



We connect for  
a better future



# 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.

## 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

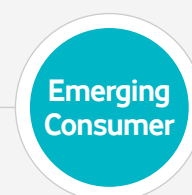


Europe's leading TV and content distribution platform

MyVodafone app driving loyalty and customer engagement



Leading global IoT platform

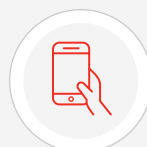


M-Pesa: Africa's largest payment platform

Supported by our scaled platforms and partnership approach

## Transforming our operating model

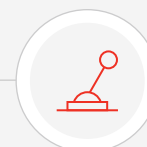
for greater efficiency and agility



Digital 'First'



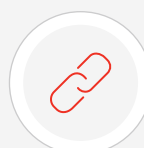
Radically simpler



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

## 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%, EBITDA up 3.1%<sup>1</sup> and most importantly EBIT up 9.4%<sup>1</sup> 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.

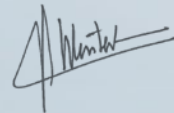
This performance reflected good revenue and profit growth in Germany, UK and Other Europe, offset by earnings declines in Spain and Italy. In Spain we took action to commercially reposition the business given increased price competition in the value segment, while in Italy we faced a new entrant in the 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:

<sup>1</sup> Excluding UK handset financing and one-off settlements.



## 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.

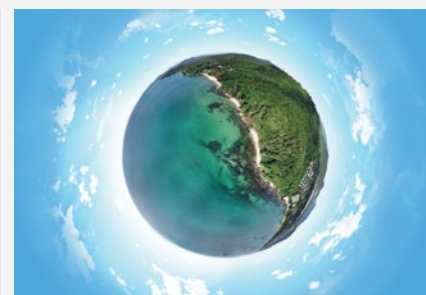
- **By connecting over 350 million people to our Gigabit networks by 2025**, citizens will access an ever-growing range of services in real-time and businesses can develop new products and services to meet the needs of future generations
- **By connecting over 150 million vehicles to the IoT by 2025**, 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<sup>1</sup>**, 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<sup>2</sup>**, we will reduce the amount of electronic waste produced by our business and will support the move towards a more circular economy

Notes:

<sup>1</sup> Against a 2017 baseline.

<sup>2</sup> Excluding hazardous waste.

## Highlights of the year

### Statutory figures

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



**26** Read more on our financial performance

### Alternative performance measures<sup>2</sup>

		2019 IAS 18	2018 IAS 18	2017 IAS 18	2016 IAS 18
Group service revenue	€m	<b>39,220</b>	41,066	42,987	44,618
Adjusted EBITDA	€m	<b>14,139</b>	14,737	14,149	14,155
Adjusted EBIT	€m	<b>4,474</b>	4,827	3,970	3,769
Adjusted earnings per share	€c	<b>5.26</b>	11.59	8.04	6.87
Free cash flow pre-spectrum	€m	<b>5,443</b>	5,417	4,056	1,271
Free cash flow	€m	<b>4,411</b>	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	%	<b>0.3<sup>4</sup></b>	2.0 <sup>4</sup>	1.9	1.1
European net operating expenses reduction <sup>5</sup>	€bn	<b>0.4</b>	0.3	—	—
Adjusted EBITDA margin	%	<b>31.1<sup>4</sup></b>	30.6 <sup>4</sup>	29.7	28.4
Organic adjusted EBITDA growth	%	<b>3.1<sup>4</sup></b>	6.5 <sup>4</sup>	5.8	2.3
Organic adjusted EBIT growth	%	<b>9.4<sup>4</sup></b>	25.4 <sup>4</sup>	7.0	(7.3)
Capex intensity	%	<b>16.0</b>	15.7	16.1	21.2
Net cost of debt	%	<b>2.5</b>	2.5	2.5	1.7
Average maturity of debt	years	<b>10.5</b>	9.4	9.6	7.5
Adjusted effective tax rate	%	<b>24.4<sup>3</sup></b>	20.6	25.4	26.6
Leverage (net debt/adjusted EBITDA)	ratio	<b>1.9</b>	2.0	2.1	1.9

### Operational metrics

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

### Sustainable business metrics

		2019	2018	2017	2016
Women in management and leadership roles <sup>9</sup>	%	<b>31</b>	30	29	28
Estimated additional female customers in emerging markets <sup>7</sup>	millions	<b>6.1</b>	3.9	9.4	—
Greenhouse gas emissions (Scope 1 and 2) <sup>9</sup>	m tonnes CO <sub>2</sub> e	<b>2.00</b>	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.



### 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**

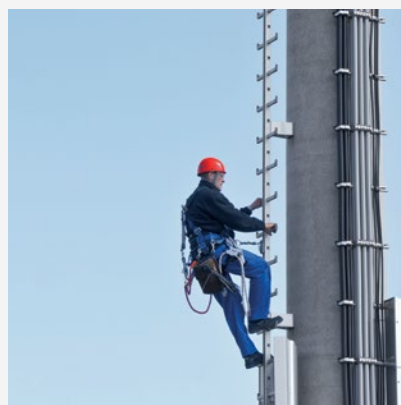
European net opex saving achieved

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**



### 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.

### Our wide range of products and services



**49%**

of service revenue

#### Mobile

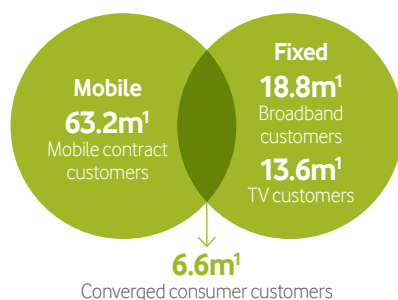
We provide a range of mobile services, enabling customers to call, text and access data whether at home or travelling abroad. As Europe moves towards 5G, our ambition is to build Europe's largest 5G network, which will allow us to continue to co-lead in each market.

#### 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.



# 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.

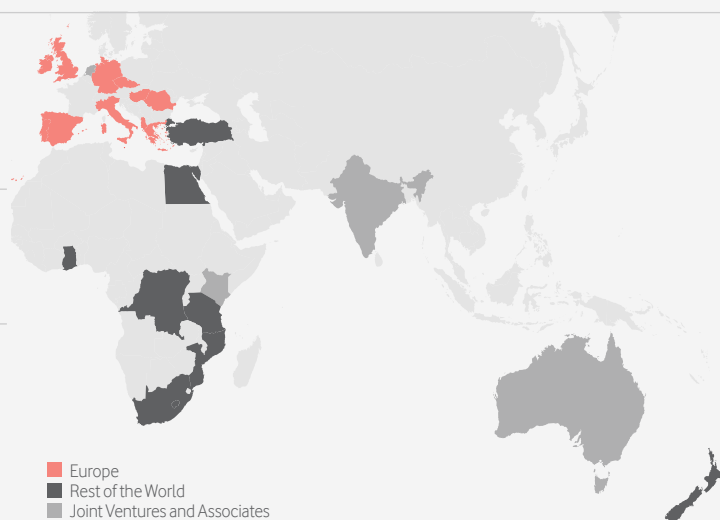
Albania<sup>1</sup>, Czech Republic, Germany, Greece, Hungary<sup>1</sup>, Ireland, Italy, Malta, Netherlands (joint venture), Portugal, Romania, Spain, UK.

### Rest of the world

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

**Emerging:** Egypt<sup>2</sup>, Ghana<sup>2</sup>, Turkey, Vodacom Group (South Africa, Tanzania<sup>2</sup>, Democratic Republic of Congo<sup>2</sup>, Mozambique<sup>2</sup>, Lesotho<sup>2</sup>).

