VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 13, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

Dated November 13, 2018

Commission File Number: 001-10086

VODAFONE GROUP

PUBLIC LIMITED COMPANY

(Translation of registrant s name into English)

VODAFONE HOUSE, THE CONNECTION, NEWBURY, BERKSHIRE, RG14 2FN, ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN EACH OF THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-219583), THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-81825) AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149634) OF VODAFONE GROUP PUBLIC LIMITED COMPANY AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

This report on form 6-K contains the following items:

(a) Chief Executive s statement;

(b) Business review; and

(c) Half-year condensed consolidated financial statements of Vodafone Group Plc.

Certain information listed above is taken from the previously published results announcement of Vodafone Group Plc for the six months ended 30 September 2018 (the half-year financial report). This report on Form 6-K does not update or restate any of the financial information set forth in the half-year financial report.

This report on Form 6-K should be read in conjunction with the Group s annual report on Form 20-F for the year ended 31 March 2018, in particular the following sections:

- the information contained under Chief Financial Officer s review on pages 18 and 19;
- the information contained under Key performance indicators on pages 20 to 21;
- the information contained under Our financial performance on pages 22 to 29;
- the information contained under Financial position and resources on pages 30 and 31;
- the consolidated financial statements on pages 102 to 177; and
- the information contained under Prior year operating results on pages 178 to 182;

The terms Vodafone , the Group , we , our and us refer to Vodafone Group Plc (the Company), and as applicable, its subsidiar
and/or its interest in joint ventures and/or associates.

CHIEF EXECUTIVE S STATEMENT

Financial review of the half year

On 20 March 2017 we announced an agreement to merge Vodafone India with Idea Cellular (Idea) in India, which completed on 31 August 2018. As a result, Vodafone India has been excluded from Group figures for all periods up to 31 August 2018 and the results of Vodafone Idea have been included in all Group figures for all periods thereafter, unless otherwise stated.

Financial results: Statutory performance measures

Following the adoption of IFRS 15 Revenue from Contracts with Customers on 1 April 2018, the Group s statutory results for the six months ended 30 September 2018 are on an IFRS 15 basis, whereas the statutory results for the six months ended 30 September 2017 are, as previously reported, on an IAS 18 basis. Any comparison between the two bases of reporting is not meaningful. As a result, the discussion of our operating results is primarily on an IAS 18 basis for all periods presented. See Use of non-GAAP financial information on page 54 for more information and reconciliations to the closest respective equivalent GAAP measures.

Group revenue declined by 5.5% to 21.8 billion, reflecting foreign exchange headwinds, the impact of the adoption of IFRS 15, which nets certain components of dealer commissions from service revenues, and the sale of Qatar. Operating loss was 2.1 billion, down 4.1 billion, largely driven by impairments of 3.5 billion in Spain, Romania and Vodafone Idea.

The loss for the financial period of 7.8 billion reflects these impairments, a loss on disposal of Vodafone India of 3.4 billion recognised following the completion of the merger with Idea Cellular, higher net financing costs (following adverse foreign exchange movements, mark to market losses and higher gross borrowings) and the de-recognition of a deferred tax asset in Spain. Basic loss per share was 29.00 eurocents, compared to earnings per share of 4.03 eurocents for the period ended 30 September 2017.

Financial results: Non-GAAP performance measures

On an IAS 18 basis, Group organic service revenue excluding handset financing grew 0.8%** (Q1: 1.1%**, Q2: 0.5%**). Growth was driven by market share gains in Europe Consumer fixed, strong mobile data demand and customer base growth in our emerging market operations, and continued momentum in Vodafone Business supported by market share gains in fixed and strong IoT sales. These offset increased competitive pressures in Italy and Spain, and the drag from lower wholesale revenue.

Group organic adjusted EBITDA grew 2.9%** excluding handset financing and settlements. This reflected broad based growth across the majority of our markets, with the exception of Italy and Spain, and was supported by operating expense reduction across

both Europe and Common functions, which was only partially offset by inflationary pressures in AMAP.

Consequently, the Group s adjusted organic EBITDA margin (excluding handset financing and settlements) increased by 0.3 percentage points to 30.8%**, and we remain on-track for a fourth consecutive year of underlying EBITDA margin expansion. Adjusted EBIT increased 8.6%** excluding handset financing and settlements, driven by adjusted EBITDA growth and lower depreciation and amortisation expenses.

On a reported basis, adjusted EBITDA and adjusted EBIT declined, reflecting foreign exchange headwinds, a lower benefit from handset financing in the UK and a regulatory settlement in the UK in the prior year.

The Group s effective tax rate for its controlled businesses for the six months ended 30 September 2018 was -48.8% compared to 26.8% for the same period during the last financial year. The lower rate in the current year is primarily due to a change in the mix of the Group s profit, partly driven by the financing for the Liberty Global transaction and the impact of non-deductible foreign exchange losses, the derecognition of a deferred tax asset in Spain, deferred tax on the use of Luxembourg losses, an increase in the deferred tax asset arising from a revaluation of investments based upon the local GAAP financial statements and tax returns.

Adjusted earnings per share, which exclude impairment losses and the results of Vodafone India (which were included in discontinued operations), were 3.56 eurocents, a decrease of 43.7% year-on-year, as lower adjusted EBIT and higher net financing costs more than offset the decrease in income tax expense.

CHIEF EXECUTIVE S STATEMENT

Liquidity and capital resources

Free cash flow pre-spectrum was 0.9 billion, compared to 1.3 billion in the prior year. The reduction year-on-year was principally driven by lower adjusted EBITDA and higher capital creditor outflows, partly offset by lower capital additions (which decreased to 3.1 billion, representing 13.6% of revenues).

Free cash flow post spectrum was 0.6 billion, compared to 0.4 billion in the prior year. Spectrum payments were 0.2 billion, principally reflecting 3500 MHz spectrum acquired in the UK to support the rollout of 5G services. Cash restructuring costs of 0.1 billion were similar to the prior year.

Net debt as at 30 September 2018 was 32.1 billion compared to 29.6 billion as at 31 March 2018. This reflects free cash flow generation in the period of 0.9 billion, proceeds from Verizon loan notes of 2.1 billion, offset by FY18 final dividend payments of 2.7 billion, spectrum purchases of 1.0 billion (including 0.6 billion for the Italian auction, which was ongoing at the period end), and a net cash outflow to India from Vodafone Group of 0.8 billion in connection with the Vodafone Idea transaction.

Strategic review of the half year

The Group simplified its strategy during the first half of the financial year, identifying five drivers of sustainable revenue and free cash flow growth, which are described below. The foundation of our strategy is our significant investments in leading 4G wireless and next generation fixed networks, which continue to support an excellent customer experience. Based on network net promoter scores, at the end of the period the Group was a leader or co-leader in 18 out of 20 markets for Consumer and Business, with a significant performance gap relative to value-focused competitors.

Europe Consumer: Selling one more product per customer, lowering churn through convergence

In H1, the European Consumer segment accounted for 49.1% of Group service revenues.

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 both cross-sell additional products (e.g., broadband, family SIMs, TV) and up-sell new experiences (including higher speeds with 4G Evo / 5G, low latency mobile gaming services and a wide range of Consumer IoT devices, enabled by our leading V by Vodafone global platform). Our objective is to increase revenue per customer and to significantly reduce churn, as an increasing proportion of our customer base becomes converged over time.

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. 5G s improved spectral and energy efficiency supports up to a 10x reduction in the cost per Gigabyte, which will allow the Group to limit the future growth in network operating costs despite strong expected traffic growth.

Overall, Europe Consumer service revenues excluding UK handset financing declined by 0.6%** in H1, with fixed growth of 3.6%** offset by a mobile decline of 2.1%**. Excluding Spain, Italy and the drag from UK handset financing, service revenues grew by 3.0%**, with fixed growth of 6.1%** and mobile growing by 1.8%**. Fixed represented 28.3% of segment revenues in the period.

In Consumer Fixed, we continued to expand our NGN footprint, which is the largest in Europe. On a pro-forma basis for the acquisition of Liberty Global s cable assets (announced in May), we covered 117 million households at the end of the period, with 54 million on-net (including VodafoneZiggo). With the potential to offer superior gigabit-speeds via DOCSIS3.1 on Cable and via FTTH to most of these homes in the next few years, we see significant scope to increase on-net broadband customer penetration, which is currently 28%, at attractive incremental margins.

