
- intentions and expectations regarding the development of products, services and initiatives introduced by, or together with, Vodafone or by third parties;
- expectations regarding the global economy and the Group's operating environment and market position, including future market conditions, growth in the number of worldwide mobile phone users and other trends;
- revenue and growth expected from Vodafone Business' and total communications strategy;
- mobile penetration and coverage rates, MTR cuts, the Group's ability to acquire spectrum and licences, including 5G licences, expected growth prospects in the Europe and Rest of the World regions and growth in customers and usage generally;
- anticipated benefits to the Group from cost-efficiency programmes, including their impact on the absolute indirect cost base;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments;
- expectations and assumptions regarding the Group's future revenue, operating profit, adjusted EBITDA, adjusted EBITDA margin, free cash flow, depreciation and amortisation charges, foreign exchange rates, tax rates and capital expenditure;
- expectations regarding the Group's access to adequate funding for its working capital requirements and share buyback programmes, and the Group's future dividends or its existing investments; and
- the impact of regulatory and legal proceedings involving the Group and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments;
- increased competition;
- levels of investment in network capacity and the Group's ability to deploy new technologies, products and services;
- rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations;
- the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services;
- the Group's ability to generate and grow revenue;
- a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays;
- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;
- the Group's ability to extend and expand its spectrum resources, to support ongoing growth in customer demand for mobile data services;
- the Group's ability to secure the timely delivery of high-quality products from suppliers;
- loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets;
- changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes;
- the impact of a failure or significant interruption to the Group's telecommunications, networks, IT systems or data protection systems;
- the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties;
- acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities;
- the Group's ability to integrate acquired business or assets;
- the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition;
- developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
- the Group's ability to satisfy working capital requirements;
- changes in foreign exchange rates;
- changes in the regulatory framework in which the Group operates;
- the impact of legal or other proceedings against the Group or other companies in the communications industry; and
- changes in statutory tax rates and profit mix.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Risk management" on pages 44 to 51 of this document. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

References in this document to information on websites (and/or social media sites) are included as an aid to their location and such information is not incorporated in, and does not form part of, the 2019 Annual Report on Form 20-F.

Definition of terms

Unaudited information

2G	2G networks are operated using global system for mobile ('GSM') technology which offers services such as voice, text messaging and low speed data. In addition, all the Group's controlled networks support general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access IP based data services such as the internet and email.
3G	A cellular technology based on wide band code division multiple access delivering voice and faster data services.
4G/LTE	4G or long-term evolution ('LTE') technology offers even faster data transfer speeds than 3G/HSPA.
5G	5G is the fifth-generation wireless broadband technology which provides better speeds and coverage than the current 4G.
Adjusted EBIT	Operating profit excluding share of results in associates and joint ventures, impairment losses, amortisation of customer bases and brand intangible assets restructuring costs arising from discrete restructuring plans and other income and expense. The Group's definition of adjusted EBIT may not be comparable with similarly titled measures and disclosures by other companies.
Adjusted EBITDA	Operating profit excluding share of results in associates and joint ventures, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs arising from discrete restructuring plans and other income and expense. The Group's definition of adjusted EBITDA may not be comparable with similarly titled measures and disclosures by other companies.
Adjusted operating profit	Group adjusted operating profit excludes impairment losses, restructuring costs arising from discrete restructuring plans, amortisation of customer bases and brand intangible assets and other income and expense.
ADR	American depositary receipts is a mechanism designed to facilitate trading in shares of non-US companies in the US stock markets. The main purpose is to create an instrument which can easily be settled through US stock market clearing systems.
ADS	American depositary shares are shares evidenced by American depositary receipts. ADSs are issued by a depositary bank and represent one or more shares of a non-US issuer held by the depositary bank. The main purpose of ADSs is to facilitate trading in shares of non-US companies in the US markets and, accordingly, ADRs which evidence ADSs are in a form suitable for holding in US clearing systems.
AGM	Annual general meeting.
Applications ('apps')	Apps are software applications usually designed to run on a smartphone or tablet device and provide a convenient means for the user to perform certain tasks. They cover a wide range of activities including banking, ticket purchasing, travel arrangements, social networking and games. For example, the My Vodafone app lets customers check their bill totals on their smartphone and see the minutes, texts and data allowance remaining.
ARPU	Average revenue per user, defined as customer revenue and incoming revenue divided by average customers.
Capital additions ('capex')	Comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Cloud services	This means the customer has little or no equipment, data and software at their premises. The capability associated with the service is run from the Vodafone network and data centres instead. This removes the need for customers to make capital investments and instead they have an operating cost model with a recurring monthly fee.
Converged customer	A customer who receives both fixed and mobile services (also known as unified communications) on a single bill or who receives a discount across both bills.
Customer costs	Customer costs include acquisition costs, retention costs and expenses related to ongoing commissions.
Customer value management ('CVM')	The delivery of perceived value to identifiable customer segments that results in a profitable return for the Company.
Depreciation and other amortisation	The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant and equipment and computer software.
Direct costs	Direct costs include interconnect costs and other direct costs of providing services.
Emerging consumer	Consumers in our Emerging Markets.
Enterprise	The Group's customer segment for businesses.
Europe region	The Group's region, Europe, which comprises the European operating segments.
FCA	Financial Conduct Authority.
Fixed broadband customer	A fixed broadband customer is defined as a customer with a connection or access point to a fixed data network.
Fixed service revenue	Service revenue relating to provision of fixed line ('fixed') and carrier services.
FTTC	Fibre-to-the-Cabinet involves running fibre optic cables from the telephone exchange or distribution point to the street cabinets which then connect to a standard phone line to provide broadband.
FTTH	Fibre-to-the-Home provides an end-to-end fibre optic connection the full distance from the exchange to the customer's premises.
FRC	Financial Reporting Council.