**Other:** New Zealand, Australia (joint venture), India<sup>2</sup> (joint venture), Kenya<sup>2</sup> (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

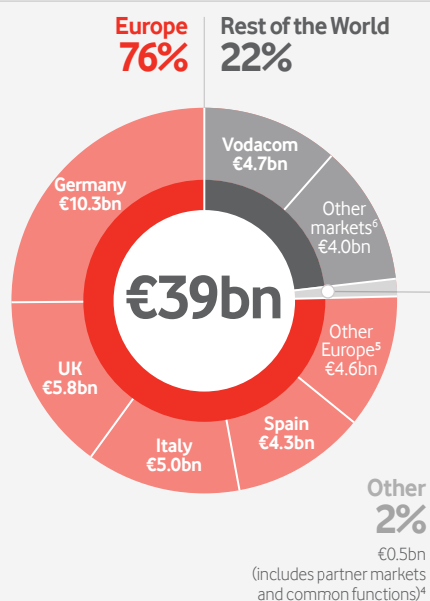
We are among the top five internet providers globally and one of the largest operators of submarine cables.

# 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 (%) <sup>8</sup>	Fixed broadband customers (m)	Fixed revenue market share (%) <sup>8</sup>	Consumer converged customers (m)	Convergence penetration (%) <sup>9</sup>
<b>Germany</b>	29.5	33.6	6.9	21.4	1.5	20.2
<b>UK</b>	17.2	21.3	0.6	6.8	0.3	57.0
<b>Italy</b>	21.0	31.1	2.8	9.3	1.0	41.4
<b>Spain</b>	13.7	17.4 <sup>7</sup>	3.2	17.4 <sup>7</sup>	2.3	91.4
<b>South Africa</b>	52.7	46.3 <sup>10</sup>	0.03	—	—	—
<b>Joint ventures</b>						
<b>Vodafone Idea</b>	334.1	31.5	0.3	—	—	—
<b>VodafoneZiggo</b>	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



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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%<sup>1</sup> 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%<sup>1</sup> 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%<sup>1</sup> 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%<sup>1</sup> 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.

## 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.

Note:  
2 Goldman Sachs.

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<sup>2</sup>.

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



## 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.





## 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



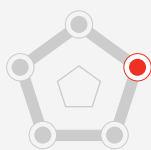
## Driving free cash flow generation

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



## 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



## Sustained reinvestment

**€59.5bn**

invested over the past five years. This comprises of:

**€43.5bn**  
**capex**

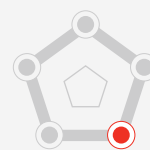
to modernise our mobile and IT networks and deploy fixed fibre networks.

**€8.2bn**  
**spectrum and licences**

to secure spectrum primarily for 4G/5G.

**€7.8bn**  
**M&A**

principally cable company acquisitions in Europe.



## 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



## 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%<sup>1</sup>, but grew 2.7%<sup>1</sup> 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:

<sup>1</sup> Excluding UK handset financing and one-off settlements.



**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**

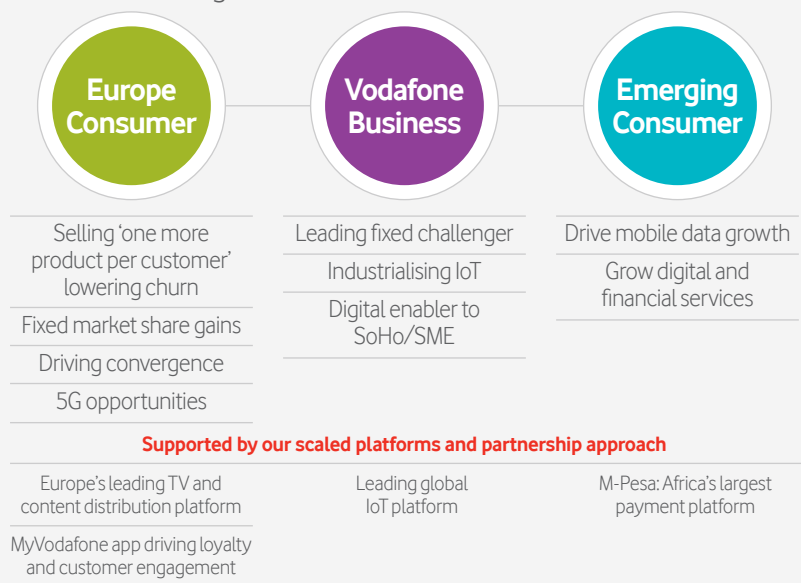
We are making good progress in securing regulatory approvals for our acquisition of Unitymedia in Germany and the UPC assets in the Czech Republic, Hungary and Romania, and currently expect the transaction to complete in July. I look forward to welcoming Unity and UPC's employees to Vodafone.



**Nick Read**  
Chief Executive

**Our strategy****A converged communications technology leader, enabling the digital society****Deepening customer engagement**

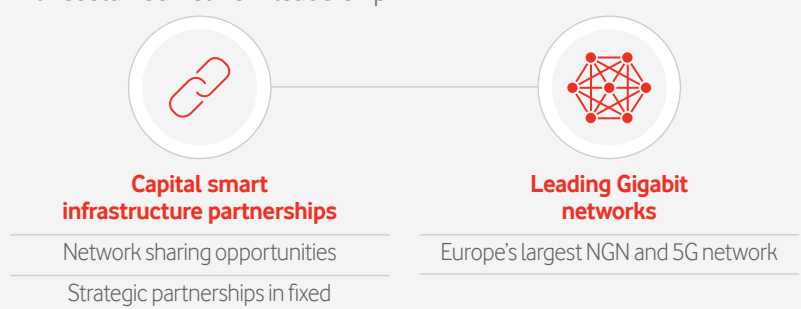
improving loyalty and driving revenue growth in all three customer segments

**Transforming our operating model**

for greater efficiency and agility

**Improving asset utilisation**

with sustained network leadership



## 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%.

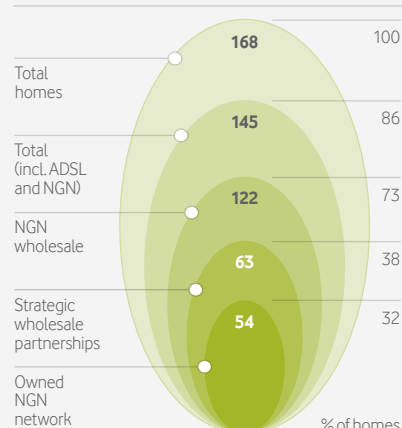
## Driving convergence and lowering churn

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<sup>2</sup> 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<sup>1</sup> million



### 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

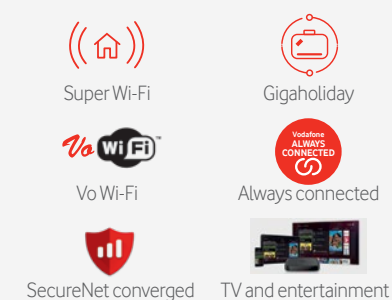
#### Strategic partnerships

- 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)

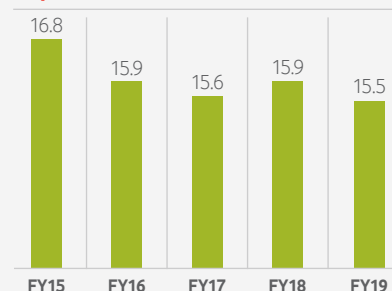
- Spain complete
- Germany 66% of current footprint
- Netherlands underway

### Upselling more products and services



Incremental churn benefit through convergence and additional services

### European mobile contract churn improvement (%)



Notes:

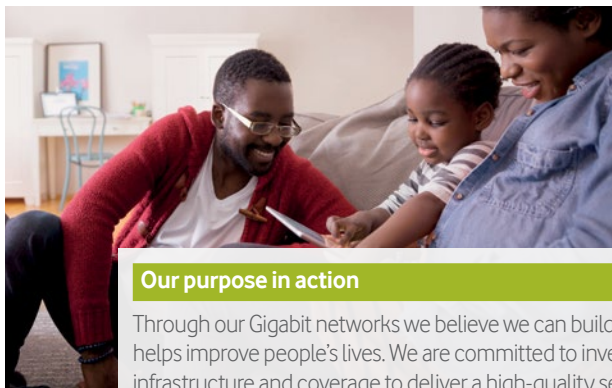
- 1 On a pro forma basis including Liberty Global's assets.
- 2 Including VodafoneZiggo.