Including VodafoneZiggo, the Group had 20.4 million broadband customers, 6.2 million converged customers and 13.7 million TV customers at the end of the period. We maintained good commercial momentum in all markets other than Spain, which was impacted by increased competitive intensity and by our decision not to renew unprofitable football rights. During H1 we added 384,000 broadband customers, 744,000 NGN customers and 616,000 converged customers (partially supported by the first-time recognition of prepaid customers in Germany). Our TV customer base declined by 71,000, following football customer losses in Spain.

In Consumer Mobile, data growth remained strong at 57%, with average smartphone usage increasing to 3.2 GB per month. Our ability to monetise this growth varied by market. In Germany and the UK, underlying Consumer ARPU trends improved on the back of more-for-more offers and RPI-linked price increases, respectively, although on a reported basis this was offset by a mix shift towards SIM-only / family SIMs and convergence discounts. In Italy and Spain, increased competition led to material ARPU declines.

CHIEF EXECUTIVE S STATEMENT

Vodafone Business: A leading international challenger in fixed, industrialising IoT

In H1, Vodafone Business accounted for 29.8% of Group service revenues.

We are in the process of rebranding our former Enterprise division as Vodafone Business , which we believe will help to increase our brand recognition as we broaden our service offering. Our strategy is to drive growth and deepen our existing mobile customer relationships, by cross-selling additional services including next generation fixed, IoT and Cloud services. We aim to increase revenue per account and reduce churn, while also improving productivity through our salesforce transformation initiative and the rapid digitalisation of our operations.

We believe our unique global footprint and extensive partner market relationships provide us with a competitive advantage in selling to select multinational customers, which represent c.20% of divisional service revenues and are managed centrally by our Vodafone Global Enterprise team.

We aim to build on our strength in connectivity to become the partner of choice for local corporate / government customers (which represent c.30% of Business revenues) and for multinationals, leveraging our leading global IoT platform. We are investing in IoT solutions for specific industry verticals, expanding from our current focus on automotive to digital buildings, healthcare and logistics. Together with good growth in IoT connections (which rose 28% in Q2 to 77 million), this supported IoT revenue growth of 14.0%* in H1.

We also see significant future opportunities to gain share as the Wide Area Networking (WAN) market transitions to Software Defined Networking (SDN), which offers large enterprise customers both greater flexibility and significant cost savings compared to legacy products.

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

Overall, Vodafone Business service revenues grew by 1.0%* in H1 (Q1: 0.9%*, Q2 1.1%*), led by good growth in Vodacom (4.7%*) and with a stable performance in Europe (0.2%*). Within Europe, Germany and the UK improved, while southern Europe slowed. Fixed revenues, which represent 31.0% of Vodafone Business, grew at 3.9%* (Q1: 3.2%*, Q2 4.7%*), supported by ongoing market share gains in fixed, security and cloud services. Mobile declined by 0.3%* (Q1: -0.1%*, Q2 -0.5%*), as customer growth and IoT gains were offset by ARPU pressure.

The Vodafone Business contribution margin expanded by 90 basis points in H1, reflecting our salesforce transformation initiative.

Emerging Consumer: Driving data penetration, growing digital and financial services

In H1, the Emerging Consumer segment accounted for 16.8% of Group service revenues.

We continue to see significant growth potential in our African and Middle Eastern markets. Data growth remained strong at 18% in Q2, however data penetration is currently still low, with only 22% of our mobile customer base using 4G services, and with smartphone penetration at only 43%. 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.

We also see 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 US$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 35 million M-Pesa customers, and in H1 M-Pesa grew revenues by 19.4%* to 0.4 billion. M-Pesa represented 12.0% of Emerging Consumer service revenues in H1.

During H1, the Emerging Consumer segment grew at 7.4%*. In euro terms service revenue declined by 9.3%, due to a sharp FX devaluation in Turkey.

CHIEF EXECUTIVE S STATEMENT

Digital Transformation: A new radically simpler, digital first operating model, leveraging Group scale

We see the emergence of new digital technologies, including big data analytics, artificial intelligence agents and robotic process automation (RPA) as a compelling opportunity to transform the Group s operating model and fundamentally reshape our cost base. We are accelerating the implementation of our Digital Vodafone programme, as speed will be a key factor in retaining the benefit of these new technologies.

During H1, we increased the proportion of mobile customers acquired through online channels to 13%, compared to less than 10% a year ago, helping to reduce commissions paid to third party distributors. In fixed, 30% of customer acquisitions are now online. In customer operations, we have deployed our TOBi chatbots in 5 markets, with a further 5 markets due to launch in H2. This contributed to a 10% year-on-year reduction in the frequency of customer contacts to our call centres in H1 (excluding the impact of our commercial repositioning in Spain). In addition, by deploying RPA bots in our shared service centres, we reduced over 900 FTE roles in H1.

In order to gain the full benefit of this digital first approach, we intend to shift towards a radically simpler and more flexible operating model. Over the coming quarters, we will adopt new simplified pricing models across our markets, and will proactively phase out complex legacy pricing structures. Lower complexity will allow both significant savings in IT costs and greater commercial agility. We are also introducing a number of digital only products, starting with Vodafone Bit in Spain which will have lower commissions and operating costs.

We also see additional opportunities to leverage Group scale. We already have 20,000 employees in our shared service centres in India, Egypt and Eastern Europe, and have centralised over 80% of procurement. Looking ahead, we see further opportunities from centralising European network design and engineering functions, as well as IT operations.

Together with the benefits of our ongoing Fit for Growth programme and zero based budgeting efforts, we expect that the rapid adoption of digital technologies will enable us to reduce operating expenses in our European operations (including Common functions) by at least 1.2 billion on an absolute organic basis by FY21, compared to FY18 levels. In AMAP, operating expenses are expected to continue to grow below local inflation levels, supporting margins.

In H1, we reduced net operating expenses on an organic basis by 0.2 billion in Europe and Common Functions, and by 0.1 billion for the Group overall. For the full year, we aim to reduce operating expenses on an organic basis by 400 million in Europe and Common Functions. This is the third year in a row in which we have reduced our net operating expenses, supporting organic EBITDA margin expansion.

Improving asset utilisation: Capturing synergies, strategic partnerships and creating a virtual TowerCo in Europe

We aim to improve the utilisation of all of the Group s assets as part of our focus on improving returns on capital. We have announced a number of in-market consolidation deals, 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 KDG in Germany and ONO in Spain.

In the Netherlands, VodafoneZiggo has already delivered over one-third of targeted cost and capex synergies, and is on track to achieve its goal of 210 million of annual run-rate savings by calendar 2021 (the fifth full year post closing). In India, we are making a fast start on capturing the US$10 billion NPV of targeted cost and capex savings following the merger of Vodafone India with Idea Cellular. 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.

We also believe that strategic partnerships are another important potential route towards improving industry returns. We have been successful in agreeing capital-smart partnerships in fixed-line, notably in Italy, the UK and Portugal, and we also intend to explore opportunities for partnerships in mobile, providing that these do not compromise our network differentiation.

In this context, we are creating a virtual Tower company to manage the 58,000 towers in our controlled operations across Europe. This internal vertical organisation will have a dedicated management team solely focused on adding new tenancies and reducing operating expenses. We are also conducting due diligence in order to determine the optimal strategic and financial direction for all of our tower assets, including those held in joint ventures.

Notes:

* All amounts in this document 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. Change at constant exchange rates presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are non-GAAP performance measures. See Use of non-GAAP financial information on page 54 for further details and reconciliations to the respective closest equivalent GAAP measure.

** Organic growth excluding the impact of UK handset financing and settlements (see page 59 for further details).

1. Non-GAAP performance measures are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. Group service revenue, adjusted EBITDA and adjusted EBIT are presented on an IAS 18 basis. See Use of non-GAAP financial information on page 54 for reconciliations to the closest respective equivalent GAAP measure and Definition of terms on page 65 for further details.

GUIDANCE

Please see page 54 for Use of non-GAAP financial information , page 65 for Definition of terms and page 67 for Forward-looking statements .

2019 financial year guidance1

	Adjusted EBITDA bn	Free cash flow (pre-spectrum) bn
Original guidance (excluding Vodafone India)	Organic growth of 1 - 5% excluding settlements and UK handset financing	At least 5.2 billion
Updated guidance	Organic growth of c.3% excluding settlements and UK handset financing	c. 5.4 billion

Consistent with prior guidance, we now expect to grow our adjusted organic EBITDA by around 3% in FY19, excluding the impact of UK handset financing in both years, and the significant benefit in the prior year from regulatory settlements in the UK and a legal settlement in Germany. Based on guidance FX rates, and under IAS 18 accounting standards, this implies an adjusted EBITDA range of 14.3-14.5 billion for the year.