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Free cash flow ('FCF')	Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries, but before restructuring costs arising from discrete restructuring plans and licence and spectrum payments.
Gbps	Gigabits (billions) of bits per second.
HSPA+	An evolution of high speed packet access ('HSPA'). An evolution of third generation ('3G') technology that enhances the existing 3G network with higher speeds for the end user.
IAS 18	International Accounting Standard 18 "Revenue". The pre-existing revenue accounting standard that applied to the Group's statutory results for all reporting periods up to and including the quarter ended 31 March 2018.
ICT	Information and communications technology.
IFRS	International Financial Reporting Standards.
IFRS 15	International Financial Reporting Standard 15 "Revenue from Contracts with Customers". The new accounting standard adopted by the Group on 1 April 2018 and applied to the Group's statutory results for the year ending 31 March 2019.
Internet of Things ('IoT')	The network of physical objects embedded with electronics, software, sensors, and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database.
IP	Internet Protocol is the format in which data is sent from one computer to another on the internet.
IP-VPN	A virtual private network ('VPN') is a network that uses a shared telecommunications infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation's network.
Mark-to-market	Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability.
Mbps	Megabits (millions) of bits per second.
Mobile broadband	Mobile broadband allows internet access through a browser or a native application using any portable or mobile device such as smartphone, tablet or laptop connected to a cellular network.
Mobile customer	A mobile customer is defined as a subscriber identity module ('SIM'), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose, including data only usage.
Mobile customer revenue	Represents revenue from mobile customers from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge ('in-bundle') and revenues from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles ('out-of-bundle'). Mobile in-bundle and out-of-bundle revenues, previously disclosed separately, are now combined to simplify the presentation of the Group's results.
Mobile service revenue	Service revenue relating to the provision of mobile services.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed network operator.
MVNO	Mobile virtual network operators, companies that provide mobile phone services under wholesale contracts with a mobile network operator, but do not have their own licence or spectrum or the infrastructure required to operate a network.
Net debt	Long-term borrowings, short-term borrowings, short-term investments, mark-to-market adjustments and cash collateral on derivative financial instruments less cash and cash equivalents.
Next generation networks ('NGN')	Fibre or cable networks typically providing high-speed broadband over 30Mbps.
Net promoter score ('NPS')	Net promoter score is a customer loyalty metric used to monitor customer satisfaction.
Operating expenses	Operating expenses comprise primarily sales and distribution costs, network and IT related expenditure and business support costs.
Operating free cash flow	Cash generated from operations after cash payments for capital additions (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment, but before restructuring costs arising from discrete restructuring plans.
Organic growth	An alternative performance measure which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates.
Other Europe	Other Europe markets include Portugal, Ireland, Greece, Romania, Czech Republic, Hungary, Albania and Malta.
Other markets	Other Rest of the World markets include Turkey, Egypt, Ghana and New Zealand.
Other revenue	Other revenue includes revenue from connection fees and equipment sales.
Partner markets	Markets in which the Group has entered into a partner agreement with a local mobile operator enabling a range of Vodafone's global products and services to be marketed in that operator's territory and extending Vodafone's reach into such markets.
Penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers owning more than one SIM.
Petabyte	A petabyte is a measure of data usage. One petabyte is a million gigabytes.
Pps	Percentage points.