These include Quality of Service ('QoS') differentiation and opportunities for low latency mobile gaming, with an estimated 157 million<sup>3</sup> 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.



#### 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.

### 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

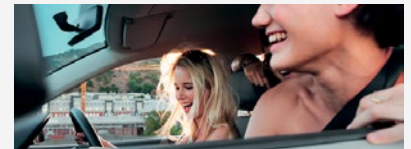
Overall, Europe Consumer service revenues declined by 1.1%<sup>4</sup>, with fixed growth of 2.6%<sup>4</sup> offset by a mobile decline of 2.4%<sup>4</sup>. Excluding Spain and Italy, service revenues grew by 2.7%<sup>4</sup>, with fixed growth of 5.2%<sup>4</sup> and mobile growing by 1.7%<sup>4</sup>.

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.

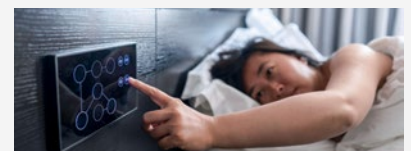
### 5G opportunities

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.



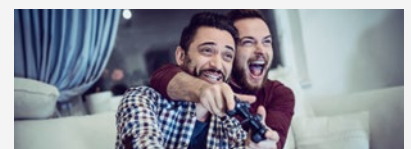
#### Consumer IoT

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

## 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

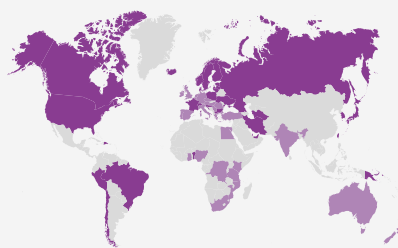
For SoHo/SME customers, which represent around 50% of divisional service revenues, we aim to cross-sell fixed and unified communications propositions and also position Vodafone as an integrator of value added digital and IoT services.

### Performance in 2019

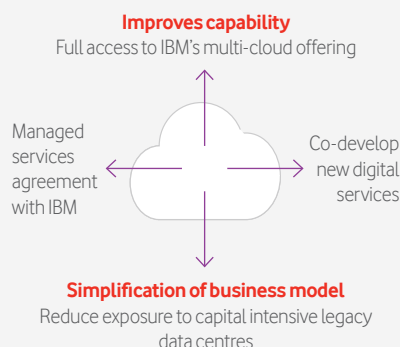
Vodafone Business grew service revenue by 0.3%. This was supported by market share gains in fixed, IoT, and Cloud and security services, partially offset by ongoing pricing pressure in mobile.

### Global footprint

Vodafone markets Partner markets



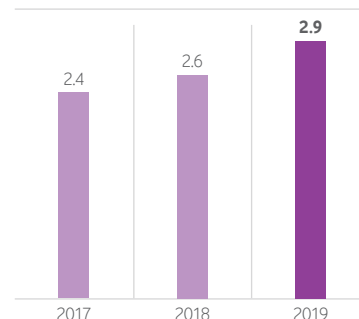
### Strategic Cloud partnership with IBM



### 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<sub>2</sub>e 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.

# 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

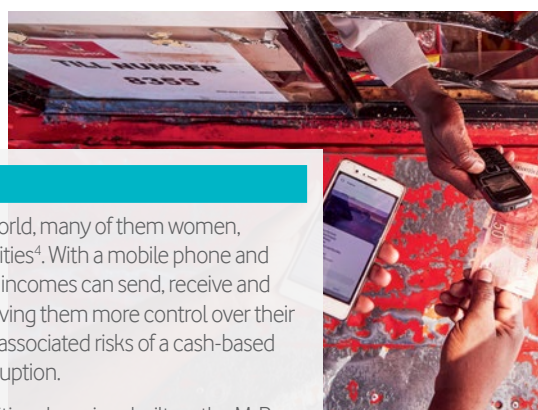
We also see a significant opportunity to grow in digital and financial services. M-Pesa, our African payments platform, has moved beyond its origins as a money transfer service, and now provides enterprise payments, financial services and merchant payment services for mobile commerce.

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<sup>3</sup>, and transaction volumes up 24% in the year.



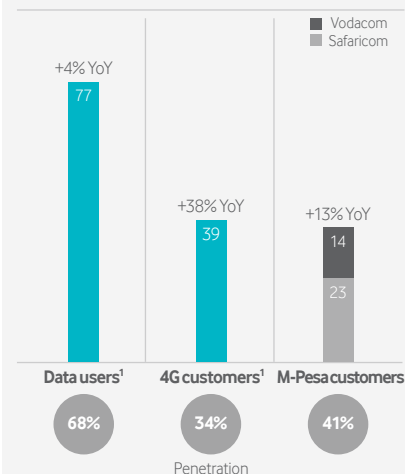
### Our purpose in action

More than 2 billion people in the world, many of them women, still have no access to banking facilities<sup>1</sup>. 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.

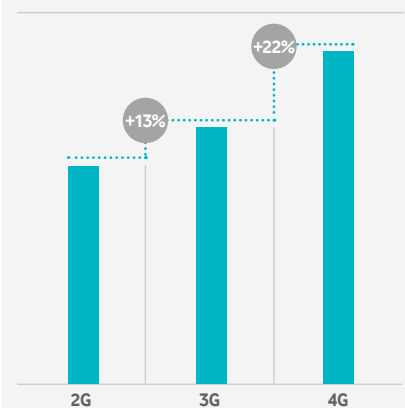
Thanks to the development of additional services built on the M-Pesa offering, such as M-Shwari, M-Pawa and KCB M-Pesa, our customers can also save money through interest-bearing accounts and can arrange micro-loans to help fund their businesses. In addition, M-Pesa is widely used to manage business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

### Customer base FY19<sup>3</sup>

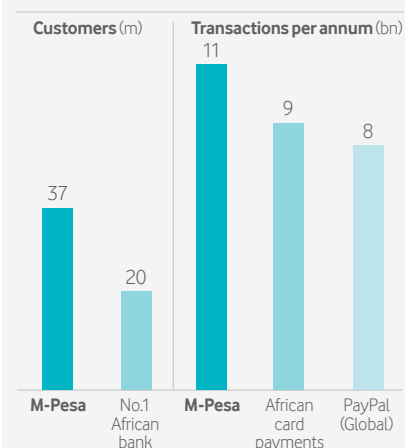
(millions)



### ARPU uplift in South Africa



### M-Pesa: The largest payment platform in Africa<sup>2</sup>



### 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:

<sup>1</sup> Includes Turkey, Vodacom, Egypt and Ghana.

<sup>2</sup> GSMA 2018, McKinsey Financial Services Report, eMarketer.

<sup>3</sup> Excluding India.

<sup>4</sup> 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.