Under IFRS 15, we expect our organic service revenue growth will be slightly higher and our absolute adjusted EBITDA will be slightly lower, primarily due to the elimination of the impact of UK handset financing under IAS 18, with no impact on FCF.

We now target a reduction in operating expenses in Europe and Common functions of at least 1.2 billion by FY21 compared to FY18 on an absolute organic basis, including savings in FY19 of around 400 million.

On an IAS 18 basis, we continue to expect our capital additions expressed as a percentage of our revenues to remain in the mid-teens , excluding capital additions related to the Gigabit Investment Plan in Germany and the announced acquisition of Liberty Global s assets in Germany and CEE.

We now aim to generate FCF pre-spectrum of around 5.4 billion, after all capex, before M&A and restructuring costs, and based on guidance FX rates, reflecting our confidence in achieving the mid-point of our EBITDA guidance range.

Dividend policy

The Board currently intends to propose a total dividend of 15.07 eurocents per share for the current financial year, in-line with the FY18 dividend, with an interim dividend of 4.84 eurocents (also stable YoY). The Board will consider growing the dividend per share over the long-term, once the Group s financial leverage has reduced towards the lower end of the revised target range of 2.5x-3.0x net debt / EBITDA.

Assumptions

We have based guidance for the financial year ending 31 March 2019 on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of 1:£0.87, 1:ZAR 15.1, 1:TRY 5.1 and 1:EGP 22.1. Guidance excludes the impact of licence and spectrum payments, material one-off tax-related payments, restructuring payments, changes in shareholder recharges from India and any fundamental structural change to the Eurozone. It also assumes no material change to the current structure of the Group. Actual foreign exchange rates may vary from the foreign exchange rate assumptions used.

Note:

1. Adjusted EBITDA and free cash flow (pre-spectrum) are non-GAAP performance measures. Non-GAAP performance measures are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. The adjusted EBITDA and free cash flow (pre-spectrum) measures are forward-looking non-GAAP performance measures which at this time cannot be quantitatively reconciled to comparative GAAP financial information. See Use of non-GAAP financial information on page 54 for more information.

CONTENTS

	Page
Financial results	8
Liquidity and capital resources	19
Regulation	21
Legal proceedings	26
Risk factors	27
Unaudited condensed consolidated financial statements	29
Use of non-GAAP financial information	54
Additional information	62
Other information (including forward-looking statements)	65

FINANCIAL RESULTS

Group[1, 2]

Following the adoption of IFRS 15 Revenue from Contracts with Customers on 1 April 2018, the Group s statutory results for the six months ended 30 September 2018 are on an IFRS 15 basis, whereas the statutory results for the six months ended 30 September 2017 are on an IAS 18 basis as previously reported, with any comparison between the two bases of reporting not being meaningful. As a result, the discussion of our operating results is primarily on an IAS 18 basis for all periods presented. See Use of non-GAAP financial information on page 54 for more information and reconciliations to the closest respective equivalent GAAP measures.

	Six months ended 30 September				
	2018	2018	2017	IAS 18 Growth	
	IFRS 15	IAS 18	IAS 18	Reported	Organic*
	m	m	m	%	%
Continuing operations					
Mobile customer revenue		12,693	13,408		
Mobile incoming revenue		916	1,036		
Other service revenue		1,055	1,086		
Mobile service revenue		14,664	15,530		
Fixed service revenue		5,047	5,062		
Service revenue	**18,440**	**19,711**	**20,592**	**(4.3)**	**(0.1)**
Other revenue	3,356	2,834	2,483		
Revenue	**21,796**	**22,545**	**23,075**	**(2.3)**	**1.5**
Direct costs	(5,230)	(5,154)	(5,281)		
Customer costs	(4,264)	(4,889)	(4,772)		
Operating expenses	(5,429)	(5,424)	(5,637)		
Adjusted EBITDA	**6,873**	**7,078**	**7,385**	**(4.2)**	**(0.2)**
Depreciation and amortisation:					
Acquired intangibles	(116)	(116)	(122)		
Purchased licences	(731)	(731)	(763)		
Other	(3,926)	(3,926)	(4,043)		
Adjusted EBIT	**2,100**	**2,305**	**2,457**	**(6.2)**	**(1.6)**
	(8)	41	171		

Share of adjusted results in associates and joint ventures[3]					
Adjusted operating profit	**2,092**	**2,346**	**2,628**	**(10.7)**	**(0.6)**
Impairment loss	(3,495)				
Restructuring costs	(95)		(33)		
Amortisation of acquired customer base and brand intangible assets[3]	(317)		(543)		
Other income and expense	(256)		(44)		
Operating (loss)/profit	**(2,071)**		**2,008**		
Non-operating income and expense	(3)		(1)		
Net (financing costs)/investment income	(815)		152		
Income tax expense[4]	(1,409)		(579)		
(Loss)/profit for the financial period from continuing operations	**(4,298)**		**1,580**		
Loss for the financial period from discontinued operations	(3,535)		(345)		
(Loss)/profit for the financial period	**(7,833)**		**1,235**		
Attributable to:					
- Owners of the parent	(7,965)		1,131		
- Non-controlling interests	132		104		

Notes:

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1. Service revenue, adjusted EBITDA, adjusted EBIT and adjusted operating profit are non-GAAP performance measures. Non-GAAP performance measures are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See Use of non-GAAP financial information on page 54 for more information and reconciliations to the closest respective equivalent GAAP measure and Definition of terms on page 65 for further details.
2. Current period reflects average foreign exchange rates of 1:£0.88, 1:INR 80.77, 1:ZAR 15.73, 1:TKL 5.90 and 1: EGP 21.01.
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 0.4 billion (2017: 0.2 billion) which are included in amortisation of acquired customer base and brand intangible assets, restructuring costs and other income and expense respectively.
4. Refer to page 17 for further details.

FINANCIAL RESULTS

Europe1

IAS 18 basis	Germany m	Italy m	UK m	Spain m	Other Europe m	Eliminations m	Europe m	IAS 18 Growth Reported %	Organic* %
30 September 2018									
Mobile customer revenue	2,719	1,685	1,888	1,299	1,654		9,245		
Mobile incoming revenue	101	170	141	63	190	(9)	656		
Other service revenue	259	117	134	89	138	(52)	685		
Mobile service revenue	3,079	1,972	2,163	1,451	1,982	(61)	10,586		
Fixed service revenue	2,081	523	734	754	405	(1)	4,496		
Service revenue	**5,160**	**2,495**	**2,897**	**2,205**	**2,387**	**(62)**	**15,082**	**(1.9)**	**(1.8)**
Other revenue	291	420	500	216	180	(3)	1,604		
Revenue	**5,451**	**2,915**	**3,397**	**2,421**	**2,567**	**(65)**	**16,686**	**(0.5)**	**(0.5)**
Direct costs	(963)	(577)	(767)	(717)	(654)	65	(3,613)		
Customer costs	(1,149)	(671)	(919)	(569)	(433)		(3,741)		
Operating expenses	(1,261)	(587)	(910)	(593)	(631)		(3,982)		
Adjusted EBITDA	**2,078**	**1,080**	**801**	**542**	**849**		**5,350**	**(4.2)**	**(4.2)**
Adjusted EBITDA margin	**38.1%**	**37.0%**	**23.6%**	**22.4%**	**33.1%**		**32.1%**		
30 September 2017									
Mobile customer revenue	2,683	1,889	2,070	1,369	1,624		9,635		
Mobile incoming revenue	106	172	152	83	197	(13)	697		
Other service revenue	257	127	155	106	138	(69)	714		
Mobile service revenue	3,046	2,188	2,377	1,558	1,959	(82)	11,046		
Fixed service revenue	2,016	485	697	768	365	(4)	4,327		
Service revenue	**5,062**	**2,673**	**3,074**	**2,326**	**2,324**	**(86)**	**15,373**		
Other revenue	215	434	441	186	128	(2)	1,402		
Revenue	**5,277**	**3,107**	**3,515**	**2,512**	**2,452**	**(88)**	**16,775**		
Direct costs	(969)	(607)	(736)	(683)	(663)	88	(3,570)		
Customer costs	(1,102)	(661)	(889)	(502)	(405)		(3,559)		
Operating expenses	(1,277)	(639)	(960)	(576)	(611)		(4,063)		
Adjusted EBITDA	**1,929**	**1,200**	**930**	**751**	**773**		**5,583**		
Adjusted EBITDA margin	**36.6%**	**38.6%**	**26.5%**	**29.9%**	**31.5%**		**33.3%**		
Change at constant exchange rates (%)									
Mobile customer revenue	1.3	(10.8)	(8.1)	(5.1)	2.0				
Mobile incoming revenue	(4.6)	(1.1)	(6.5)	(24.0)	(4.2)				
Other service revenue	1.0	(7.7)	(13.0)	(15.5)	(1.3)				
Mobile service revenue	1.1	(9.9)	(8.4)	(6.8)	1.1				
Fixed service revenue	3.2	7.9	6.2	(1.8)	11.0				
Service revenue	**1.9**	**(6.6)**	**(5.1)**	**(5.2)**	**2.6**				
Other revenue	35.0	(3.5)	14.0	16.2	44.2				
Revenue	**3.3**	**(6.2)**	**(2.7)**	**(3.6)**	**4.8**				