Definition of terms (continued)

Unaudited information

RAN	Radio access network is the part of a mobile telecommunications system which provides cellular coverage to mobile phones via a radio interface, managed by thousands of base stations installed on towers and rooftops across the coverage area, and linked to the core nodes through a backhaul infrastructure which can be owned, leased or a mix of both.
Regulation	Impact of industry specific law and regulations covering telecommunication services. The impact of regulation on service revenue comprises the effect of changes in mobile termination rates and roaming regulations.
Reported growth	Reported growth is based on amounts reported in euros as determined under IFRS.
Rest of the World ('RoW') region	The Group's region: Rest of the World, comprising Vodacom, Turkey and Other Markets operating segments.
Restructuring costs	Costs incurred by the Group following the implementation of discrete restructuring plans to improve overall efficiency.
RGUs/sub	Revenue Generating Units/unique subscriber ratio ('RGUs/sub') describes the average number of fixed services taken by subscribers.
Roaming	Allows customers to make calls, send and receive texts and data on other operators' mobile networks, usually while travelling abroad.
Service revenue	Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls. See pages 231 to 245 "Alternative performance measures" for further details.
Smartphone penetration	The number of smartphone devices divided by the number of registered SIMs (excluding data only SIMs) and telemetric applications.
SME	Small to medium-sized enterprise.
SoHo	Small and home office customers.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
Supranational	An international organisation, or union, whereby member states go beyond national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.
Vodafone Business	Vodafone Business is part of the Group and partners with businesses of every size to provide a range of business-related services.
VoIP	Voice over IP is a set of facilities used to manage the delivery of voice information over the internet in digital form via discrete packets rather than by using the traditional public switched telephone network.
VZW	Verizon Wireless, the Group's former associate in the United States.

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Overview
Strategic Report
Governance
Financials
Other information

Selected financial data

Unaudited information

The selected financial data shown below include the results of Vodafone India as discontinued operations in all years following the agreement to combine it with Idea Cellular.

At/for the year ended 31 March	2019	2018	2017	2016	2015
Consolidated income statement data (€m)					
Revenue	43,666	46,571	47,631	49,810	48,385
Operating (loss)/profit	(951)	4,299	3,725	1,320	2,073
(Loss)/profit before taxation	(2,613)	3,878	2,792	(190)	1,734
(Loss)/profit for financial year from continuing operations	(4,109)	4,757	(1,972)	(5,127)	7,805
(Loss)/profit for the financial year	(7,644)	2,788	(6,079)	(5,122)	7,477
Consolidated statement of financial position data (€m)					
Total assets	142,862	145,611	154,684	169,107	169,579
Total equity	63,445	68,607	73,719	85,136	93,708
Total equity shareholders' funds	62,218	67,640	72,200	83,325	91,510
Earnings per share[1,2]					
Weighted average number of shares (millions)					
– Basic	27,607	27,770	27,971	26,692	26,489
– Diluted	27,607	27,857	27,971	26,692	26,629
Basic (loss)/earnings per ordinary share	(29.05)c	8.78c	(22.51)c	(20.25)c	27.48c
Diluted (loss)/earnings per ordinary share	(29.05)c	8.76c	(22.51)c	(20.25)c	27.33c
Basic (loss)/earnings per share from continuing operations	(16.25)c	15.87c	(7.83)c	(20.27)c	28.72c
Cash dividends[1,3]					
Amount per ordinary share (eurocents)	9.00c	15.07c	14.77c	–	–
Amount per ADS (eurocents)	9.00c	15.07c	147.7c	–	–
Amount per ordinary share (pence)	–	–	–	11.45p	11.22p
Amount per ADS (pence)	–	–	–	114.5p	111.2p
Amount per ordinary share (US cents)	10.10c	17.93c	18.52c	16.49c	16.65c
Amount per ADS (US cents)	10.10c	179.3c	182.5c	164.9c	166.5c

Notes:
1 See note 8 to the consolidated financial statements, "Earnings per share". Earnings and dividends per ADS is calculated by multiplying earnings per ordinary share by ten, the number of ordinary shares per ADS.
2 On 19 February 2014, we announced a "6 for 11" share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) as at the close of business on 18 February 2014 to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014.
3 The final dividend for the year ended 31 March 2019 was proposed by the Directors on 14 May 2019 and is payable on 2 August 2019 to holders of record as of 7 June 2019. The total dividends have been translated into US dollars at 31 March 2019 for purposes of the above disclosure but the dividends are payable in US dollars under the terms of the ADS depositary agreement.

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