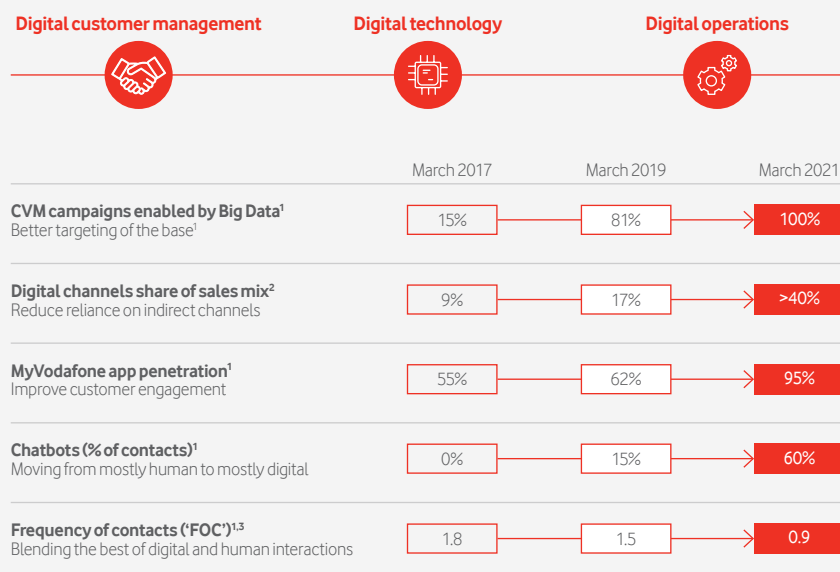
## Digital case study – rolling out chatbots (TOBi) in Italy

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.

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



Notes:

1 Includes all European markets.

2 Mobile contract acquisitions and retentions in Germany, Italy, UK, Spain.

3 FOC requiring human intervention per year.





## 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

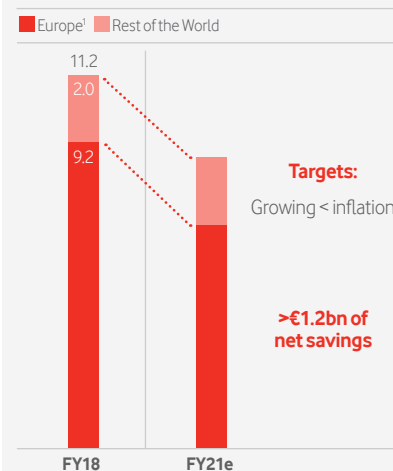
Through a combination of these three initiatives, together with the benefits of our ongoing 'Fit for Growth' programme and zero based budgeting efforts, we are targeting to reduce our net operating costs in Europe (including Common functions) by at least €1.2 billion in FY21, compared to FY18 levels.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

**€2.5bn**

NPV of cost and capex synergies

 **vodafone** 

**INR 84bn**

Annual run-rate savings by FY21

 **unitymedia**  **upc**

**€6bn**

NPV of cost and capex synergies

## 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.

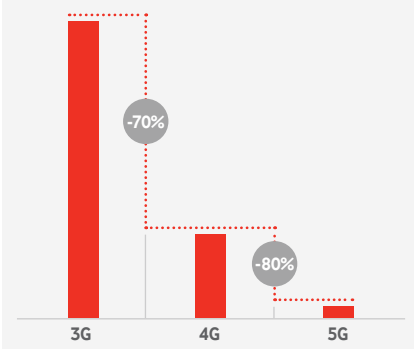
We are also rapidly moving towards a single cloud-based architecture where our IT applications and network functions are virtualised. This enables us to become a much more agile business, operating at a lower cost base. On average, we see a 30–40% cost saving each time an IT or network function is migrated 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 DOCSIS 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.

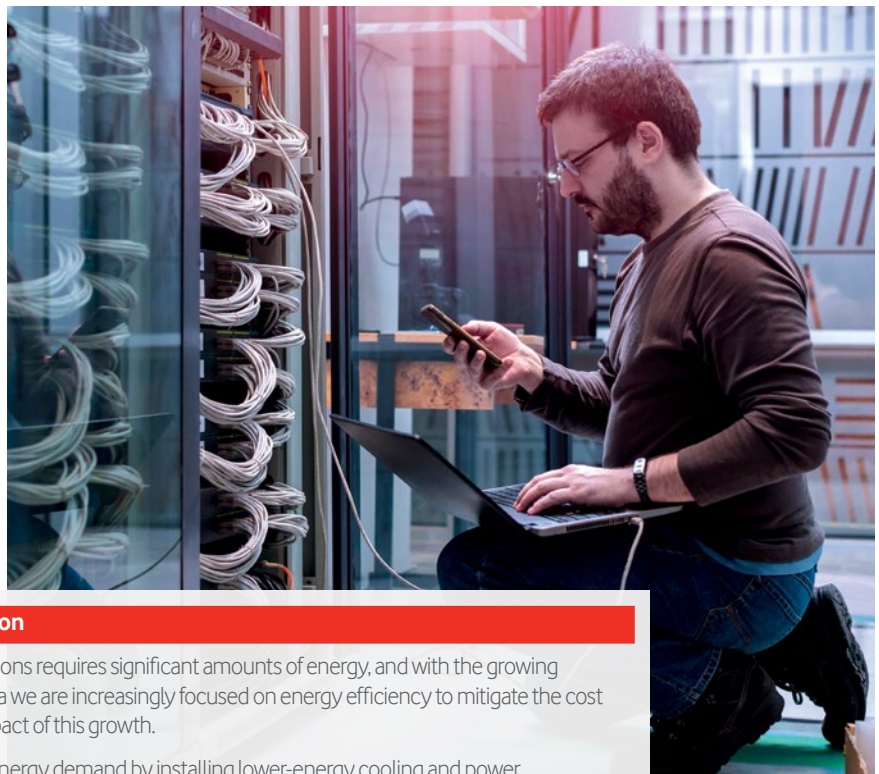
### Relative radio cost of delivery

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<sub>2</sub>e 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

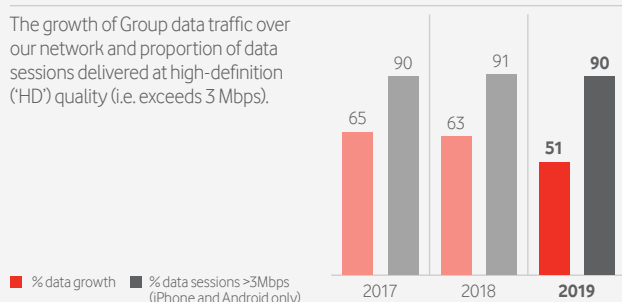
## Vodafone Business

## Emerging Consumer

## Mobile data growth and network quality

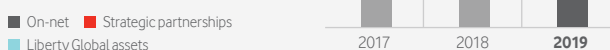
Mbps

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<sup>1</sup>

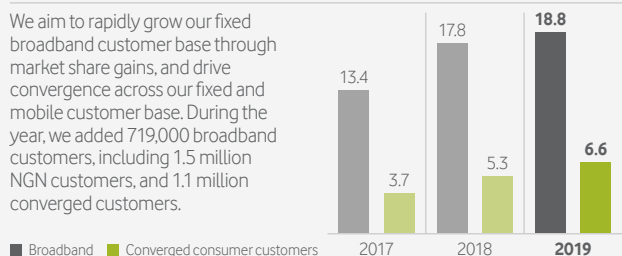
million marketable households passed

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<sup>1</sup>

million

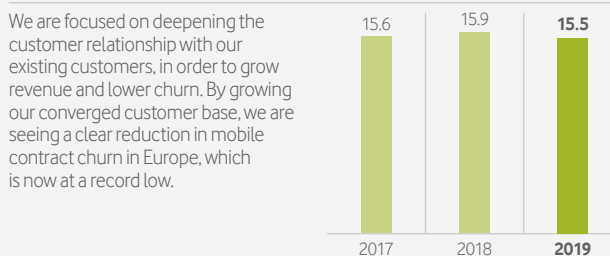
We aim to rapidly grow our fixed broadband customer base through market share gains, and drive convergence across our fixed and mobile customer base. During the year, we added 719,000 broadband customers, including 1.5 million NGN customers, and 1.1 million converged customers.