Direct costs	(0.7)	(5.0)	5.1	5.1	(1.1)
Customer costs	4.3	1.5	4.1	13.2	7.4
Operating expenses	(1.2)	(8.1)	(4.5)	3.0	3.0
Adjusted EBITDA	**7.7**	**(10.0)**	**(13.4)**	**(27.8)**	**9.8**
Adjusted EBITDA margin (pps)	**1.6**	**(1.6)**	**(2.9)**	**(7.5)**	**1.5**

FINANCIAL RESULTS

On a statutory basis, revenue decreased by 0.7 billion to 16.0 billion, including a 0.6 billion decrease due to the adoption of IFRS 15.

On an IAS 18 basis, revenue decreased 0.5% including a 0.1 percentage point negative impact from foreign exchange movements. On an organic basis, service revenue excluding the drag from UK handset financing decreased 0.7%** (Q1 -0.3%**, Q2 -1.1%**), reflecting competitive pressure in Italy and Spain offset by good growth in Germany, the UK and Other Europe.

Adjusted EBITDA decreased 4.2%, including a 0.1 percentage point negative impact from foreign exchange movements. On an organic basis and excluding UK handset financing impacts and a UK settlement in the prior year, adjusted EBITDA was almost stable (-0.2)%** as service revenue declines were offset by lower operating expenses.

	Reported change %	Other activity (including M&A) pps	Foreign exchange pps	Organic* change %
Europe revenue	**(0.5)**	**(0.1)**	**0.1**	**(0.5)**
Service revenue				
Germany	1.9	0.1		2.0
Italy	(6.7)	0.3		(6.4)
UK	(5.8)	0.1	0.7	(5.0)
Spain	(5.2)	0.5		(4.7)
Other Europe	2.7	(0.2)	(0.1)	2.4
Europe service revenue	**(1.9)**		**0.1**	**(1.8)**
Adjusted EBITDA				
Germany	7.7	(0.4)		7.3
Italy	(10.0)	0.3		(9.7)
UK	(13.9)	(1.0)	0.5	(14.4)
Spain	(27.8)	0.6		(27.2)
Other Europe	9.8	0.5		10.3
Europe adjusted EBITDA	**(4.2)**	**(0.1)**	**0.1**	**(4.2)**

Notes:

* All amounts in this document 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. Change at constant exchange rates presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are non-GAAP performance measures. See Use of non-GAAP financial information on page 54 for further details and reconciliations to the respective closest equivalent GAAP measure.

** Organic growth excluding the impact of UK handset financing and settlements (see page 59 for further details).

1 The Financial Results discussion, including the discussion of service revenue and adjusted EBITDA, is primarily performed on an IAS 18 basis. 2018 information on an IAS 18 basis and percentage movements on an IAS 18 basis are non-GAAP

performance measures. See Use of non-GAAP financial information on page 54 for more information and reconciliations to the closest respective equivalent GAAP measure and Definitions of terms on page 65 for further details.

Germany

Service revenue grew 2.0%* (Q1: 2.4%*, Q2: 1.7%*) driven by strong customer base growth in both mobile and fixed line. The slight slowdown in quarterly trends reflects the lapping of a tough prior year comparator relating to wholesale MVNO revenues.

Mobile service revenue grew 1.3%* (Q1: 1.7%*, Q2: 0.9%*) driven by a higher contract customer base. We added 466,000 contract customers in the first half of the year (H1 2017/18: 301,000) supported by strong sales performances in both branded and indirect channels, and the success of our GigaCube proposition. Contract ARPU declined, however it grew excluding the mix shift towards SIM-only, multi-SIM family contracts and convergence. In Q2, our consumer segment continued to perform well and Business returned to growth, however this was partially offset by a tough prior year comparator relating to wholesale MVNO revenues. We retained our market leading consumer NPS, and our 4G coverage is now 93% with the ability to offer 500Mbps in over 45 cities. Narrow-band IoT, which enables deep indoor coverage at low cost for connected devices, is now available across 90% of our 4G footprint.

Fixed service revenue grew 3.2%* (Q1: 3.4%*, Q2: 3.0%*) driven by customer base growth. We added 115,000 broadband customers in H1, with quarterly trends improving despite an increase in competitor promotions, reflecting the growing demand for higher speed offers. We also maintained good momentum in convergence supported by our GigaKombi proposition, and we added 513,000 consumer converged customers (including prepaid mobile customers with fixed products for the first time), bringing our consumer converged customer base to 1.2 million. Our Gigabit investment plan is well underway. We have successfully completed the analogue switch off for 42% of our TV customers, enabling the efficient roll out of DOCSIS 3.1. We are targeting to cover 8 million households (70%) with this Gigabit capable technology by the end of the year.

FINANCIAL RESULTS

Adjusted EBITDA grew 7.3%* with a 1.5 percentage point improvement in adjusted EBITDA margin to 38.1%. This was driven by service revenue growth, our focus on more profitable direct channels, and a further 1.2%* reduction in operating expenses despite the strong growth in customer numbers.

Italy

Service revenue declined 6.4%* (Q1: -6.5%*, Q2: -6.3%*), primarily reflecting increased competition in mobile due to the arrival of a new entrant.

Mobile service revenue declined 9.5%* (Q1: -9.5%*, Q2: -9.6%*). Promotional activity in the prepaid segment remained high, and in Q2 stepped up further following the launch of the new entrant in late May. As a result, mobile number portability (MNP) volumes were 46% higher year-on year in Q2 and 42% higher compared to Q1. In June, we launched a new secondary brand (Ho.) to specifically address customers in the value segment of the market. Customer take-up to date has been encouraging, mitigating losses on our main brand. Overall our active consumer prepaid customer base declined by 213,000 in H1, and consumer prepaid ARPU fell by 5.4%. During this period we maintained our market leading network position.

In October 2018, we announced that we had acquired 300MHz of spectrum across 700MHz, 3700MHz, and 26GHz bands for 2.4bn, a significantly greater cost than in other European markets due to an artificial auction construct. This spectrum will enable the deployment of 5G, allowing us to maintain our leading network position in Italy and delivering substantial network operating cost efficiencies as demand for data continues to grow.

Fixed service revenue grew 7.9%* (Q1: 7.1%*, Q2: 8.6%*). Our commercial momentum remained strong, as we added 121,000 broadband households in H1. Through our owned NGN footprint and our rapidly expanding strategic partnership with Open Fiber, we now cover 5.8 million households. We also added 91,000 converged customers, taking our total converged customer base to 834,000.

Adjusted EBITDA declined by 9.7%* and the adjusted EBITDA margin was 1.6 percentage points lower at 37.0%. The decline in service revenue was partially offset by a tight control of operating expenses, which declined by 8.1%* year-on-year.

UK

Excluding the drag from handset financing, service revenue grew 0.8%** (Q1: 0.5%**, Q2: 1.1%**), driven by growth in consumer mobile and fixed line, and by a return to growth in Business fixed. This improved performance reflects the substantial operational improvements and commercial actions taken over the past year. On a reported basis service revenue declined 5.0%* (Q1: -4.9%*, Q2: -5.1%*), with the drag on growth from handset financing increasing from 5.4 percentage points in Q1 to 6.2 percentage points in Q2.

Mobile service revenue excluding handset financing declined by 0.8%** (Q1: -0.9%**, Q2: -0.6%**), with growth in consumer being offset by lower Business and MVNO revenue. The growth in consumer was driven by a higher contract customer base and an RPI-linked price increase. Our commercial momentum accelerated through the period; excluding Talkmobile, our low-end mobile brand which is being phased out, we added 181,000 contract customers in the first half of the year (H1 2017/18: 59,000). This was supported by a 2 percentage point year-on-year improvement in consumer branded churn, and our best ever network satisfaction and consumer NPS scores. Our active consumer prepaid base also grew by 100,000 in Q2 supported by VOXI, our targeted youth proposition.