## Mobile contract churn

%

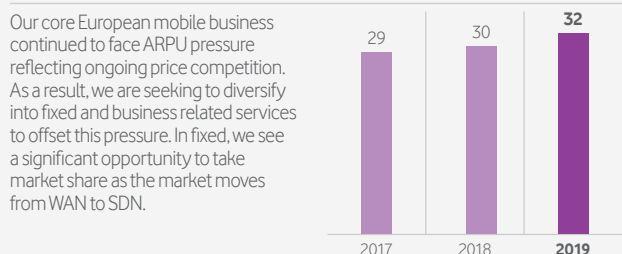
We are focused on deepening the customer relationship with our existing customers, in order to grow revenue and lower churn. By growing our converged customer base, we are seeing a clear reduction in mobile contract churn in Europe, which is now at a record low.



## Fixed as a percentage of Business service revenue

%

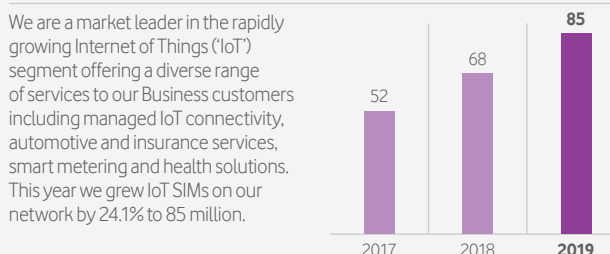
Our core European mobile business continued to face ARPU pressure reflecting ongoing price competition. As a result, we are seeking to diversify into fixed and business related services to offset this pressure. In fixed, we see a significant opportunity to take market share as the market moves from WAN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



## IoT SIM growth

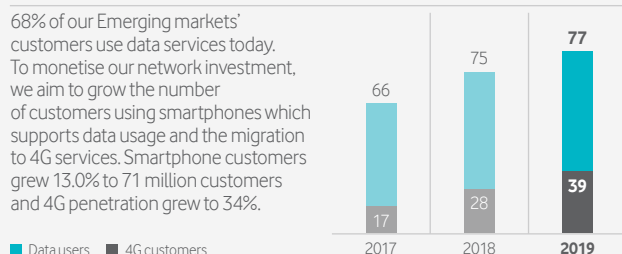
million

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<sup>4</sup>

million

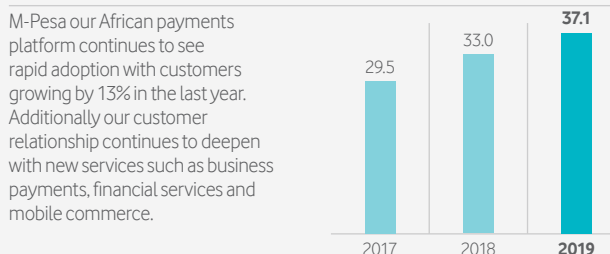
68% of our Emerging markets' customers use data services today. To monetise our network investment, we aim to grow the number of customers using smartphones which supports data usage and the migration to 4G services. Smartphone customers grew 13.0% to 71 million customers and 4G penetration grew to 34%.



## 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.

## 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%<sup>2,3</sup> 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.



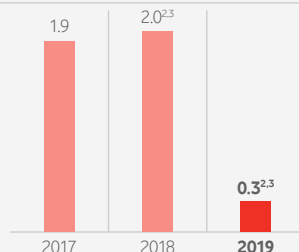
77

Read more on rewards and performance in the Remuneration Report

### Organic service revenue growth

%

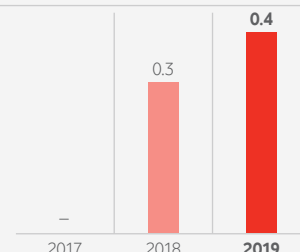
Growth in revenue demonstrates our ability to grow our customer base and/or ARPU. This year we continued to grow revenue despite tough competition in Italy and Spain. Overall, we delivered organic Group service revenue growth of 0.3%<sup>2,3</sup> in the year.



### European net operating expenses reduction

€bn

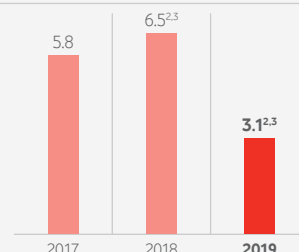
We are targeting a net reduction of over €1.2 billion in operating costs in Europe (including common functions) on an absolute organic basis by FY21, compared to FY18 levels. We expect to achieve this through the transformation of our operating model by being Digital 'First', Radically simpler, and Leveraging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



### Organic adjusted EBITDA growth

%

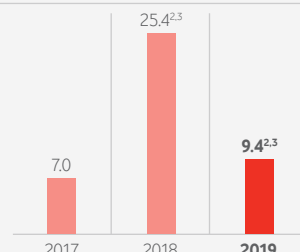
Growth in adjusted EBITDA supports our free cash flow which helps fund investment and shareholder returns. Our adjusted EBITDA grew organically by 3.1%<sup>2,3</sup> this year and consequently the Group's adjusted EBITDA margin improved by 0.5 percentage points to 31.1%<sup>2,3</sup>.



### 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%<sup>2,3</sup> principally driven by adjusted EBITDA growth and lower D&A.

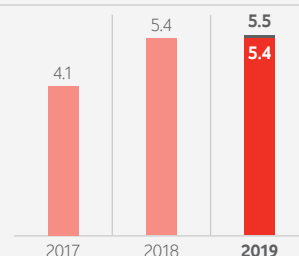


### Free cash flow pre-spectrum growth

%

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

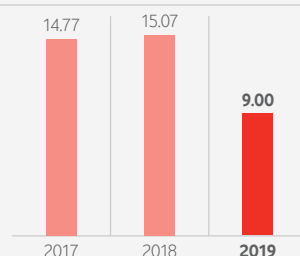


### Dividends per share

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

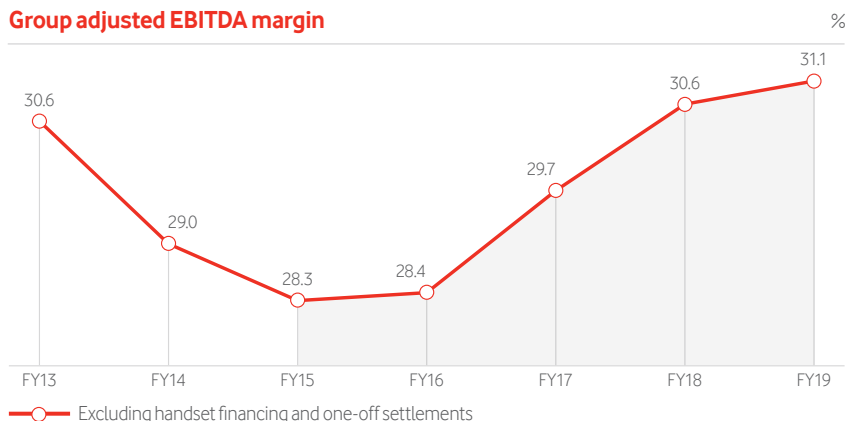
Our tower strategy aims to unlock industrial savings, so that we can improve the utilisation of our infrastructure assets, and we are actively exploring a range of monetisation options where we see an opportunity for value creation for the Group.