Fixed service revenue grew 6.2%* (Q1: 5.3%*, Q2: 7.0%*) driven by continued strong momentum in consumer broadband and a return to service revenue growth in Business. We added 97,000 consumer broadband net additions in H1, and in total we now serve 479,000 broadband customers. In September, we launched our first fibre-to-the-home offer in Milton Keynes, leveraging our strategic partnership with CityFibre. This offer will be rolled out to a further 9 cities by early 2019.

Adjusted organic EBITDA excluding handset financing and a one-off settlement in the prior year grew 12.1%**, and our adjusted EBITDA margin improved by 2.1** percentage points. This improvement was driven by service revenue growth, a 5.7%* reduction in operating expenses excluding the one-off settlement, and improved Business fixed profitability; to date, we have closed 15 legacy networks and transitioned these customers to our RedStream next-generation network. On a reported basis adjusted EBITDA decreased by 14.4%* and the reported adjusted EBITDA margin decreased by 2.9 percentage points to 23.6%.

FINANCIAL RESULTS

Spain

Service revenue declined 4.7%* (Q1: -2.2%*, Q2: -7.2%*). The slowdown in quarterly trends reflects the commercial actions we took in May in order to improve the competitiveness of our offers, particularly in the value segment, and the impact of our decision not to renew unprofitable football content rights. Going forward, unless football rights are available on profitable terms, we intend to focus our content strategy on premium movies and TV series.

Competition in the market remained high during the first half of the year, resulting in a 20-25% increase in market portability volumes across both mobile and fixed and a significant increase in our churn rates. Post our commercial repositioning in May, porting trends in June and July improved significantly, supported by improved momentum in our second brand Lowi. However, as a result of our decision not to renew unprofitable rights for the Champions League and the match of the week in La Liga, we lost football customers in August and September. Our performance was further impacted by discounted TV/football promotions launched by the incumbent. However, our porting performance versus other operators remained resilient, and the summer promotions ended at the beginning of October. Overall, in H1 our mobile contract base grew by 35,000, our broadband customer base declined by 118,000, and we lost 98,000 TV customers. We maintained our market leading NPS position in consumer, and further improved our market leading network position with 4G coverage of 96% and an NGN footprint covering 21.5 million households (of which 10.3 million are on-net).

Adjusted EBITDA declined by 27.2%* and the adjusted EBITDA margin was 7.5 percentage points lower at 22.4%. This was principally driven by the reduction in ARPU and fixed customers as well as higher commercial costs following the commercial repositioning of the business. Excluding certain one-time items, primarily relating to content costs and intercompany charges, adjusted EBITDA declined by 20.7%*.

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 six months ended 30 September 2018.

Other Europe

Other Europe, which represents 12.1% of Group service revenue, grew 2.4%* (Q1: 2.6%*, Q2: 2.3%*) with all major markets growing during the first half of the year. Adjusted EBITDA grew 10.3%* and adjusted EBITDA margin grew 1.6 percentage points to 33.1%* reflecting continued strong cost control, and good customer base growth.

In Ireland, service revenue grew 2.5%* (Q1: 1.7%*, Q2: 3.3%*) driven by mobile base growth and prepaid ARPU increases. Portugal service revenue grew 2.3%* (Q1: 3.6%*, Q2: 1.1%*) supported by strong customer base growth and higher ARPU in fixed line. The slowdown in quarterly trends reflects the impact of an MTR cut in July. In Greece, service revenue grew by 1.6%* (Q1: 2.1%*, Q2: 1.2%*) driven by ARPU growth in consumer mobile and fixed customer base growth. The slowdown quarter-on-quarter reflect the lapping of price rises in the prior year.

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 1.8% during H1 (Q1: -2.9%, Q2: -0.6%). This reflected continued price competition in mobile, particularly in the B2B segment, partially offset by growth in fixed line. The improvement in quarterly trends principally reflected the lapping of MTR cuts and roaming regulation from the prior year, combined with continued good customer base growth in both mobile and fixed. We reached the milestone of 1 million converged customers, and 30% of broadband customers and 48% of eligible mobile customers are now converged, driving significant NPS and churn benefits.

Adjusted EBITDA was stable in H1, as declining revenues were offset by lower operating and direct costs which were down 2.9% year-on-year. We continued to make good progress on integrating the businesses and have now realised over one third of the targeted cost and capital expenditure synergies.

During H1, Vodafone received 163 million in dividends from the joint venture and 25 million in interest payments on the shareholder loan.

FINANCIAL RESULTS

Africa, Middle East and Asia Pacific (AMAP)1

IAS 18 basis	Vodacom m	Other AMAP m	Eliminations m	AMAP m	IAS 18 Growth Reported %	Organic* %
30 September 2018						
Mobile customer revenue	2,014	1,424		3,438		
Mobile incoming revenue	84	205		289		
Other service revenue	115	72		187		
Mobile service revenue	2,213	1,701		3,914		
Fixed service revenue	127	332		459		
Service revenue	**2,340**	**2,033**		**4,373**	**(9.0)**	**7.4**
Other revenue	484	426		910		
Revenue	**2,824**	**2,459**		**5,283**	**(7.3)**	**9.2**
Direct costs	(399)	(776)		(1,175)		
Customer costs	(691)	(482)		(1,173)		
Operating expenses	(668)	(535)		(1,203)		
Adjusted EBITDA	**1,066**	**666**		**1,732**	**(6.5)**	**6.8**
Adjusted EBITDA margin	**37.7%**	**27.1%**		**32.8%**		
30 September 2017						
Mobile customer revenue	1,996	1,761		3,757		
Mobile incoming revenue	80	262		342		
Other service revenue	121	88		209		
Mobile service revenue	2,197	2,111		4,308		
Fixed service revenue	113	382		495		
Service revenue	**2,310**	**2,493**		**4,803**		
Other revenue	489	407		896		
Revenue	**2,799**	**2,900**		**5,699**		
Direct costs	(361)	(937)		(1,298)		
Customer costs	(737)	(493)		(1,230)		
Operating expenses	(638)	(680)		(1,318)		
Adjusted EBITDA	**1,063**	**790**		**1,853**		
Adjusted EBITDA margin	**38.0%**	**27.2%**		**32.5%**		
Change at constant exchange rates (%)						
Mobile customer revenue	5.2	(1.7)				
Mobile incoming revenue	9.3	(1.9)				
Other service revenue	(0.4)	(1.6)				
Mobile service revenue	5.1	(1.7)				
Other service revenue	16.8	(2.2)				
Service revenue	**5.7**	**(1.8)**				
Other revenue	3.5	39.5				
Revenue	**5.3**	**3.5**				
Direct costs	15.2	1.6				
Customer costs	(2.2)	29.7				
Operating expenses	9.1	(7.2)				
Adjusted EBITDA	**4.8**	**0.3**				
Adjusted EBITDA margin (pps)	**(0.2)**	**(0.9)**				

FINANCIAL RESULTS

On a statutory basis, revenue decreased by 0.5 billion to 5.2 billion, including a 0.1 billion decrease due to the adoption of IFRS 15.

Revenue decreased 7.3%, with strong organic growth offset by a 4.8 percentage point impact arising from the disposal of Vodafone Qatar at the end of FY18 and an 11.7 percentage point adverse impact from foreign exchange movements, particularly with regards to the Turkish Lira. On an organic basis service revenue was up 7.4%* driven by continued commercial execution, strong growth in data and the benefit of price increases to adjust for local inflation.

Adjusted EBITDA decreased 6.5%, including a 3.8 percentage point impact from the disposal of Vodafone Qatar and a 9.5 percentage point adverse impact from foreign exchange movements. On an organic basis, adjusted EBITDA grew 6.8%*, driven by underlying revenue growth and ongoing cost management to mitigate inflationary impacts.

	Reported change %	Other activity (including M&A) pps	Foreign exchange pps	Organic* change %
AMAP revenue	**(7.3)**	**4.8**	**11.7**	**9.2**
Service revenue				
Vodacom	1.3		4.4	5.7
Other AMAP	(18.5)	11.2	16.7	9.4
AMAP service revenue	**(9.0)**	**5.3**	**11.1**	**7.4**
Adjusted EBITDA				
Vodacom	0.3		4.5	4.8
Other AMAP	(15.7)	9.9	16.0	10.2
AMAP adjusted EBITDA	**(6.5)**	**3.8**	**9.5**	**6.8**

Notes:

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Vodacom

Vodacom Group service revenue grew 5.7%* (Q1: 5.1%*, Q2: 6.3%*), supported by strong customer additions and data growth in South Africa, as well as growing demand for data and M-Pesa in Vodacom s International operations. The improvement in quarterly trends was driven by a further acceleration in the International operations.

In South Africa, service revenue grew by 4.6%* (Q1: 4.9%*, Q2: 4.3%*). This was supported by continued strong customer base growth in both contract and prepaid and further improvements in Business. Q2 service revenue growth was 2.2%* excluding a one-off benefit relating to a change in revenue deferral policy for our new plus plans. This underlying slowdown reflected customers optimising their bundle spend as a result of macroeconomic pressures. In total we added 2.5 million prepaid customers in the first half of the year, taking our total prepaid customer base to 47.2 million, an increase of 3.4% year-on-year.

Data revenue grew by 7.5% and now represents 43.8% of total service revenue. We continued to drive strong data bundle adoption, which provides customers with a worry-free experience by reducing their exposure to out-of-bundle charges. As a result, we have continued to see strong growth in data bundle sales, which were up 26% year-on-year to 437 million. In total we now have 20.5 million data customers, of which 8.6 million are on 4G, up 42% year-on-year. Through our advanced digital platform we have started to launch new data services such as our video play platform and a range of financial services. Initial take up of these services has been encouraging. We maintained our market leading NPS and network positions, with 4G coverage now reaching 83%.

Vodacom s International operations outside of South Africa, which represent 23.9% of Vodacom Group service revenue, grew by 12.2%* (Q1: 9.4%*, Q2: 15.0%*). This was driven by strong growth in Mozambique and the DRC (with growth in Q2 benefitting from the lapping of the devaluation of the Congolese Franc in the prior year), and sustained momentum in Tanzania and Lesotho.

Vodacom s adjusted EBITDA grew by 4.8%*, supported by revenue growth. Adjusted EBITDA margins reduced modestly to 37.7%, reflecting increased roaming costs in South Africa following a change in accounting treatment, with these costs now reflected in operating expenses.

FINANCIAL RESULTS

In September 2018, Vodacom concluded its second broad-based BEE (black economic empowerment) 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) the third largest shareholder. The deal secures Vodacom s Level 3 BEE scorecard credentials, specifically in relation to black ownership, with effective black ownership of c.20%. This is a key input in assessments for spectrum allocation, and Government/corporate business. As a result of this transaction Vodafone Group s shareholding in Vodacom will fall from 64.5% to 60.5%.

Other AMAP

Service revenue grew 9.4%* (Q1: 9.4%*, Q2: 9.4%*), supported by continued strong operational performances and local currency service revenue growth in both Turkey and Egypt. Adjusted EBITDA grew 10.2%* and the adjusted EBITDA margin declined by 0.1 percentage points to 27.1%.

In Turkey, service revenue grew 14.6%* (Q1: 14.0%*, Q2: 15.2%*) supported by strong net adds in consumer contract, increased mobile data revenue, and good fixed line customer base growth. Adjusted EBITDA grew 17.9%*, however the adjusted EBITDA margin declined by 1.4 percentage points to 21.4% reflecting an increase in costs as a result of greater inflationary pressures and a 30% devaluation in the Turkish Lira during H1.

Egypt service revenue grew 16.9%* (Q1: 16.7%*, Q2: 17.0%*) with successful segmented campaigns, rising data penetration and price increases supporting ARPU. Adjusted EBITDA grew 17.3%* and the adjusted EBITDA margin improved by 0.5 percentage points to 45.6% with revenue growth and strong cost discipline more than offsetting inflationary pressures.

Associates and joint ventures

Vodafone Idea

On 31 August 2018, the Group completed the transaction to combine its subsidiary, Vodafone India (excluding its 42% stake in Indus Towers), with Idea Cellular to form Vodafone Idea, with the combined company being jointly controlled by Vodafone and the Aditya Birla Group. See note 5 Discontinued operations and assets and liabilities held for sale for the results of Vodafone India for the five months ended 31 August 2018 and note 8 Acquisition and disposals for details on the formation of Vodafone Idea.

The Vodafone Idea joint venture s net loss for the month of September 2018 is reported within Share of adjusted results for associates and joint ventures . In accordance with applicable IFRS, the Group also recognised an impairment charge of 0.3 billion to reduce the Group s carrying value of its investment in Vodafone Idea to fair value at 30 September 2018. See note 3 Impairment review for further details. Note 3 also sets out the primary assumptions underlying

the carrying value of Vodafone Idea, the risks that these may not materialise and the consequential potential impact on our investment carrying value.

Vodafone Idea will report its second quarter results on 15 November 2018.

FINANCIAL RESULTS

Group results

Revenue

On a statutory basis, Group revenue decreased 1.3 billion to 21.8 billion, including a 0.7 billion decrease due to the adoption of IFRS 15 as set out on page 33. On an IAS 18 basis, Group revenue decreased by 2.3% reflecting the disposal of Vodafone Qatar in the prior period and adverse foreign exchange movements.

On an IAS 18 basis, Group service revenue decreased by 0.1%* as market share gains in European Consumer fixed, strong mobile data demand and customer base growth in our emerging market operations and continued momentum in Vodafone Business were offset by increased competitive pressures in Italy and Spain, the drag from lower wholesale revenue and the impact of handset financing.

Adjusted EBITDA

On a statutory basis, Group adjusted EBITDA decreased 0.5 billion to 6.9 billion, including a 0.2 billion decrease due to the adoption of IFRS 15 (see page 33), the disposal of Vodafone Qatar in the prior period and adverse foreign exchange movements. On an IAS 18 basis, Group adjusted EBITDA decreased by 0.2%* and the Group s adjusted EBITDA margin decreased 0.5* percentage points driven by a lower benefit from handset financing and settlements in the UK.

Adjusted EBIT

On a statutory basis, adjusted EBIT decreased by 0.4 billion to 2.1 billion, including a 0.2 billion decrease due to the adoption of IFRS 15. On an IAS 18 basis, adjusted EBIT decreased by 6.2% to 2.3 billion driven as a result of lower adjusted EBITDA partially offset by lower depreciation and amortisation expenses.

Operating (loss)/profit

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

For the six months ended 30 September 2018, the Group recorded impairment charges of 3.5 billion. The impairment charges relate solely to goodwill and are recognised in the consolidated income statement within operating (loss)/profit.

The Group s share of adjusted results in associates and joint ventures was a loss of 0.0 billion, down from a profit of 0.2 billion in the prior year, partly due to the inclusion of the results of Vodafone Idea following the completion of the merger on 31 August 2018.

Restructuring costs and other income and expense increased by 0.3 billion during the period. Amortisation of intangible assets in relation to customer bases and brands, which are recognised on the acquisition of businesses, was 0.3 billion, a decrease of 0.2 billion compared to the prior period.

Including the above items, the Group reported an operating loss of 2.1 billion, a decrease of 4.1 billion on the prior period.

Net (financing costs)/net investment income

	Six months ended 30 September	
	2018	**2017**
	m	**m**
Investment income	184	333
Financing costs	(999)	(181)
Net (financing costs)/net investment income	**(815)**	**152**
Analysed as:		
Net financing costs before interest on settlement of tax issues	(430)	(312)
Net Interest income/(expense) arising on settlement of outstanding tax issues	15	(33)
	(415)	**(345)**
Mark to market (losses)/gains	(185)	195
Foreign exchange[1]	(215)	302
	(815)	**152**

Note:

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

Net financing costs decreased by 967 million primarily driven by mark to market losses (including economic 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 from the bond issuance as part of the financing for the Liberty Global transaction. Excluding these, underlying financing costs remained stable, reflecting consistent weighted average borrowing costs for both periods.

FINANCIAL RESULTS

Taxation

The Group s effective tax rate for its controlled businesses for the six months ended 30 September 2018 was -48.8% compared to 26.8% for the same period during the last financial year.

The lower rate in the current year is primarily due to a change in the mix of the Group s profit, partly driven by the financing for the Liberty Global transaction and the impact of non-tax deductible foreign exchange losses, the derecognition of a deferred tax asset in Spain of 1,048 million (2017: nil), deferred tax on the use of Luxembourg losses of 185 million (2017: 168 million), an increase in the deferred tax asset of 159 million (2017: nil) arising from a revaluation of investments based upon the local GAAP financial statements and tax returns. The last two items change the total losses we have available for future use against our profits in Luxembourg and do not affect the amount of tax we pay in other countries.