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





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

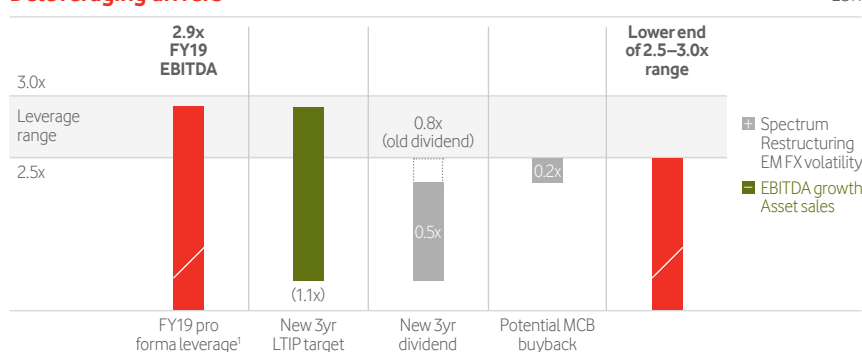
In FY19 we achieved the midpoint of our original guidance for 1–5% organic EBITDA growth and delivered €5.5 billion of FCF pre-spectrum at guidance FX rates, well ahead of our original guidance for 'at least €5.2 billion'. In FY20 we expect an adjusted EBITDA range of €13.8–14.2 billion on an organic 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.



**Margherita Della Valle**  
Chief Financial Officer

## Prioritising deleveraging to rebuild headroom

### Deleveraging drivers



Note:

<sup>1</sup> Includes the acquisition of Liberty Global's assets (€18.4bn) and the remaining €1.0bn MCB share buyback.

## Our financial performance

# 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<sup>1,2</sup>

	2019 IFRS 15 €m	2019 IAS 18 €m	2018 IAS 18 €m	IAS 18 growth	
				Reported %	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)		
<b>Adjusted EBIT</b>	<b>4,253</b>	<b>4,474</b>	<b>4,827</b>	<b>(7.3)</b>	<b>(2.5)</b>
Share of adjusted results in associates and joint ventures <sup>3</sup>	(348)	(291)	389		
<b>Adjusted operating profit</b>	<b>3,905</b>	<b>4,183</b>	<b>5,216</b>	<b>(19.8)</b>	<b>(0.2)</b>
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		
<b>Operating (loss)/profit</b>	<b>(951)</b>		<b>4,299</b>		
Non-operating income and expense	(7)		(32)		
Net financing costs	(1,655)		(389)		
Income tax (expense)/credit	(1,496)		879		
<b>(Loss)/profit for the financial year from continuing operations</b>	<b>(4,109)</b>		<b>4,757</b>		
<b>Loss for the financial year from discontinued operations</b>	<b>(3,535)</b>		<b>(1,969)</b>		
<b>(Loss)/profit for the financial year</b>	<b>(7,644)</b>		<b>2,788</b>		

#### 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:THL 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.

## 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)
<b>Net financing costs</b>	<b>(1,655)</b>	<b>(389)</b>
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
	<b>(1,042)</b>	<b>(738)</b>
Mark to market (losses)/gains	(423)	27
Foreign exchange (losses)/gains <sup>1</sup>	(190)	322
<b>Net financing costs</b>	<b>(1,655)</b>	<b>(389)</b>

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
<b>Income tax (expense)/credit:</b>	<b>(1,496)</b>	<b>879</b>
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	—
<b>Adjusted income tax expense for calculating adjusted tax rate<sup>1</sup></b>	<b>(704)</b>	<b>(828)</b>
<b>(Loss)/profit before tax</b>	<b>(2,613)</b>	<b>3,878</b>
Adjustments to derive adjusted profit before tax (see earnings per share)	5,149	530
<b>Adjusted profit before tax<sup>1</sup></b>	<b>2,536</b>	<b>4,408</b>
Share of adjusted results in associates and joint ventures	348	(389)
<b>Adjusted profit before tax for calculating adjusted effective tax rate<sup>1</sup></b>	<b>2,884</b>	<b>4,019</b>
<b>Adjusted effective tax rate<sup>1</sup></b>	<b>24.4%</b>	<b>20.6%</b>

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
<b>(Loss)/profit attributable to owners of the parent</b>	<b>(8,020)</b>	<b>2,439</b>
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 <sup>1</sup>	286	(419)
	<b>5,149</b>	<b>530</b>
Taxation	792	(1,707)
India <sup>2</sup>	3,535	1,969
Non-controlling interests	(5)	(13)
<b>Adjusted profit attributable to owners of the parent<sup>3</sup></b>	<b>1,451</b>	<b>3,218</b>
	Millions	Millions
Weighted average number of shares outstanding – basic	27,607	27,770
	eurocents	eurocents
<b>Earnings per share:</b>		
Basic (loss)/earnings per share	(29.05)c	8.78c
Adjusted earnings per share <sup>3</sup>	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.

## Europe

IAS 18 basis	Germany €m	Italy €m	UK €m	Spain €m	Other Europe €m	Eliminations €m	Europe €m	2018 €m	% change	
									Reported	Organic*
<b>Year ended 31 March 2019</b>										
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 %
<b>Europe revenue</b>	<b>(1.7)</b>	<b>(0.2)</b>	<b>0.1</b>	<b>(1.8)</b>
<b>Service revenue</b>				
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
<b>Europe service revenue</b>	<b>(2.4)</b>	<b>(0.1)</b>	<b>—</b>	<b>(2.5)</b>
<b>Adjusted EBITDA</b>				
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
<b>Europe adjusted EBITDA</b>	<b>(4.7)</b>	<b>—</b>	<b>—</b>	<b>(4.7)</b>
<b>Europe adjusted EBIT</b>	<b>(20.1)</b>	<b>—</b>	<b>—</b>	<b>(20.1)</b>
<b>Europe adjusted operating profit</b>	<b>(16.0)</b>	<b>—</b>	<b>(0.1)</b>	<b>(16.1)</b>

## 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%.

## 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<sup>1</sup>

IAS 18 basis	Vodacom €m	Other Markets €m	Eliminations €m	Rest of the World €m	2018 €m	Reported	% change Organic*
<b>Year ended 31 March 2019</b>							
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 %
<b>Rest of the World revenue</b>	<b>(8.2)</b>	<b>4.9</b>	<b>9.4</b>	<b>6.1</b>
<b>Service revenue</b>				
Vodacom	0.1	—	3.7	3.8
Other Markets	(15.7)	11.4	13.2	8.9
<b>Rest of the World service revenue</b>	<b>(8.0)</b>	<b>5.4</b>	<b>8.7</b>	<b>6.1</b>
<b>Adjusted EBITDA</b>				
Vodacom	(2.2)	—	4.1	1.9
Other Markets	(10.2)	11.4	12.8	14.0
<b>Rest of the World adjusted EBITDA</b>	<b>(5.5)</b>	<b>4.2</b>	<b>7.6</b>	<b>6.3</b>
<b>Rest of the World adjusted EBIT</b>	<b>1.8</b>	<b>(1.3)</b>	<b>7.3</b>	<b>7.8</b>
<b>Rest of the World adjusted operating profit</b>	<b>(30.7)</b>	<b>32.9</b>	<b>4.4</b>	<b>6.6</b>

## 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.

## 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 prepaid 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
<b>Total</b>	<b>726,426</b>	<b>141.04</b>	<b>726,426</b>	<b>72,642</b>

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

#### Notes:

- 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.
- See note 21 "Capital and financial risk management".
- See note 28 "Commitments".
- Primarily related to spectrum and network infrastructure.
- Primarily related to device purchase obligations.

## 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 <sup>1</sup> 2018 €m
Adjusted EBITDA	13,918	14,737
Capital additions <sup>2</sup>	(7,227)	(7,321)
Working capital	188	(584)
Disposal of property, plant and equipment	45	41
Other	147	128
<b>Operating free cash flow<sup>3</sup></b>	<b>7,071</b>	<b>7,001</b>
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)
<b>Free cash flow (pre-spectrum)<sup>3</sup></b>	<b>5,443</b>	<b>5,417</b>
Licence and spectrum payments	(837)	(1,123)
Restructuring payments	(195)	(250)
<b>Free cash flow<sup>3</sup></b>	<b>4,411</b>	<b>4,044</b>
Acquisitions and disposals	182	1,405
Equity dividends paid	(4,064)	(3,920)
Share buybacks <sup>4</sup>	(606)	(1,626)
Convertible issue <sup>5</sup>	3,848	—
Foreign exchange	259	622
Other <sup>6</sup>	(1,432)	(818)
<b>Net debt increase</b>	<b>2,598</b>	<b>(293)</b>
Opening net debt	(29,631)	(29,338)
<b>Closing net debt</b>	<b>(27,033)</b>	<b>(29,631)</b>

#### Notes:

- 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.
- Capital additions include the purchase of property, plant and equipment and intangible assets, other than licence and spectrum.
- 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.
- 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.
- Mandatory convertible bonds of €3.44 billion issued in March 2019.
- 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



## 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\*\*](https://www.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<sup>1</sup> 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<sup>2</sup>. 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.



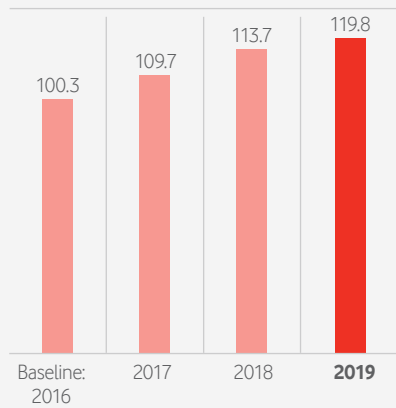
## Notes:

<sup>1</sup> 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.

<sup>2</sup> GSMA Mobile Gender Gap Report, 2019.

### 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<sup>1</sup>. 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](https://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 through 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.

### 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.

Note:  
<sup>1</sup> OECD, 2018.

## 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<sub>2</sub>e (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<sub>2</sub>e per PB (2018: 577).

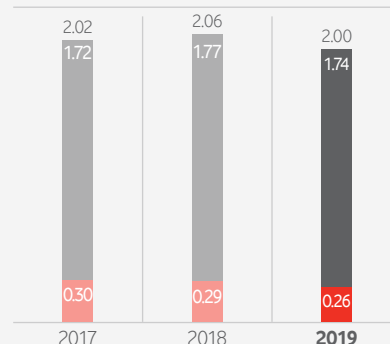
We will meet our targets through a combination of further investment in energy efficiency initiatives across our networks, particularly in power supply and cooling, (read more on page 21) and moving towards purchasing 100% of our electricity from renewable sources. During the year 15% of our electricity 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<sub>2</sub>e for every tonne we generated through our own activities (read more on page 16).

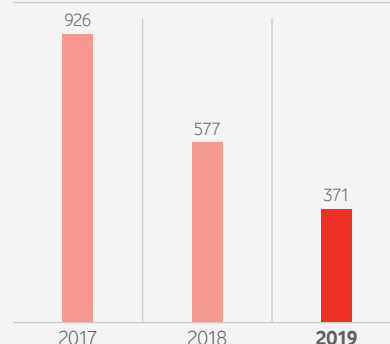
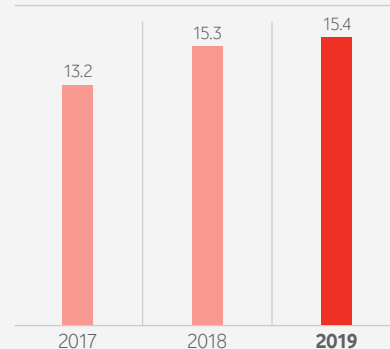
Greenhouse gas ('GHG') emissions  
million tonnes of CO<sub>2</sub>e

■ Scope 1 emissions (over which we have direct control)  
■ Scope 2 emissions (from purchased electricity)



## 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<sub>2</sub>ePercentage of purchased electricity  
from renewable sources  
%

## 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.





## 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](https://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](https://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.

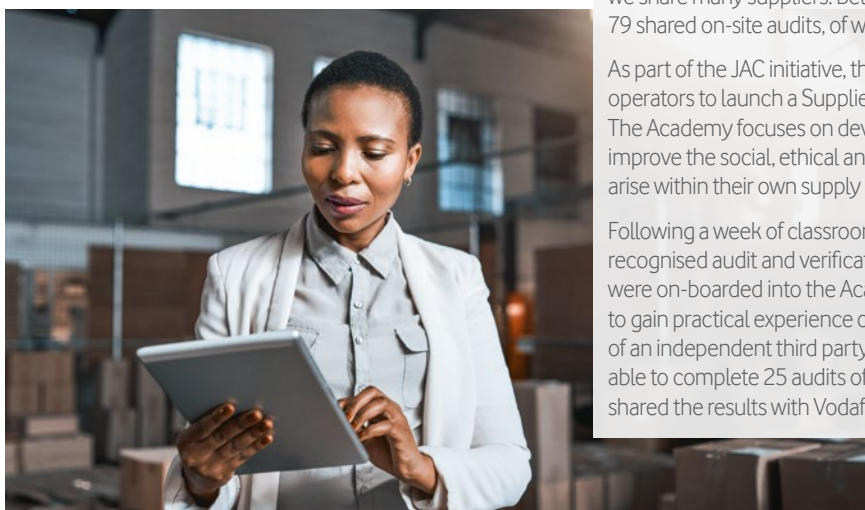
### Ensuring human rights compliance in our supply chain

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](http://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](http://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](http://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.

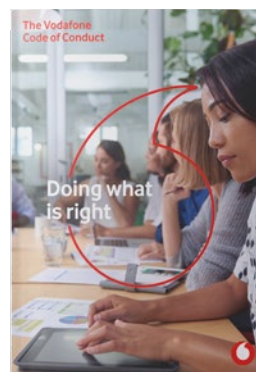
Our Chief Executive and ExCo oversee our efforts to prevent bribery. They are supported by local market Chief Executives, who are responsible for ensuring that our anti-bribery and corruption programme is implemented effectively in their local market.

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.



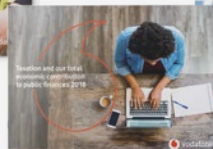
## Find out more

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

## Our people and culture

# The people behind our purpose led business

### Our people: key information

By contract	By gender	By location			
Employees: 92,005	Male: 55,556 (60%)	Germany: 14%	Italy: 6.5%	Vodacom: 8%	Other: 36%
Contractors: 10,423	Female: 36,449 (40%)	UK: 12%	Spain: 5.5%	Vodafone Shared Services: 18%	
			2019	2018	2017
<b>Average number of employees</b>			<b>92,005</b>	91,980	92,200
<b>Employee engagement index</b>			<b>80%</b>	79%	79%
<b>Employee turnover rate</b>			<b>17%</b>	17%	18%
<b>Women on the board</b>			<b>42%</b>	33%	25%
<b>Women in senior leadership positions<sup>1</sup></b>			<b>28%</b>	26%	26%
<b>Women in management and leadership roles<sup>2</sup></b>			<b>31%</b>	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.