The Group s effective tax rate for the six months ended 30 September 2017 includes a recognition of deferred tax asset of 159 million due to higher interest rates and a tax charge in respect of capital gains on the transfer of shares 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 3.56 eurocents, a decrease of 43.7% year-on-year, as the impact of the adoption of IFRS 15, lower adjusted operating profit and higher net financing costs more than offset the decrease in adjusted income tax expense.

Basic loss per share was 29.00 eurocents, compared to an earnings per share of 4.03 eurocents for the period ended 30 September 2017, with the increase largely due to 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.

	Six months ended 30 September	
	2018	**2017**
	m	**m**
(Loss)/profit attributable to owners of the parent	**(7,965)**	**1,131**
Adjustments:		
Impairment loss	3,495	
Amortisation of acquired customer base and brand intangible assets	317	543
Restructuring costs	95	33
Other income and expense	256	44
Non-operating income and expense	3	1

Investment income and financing costs	227	(407)
	4,393	**214**
Taxation[1]	1,017	90
India[2]	3,535	345
Non-controlling interests	(1)	(7)
Adjusted profit attributable to owners of the parent[3]	**979**	**1,773**

	Million	**Million**
Weighted average number of shares outstanding basic[4]	27,462	28,067

Earnings per share

	eurocents	**eurocents**
Basic (loss)/earnings per share	(29.00)c	4.03c
Adjusted earnings per share[3]	3.56c	6.32c

Notes:

1. See Taxation above.

2. Represents the results of Vodafone India, which has been accounted for as a discontinued operation for all periods to 31 August 2018, the date it was combined with Idea Cellular to form Vodafone Idea.

3. Adjusted profit attributable to owners of the parent and adjusted earnings per share are non-GAAP performance measures. Non-GAAP performance measures are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See Use of non-GAAP financial information on page 54 for further details.

4. Weighted average number of shares outstanding includes a dilution of 765 million shares (2017: 1,292 million shares) following the issue of £2.9 billion of mandatory convertible bonds in February 2016, of which £1.4 billion matured in August 2017, which were classified as equity after taking into account the cost of future coupon payments.

FINANCIAL RESULTS

Statement of financial position

Assets

Goodwill and other intangible assets

Goodwill and other intangible assets decreased by 3.5 billion to 39.7 billion. The decrease primarily arose as a result of 1.3 billion of spectrum additions, principally in Italy, the UK and Spain, 0.9 billion of software additions and 0.1 billion of goodwill arising from the acquisition of CYTA Hellas in Greece, offset by 3.2 billion of impairment charges recorded in respect of the Group s investments in Spain and Romania, 2.0 billion of amortisation and 0.7 billion of unfavourable foreign exchange movements.

Property, plant and equipment

Property, plant and equipment decreased by 1.2 billion to 27.1 billion, principally due to 2.1 billion of additions driven by continued investment in the Group s networks, offset by 2.9 billion of depreciation charges and 0.4 billion of unfavourable foreign exchange movements.

Other non-current assets

Other non-current assets decreased by 1.2 billion to 34.9 billion mainly due to a 1.7 billion increase in investment in associates and joint ventures following the formation of the Vodafone Idea joint venture and a 0.8 billion increase in trade and other receivables, offset by a 2.0 billion decrease in other investments following the repayment of US$2.5 billion of loan notes issued by Verizon Communications Inc. and a 1.8 billion decrease in deferred tax assets following the derecognition of deferred tax assets in Spain.

Current assets

Current assets increased by 8.1 billion to 32.2 billion which includes a 3.4 billion increase in trade and other receivables largely due to the adoption of IFRS 15, a 2.3 billion increase in cash and cash equivalents and a 2.2 billion increase in other investments.

Assets and liabilities held for sale

Assets held for sale at 30 September 2018 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 7.2 billion to 61.4 billion largely due to a 2.3 billion net increase from the adoption of IFRS 9 and IFRS 15 offset by 3.1 billion of dividends paid to equity shareholders and non-controlling interests and the total comprehensive expense for the period of 6.5 billion.

Non-current liabilities

Non-current liabilities increased by 9.7 billion to 47.7 billion, primarily due to a 9.8 billion increase in long-term borrowings.

Current liabilities

Current liabilities decreased by 3.5 billion to 24.6 billion mainly due to a 3.0 billion decrease in short term borrowings.

Inflation

Inflation has not had a significant effect on the Group s consolidated results of operations and financial condition during the six months ended 30 September 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows and funding

	Six months ended 30 September		
	IFRS 15 basis 2018 m	**IAS 18 basis 2018 m**	**IAS 18 basis 2017 m**
Adjusted EBITDA	6,873	7,078	7,385
Capital additions[1]	(3,067)	(3,067)	(3,263)
Working capital	(2,320)	(2,525)	(2,294)
Disposal of property, plant and equipment	4	4	9
Other	48	48	65
Operating free cash flow[2]	**1,538**	**1,538**	**1,902**
Taxation	(395)	(395)	(400)
Dividends received from associates and investments	305	305	284
Dividends paid to non-controlling shareholders in subsidiaries	(185)	(185)	(154)
Interest received and paid	(369)	(369)	(343)
Free cash flow (pre-spectrum)[2]	**894**	**894**	**1,289**
Licence and spectrum payments	(231)	(231)	(747)
Restructuring payments	(97)	(97)	(127)
Free cash flow[2]	**566**	**566**	**415**
Acquisitions and disposals	168		1,079
Equity dividends paid	(2,736)		(2,637)
Share buybacks			(549)
Foreign exchange	296		693
Other[3]	(773)		149
Net debt increase	**(2,479)**		**(850)**
Opening net debt[4]	(29,631)		(29,338)
Closing net debt[4]	**(32,110)**		**(30,188)**

Notes:

1. Capital additions include the purchase of property, plant and equipment and intangible assets, other than licence and spectrum, during the period.

2. Operating free cash flow, free cash flow (pre-spectrum) and free cash flow are non-GAAP performance measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See Use of non-GAAP financial information on page 54 for more information and reconciliations to the closest respective equivalent GAAP measure and Definition of terms on page 65 for further details.

3. Other for the six months ended 30 September 2018 include 2,135 million (2017: nil) received from the repayment of US$2.5 billion of loan notes issued by Verizon Communications Inc., a 1,377 million (2017: nil) capital injection into Vodafone India and 808 million of debt in relation to licences and spectrum in Italy and Spain (2017: nil).

4. Net debt at 31 March 2018, 30 September 2017 and 31 March 2017 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 (see page 30).

Operating free cash flow decreased 0.3 billion mainly due to lower adjusted EBITDA, lower capital additions and higher working capital cash outflows.

Free cash flow (pre-spectrum) was 0.9 billion, a decrease of 0.3 billion, largely driven by the decrease in operating free cash flow.

Licence and spectrum payments include amounts relating to the purchase of spectrum in the UK of 0.2 billion (2017: 0.6 billion in Italy, 0.1 billion in Germany).

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

A foreign exchange gain of 0.4 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.

Closing net debt at 30 September 2018 was 32.1 billion (31 March 2018: 29.6 billion) and excludes the remaining £1.4 billion mandatory convertible bond issued in February 2016 which will be settled in equity shares, liabilities of 1.8 billion (31 March 2018: 1.8 billion) relating to minority holdings in KDG and 0.9 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 (31 March 2018: 1.65 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 are not reflected in gross debt and would decrease the euro equivalent redemption value of the bonds by less than 0.1 billion (31 March 2018: 0.6 billion increase).

LIQUIDITY AND CAPITAL RESOURCES

Analysis of net debt:

	30 September 2018 m	**Restated1 31 March 2018 m**
Bonds	(41,969)	(33,950)
Commercial paper2	(791)	(2,712)
Bank loans	(2,687)	(3,316)
Cash collateral liabilities	(1,332)	(1,070)
Other borrowings3	(1,393)	(373)
Gross borrowings	**(48,172)**	**(41,421)**
Derivative financial instruments4	(2,798)	(2,383)
Gross debts	**(50,970)**	**(43,804)**
Cash and cash equivalents	6,962	4,674
Other financial instruments:		
Derivative financial instruments5	3,039	2,629
Short term investments6	8,013	6,152
Cash collateral7	846	718
Total cash and cash equivalents and other financial instruments	**18,860**	**14,173**
Net debt	**(32,110)**	**(29,631)**

Notes:

1. Liabilities for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement are now separately disclosed in the consolidated statement of financial position and are no longer presented within borrowings (see page 30); gross borrowings at 31 March 2018 have therefore been revised to exclude 1.8 billion in respect of such liabilities.