#### 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.

### 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.



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.



## Risk management

# 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.

### 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

#### Strategy

These risks are mainly external, associated with our operating environment and typically managed through our strategy

How we manage the risk

#### Operations

These risks are mainly internal, associated with our processes, people and systems and are typically managed through proactive, internal controls

#### 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

## 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.

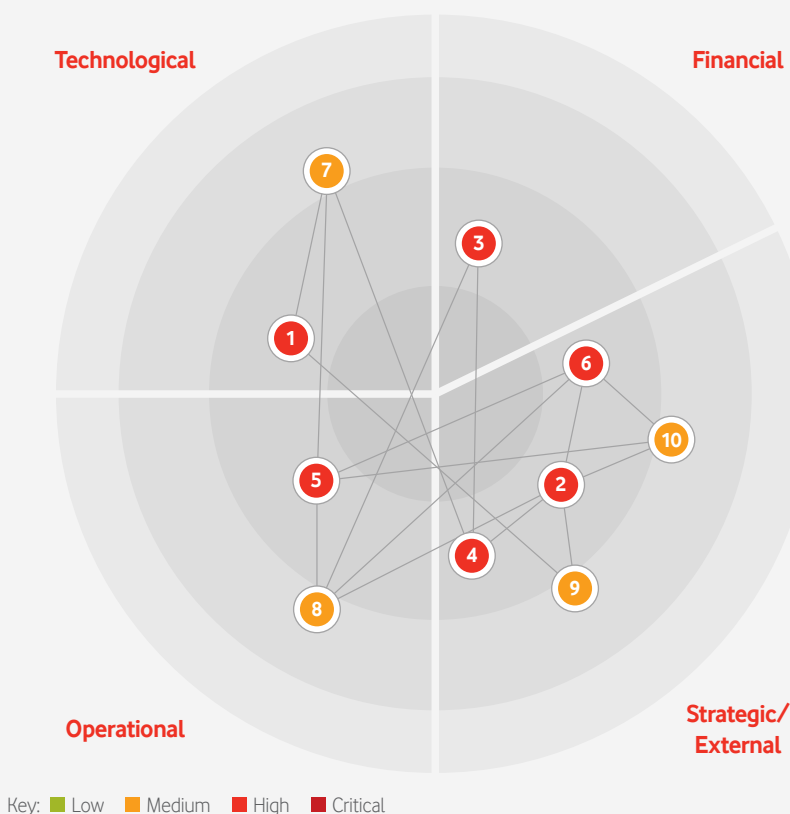
**Successful integration of new assets and management of joint ventures:** relates to failure to realise the expected benefits from acquisitions (subject to completion) and jointly controlled businesses that could result if we are unable to effectively manage the integration or any governance failures.

## Key to principal risks

- Cyber threat and information security**  
External or internal attack resulting in service unavailability or data breach
- Adverse political and regulatory measures**  
Regulatory measures impacting strategy; tax challenges
- Global economic disruption/adequate liquidity**  
Economic disruption or another risk materialising impacts our ability to refinance
- Geo-political risk in supply chain**  
Global trade wars and security concerns impact our supply chain
- Digital transformation and simplification**  
Failure to deliver business and IT transformation targets
- Market disruption**  
New telecom operators entering the market; price wars reduce margins
- Technology resilience**  
Failure of key IT, fixed or mobile assets causing service disruption
- 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
- Legal compliance**  
Non-compliance with laws including privacy, anti-bribery, competition law, anti-money laundering and sanctions
- 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).



## 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.

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.

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.

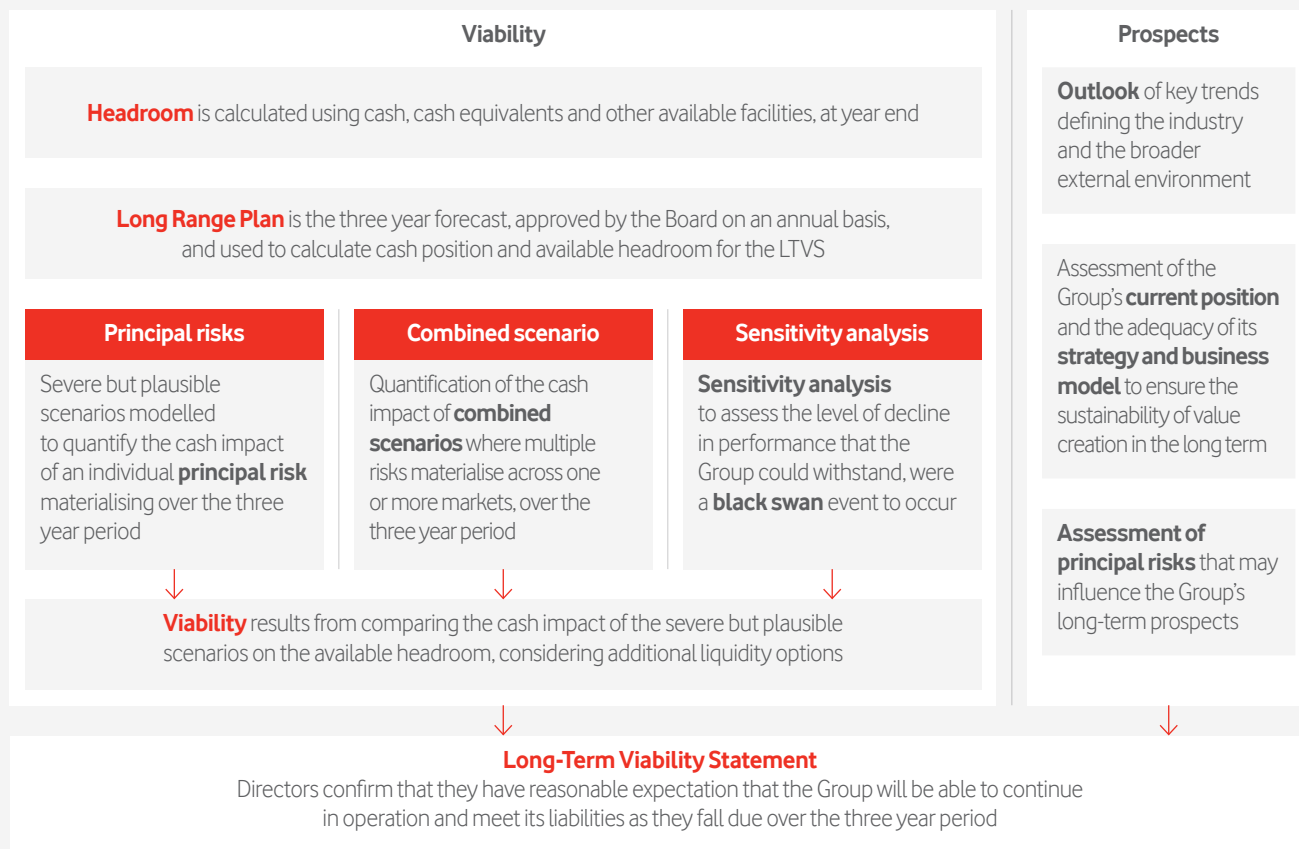
Depending on the arrangements agreed between the UK and the EU, the key issue that could directly impact our operational performance is a significant revision to macro economic performance in our major European markets, including the UK, caused by the uncertainty of the Brexit process. This would affect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



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.