2. At 30 September 2018, US$114 million (31 March 2018: US$570 million) was drawn under the US commercial paper programme and 693 million (31 March 2018: 2,249 million) was drawn under the euro commercial paper programme.

3. Amount primarily includes 808 million of debt in relation to licences and spectrum in Italy and Spain (31 March 2018: nil).

4. Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other payables.

5. Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables.

6. At 30 September 2018 the amount primarily includes 4,817million (31 March 2018: 3,087 million) in managed investment funds, 2,106 million (31 March 2018: 1,974 million) in government bonds of which UK gilts of 1,086 million (31 March 2018: 1,112 million) are used primarily as collateral in relation to derivative financial instruments, and 993 million (31 March 2018: 976 million) short-term investments in portfolios of

supply chain and handset receivables, principally in third party corporate entities.

7. Comprises cash paid under collateral support agreements.

The following table sets out the Group s undrawn committed bank facilities:

	Maturity	30 September 2018 m
US$4.2 billion committed revolving credit facility[1]	February 2022	3,586
4.0 billion committed revolving credit facility[1]	January 2025	3,920
Other committed credit facilities	Various	145
Undrawn committed facilities		**7,651**

Note:

1. Both facilities support US and euro commercial paper programmes of up to US$15 billion and 8 billion respectively.

Post employment benefits

During the six months ended 30 September 2018, the net deficit arising from the Group s obligations in respect of its defined benefit schemes decreased to 0.2 billion compared to 0.4 billion at 31 March 2018 primarily due to a 0.1 billion reduction in the value of plan assets during the period being offset by a 0.3 billion actuarial gain arising from changes in financial assumptions, principally due to an increase in the discount rates in the UK and Eurozone.

Dividends

Dividends will continue to be declared in euros and paid in euros, pounds sterling and US dollars, aligning the Group s shareholder returns with the primary currency in which we generate free cash flow. The foreign exchange rate at which future dividends declared in euros will be converted into pounds sterling and US dollars will be calculated based on the average exchange rate over the five business days during the week prior to the payment of the dividend.

The Board currently intends to propose a total dividend of 15.07 eurocents per share for the current financial year, in-line with the dividend for the year ended 31 March 2018, and have announced an interim dividend of 4.84 eurocents (also stable year-on-year). The ex-dividend date for the interim dividend is 22 November 2018 for ordinary shareholders, the record date is 23 November 2018 and the dividend is payable on 1 February 2019. Dividend payments on ordinary shares will be paid directly into a nominated bank or building society account.

REGULATION

Introduction

Our operating companies are generally subject to regulation governing the operation of their business activities as well as to the specific obligations in their licences. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities. The following section describes the key regulatory developments at the supranational and global levels, as well as in selected countries in which we had significant interests during the six months ended 30 September 2018. This section should be read in conjunction with the information contained under Regulation on pages 199 to 206 of the Group s annual report on Form 20-F for the year ended 31 March 2018. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union (EU)

In June 2018 the European Parliament and the Council reached an overall political agreement on the European Electronic Communications Code (EECC) and BEREC Regulation, with formal adoption expected to be finalised by the end of 2018. This means that member states have to complete transposition into national law by the end of 2020. In the Code, the EU institutions agreed on, among other things, gigabit standard network defined as FTTH/5G, introduction of a minimum duration of spectrum licences that requires Member States to ensure licence rights of at least 15 years with an adequate extension to provide a period of at least 20 years, 5G spectrum 3.6 GHz/26 GHz available by 2020 (2022 at the latest), continued regulation of incumbents with significant market power, infrastructure competition through non-discrimination measures, duct and pole access and co-investment and the inclusion of over the top communications services within the scope of the framework. Universal services are limited to affordable broadband, voice services and services for disabled end users and funding is possible through both the state budget and an industry fund. The Code provides for maximum harmonisation of consumer protection requirements, with some exceptions. Rules capping prices on intra-EU international calls were agreed and come into force on 15 May 2019.

The European Digital Single Market strategy includes a review of consumer legislation addressing redress rights for digital and tangible goods, updating elements of consumer law such as transparency for platforms, extending rules to services funded by data and addressing doorstop selling. The new proposals also address enforcement, creating new collective redress rights and increasing fines for breach of cross-border consumer regulation. There are new initiatives addressing the lack of competition and innovation in the platform space, with a new proposal for platform to business regulation addressing fairness and transparency.

All relevant EU institutions have now agreed the European Commission s Free Flow of Data Regulation, which facilitates the cross-border provision within the EU of non-personal data relevant to data storage and processing services such as cloud computing, big data analytics and IoT, notably by prohibiting data localisation rules (except when justified on grounds of public security). This Regulation will enter into force by the end of 2018.

Europe region

Germany

In May 2018 the national regulatory authority (BNetzA) confirmed that expiring 2100 MHz spectrum and 300 MHz out of 400 MHz at 3.6 GHz would be allocated on a nationwide basis and by auction. The remaining 100 MHz at 3.6 GHz will be allocated for regional local use in a case-by-case application process.

In June 2018 BNetzA ruled against the Vodafone Pass EU-roaming-exclusion and fair use policy. Vodafone Germany filed an objection and for legal protection in the administrative court. The BNetzA ruling is suspended until the court proceedings are concluded.

Italy

Vodafone Italy s appeal against the national regulatory authority s (AGCOM) enforcement action in adhering to monthly billing cycles is ongoing and the next hearing is now due to take place on 14 November 2018.

In October 2018 Vodafone Italy secured licences for 2x10MHz (FDD) in the 700MHz band and 80MHz in the 3.7GHz band and 200MHz in the 26GHz band, expiring at the end of 2037 (and thereafter renewable in accordance with current legislation) by auction and at a cost of 2,400 million.

For information on litigation in Italy, see note 13 Commitments, contingent liabilities and legal proceedings to the unaudited condensed consolidated financial statements.

United Kingdom

Ofcom s investigation into Vodafone Passes tariffs has been closed with no further action after Vodafone made changes to its traffic management policy.

REGULATION

Spain

The Final Ministerial Order for the rural LTE plan is now expected in November 2018.

In July 2018 Vodafone Spain secured a licence for 90MHz of spectrum in the 3.7GHz band, expiring in 2038, by auction at a cost of 198 million.

In September 2018 Vodafone Ono and MasMovil signed a Fibre to the Home (FTTH) Sharing Agreement to share up to a million fibre connections from each company s respective footprint. The agreement will be implemented over the next 4 years, increasing the optimization and efficiency of the use of fibre networks in Spain.

Netherlands

In May 2018 the Commission cleared the acquisition of the Ziggo business by Liberty Global subject to similar remedies as in the original 2014 clearance decision.

In September 2018 the appeal court delivered its decision on VodafoneZiggo s appeal against the national regulatory authority s (ACM) MTR/FTR market decision. The verdict provides the relevant guidance sought by VodafoneZiggo about the interpretation and setting of interconnection tariffs among operators.

In September ACM published the final decision in its Wholesale Fixed Access market analysis. In this decision, which entered into force on 1 October, VodafoneZiggo is regulated (cable access). A first obligation on VodafoneZiggo is obligated to publish a reference offer within three months. VodafoneZiggo has appealed the decision in the national court and at the EU court level, the European Commission s decision not to issue serious doubts on ACM s decision prior to its adoption.

In September 2018 the Commission issued its statement of objections in relation to the proposed acquisition of Tele 2 Netherlands by T-Mobile Netherlands. The Commission has to take a decision by 30 November 2018 as case remedies were not offered by Deutsche Telekom.

Ireland

The national regulatory authority s (Comreg) Broadband Market proposal on pricing has been submitted to the EU Commission and they await the Commission s comments.

Portugal

In June 2018 the national regulatory authority (ANACOM) adopted the decision on the review of the wholesale markets for mobile voice call termination. The MTR is reduced from 0.75 to 0.42 eurocents per minute. The glide path reduces the MTR to 0.39 eurocents per minute in July 2019 and to 0.35 eurocents per minute in July 2020.

In July 2018 ANACOM issued a final decision on zero rating practices, in order to ensure that access to data is not blocked for some services and allowed for other services. Vodafone has adapted its offer to comply with ANACOM´s decision within the imposed deadline of September 2018.

In July 2018 ANACOM published the report on the 5G Roadmap public consultation however no timeline for the award procedures was provided.

In September 2018 ANACOM adopted the decision on the review of the wholesale markets for fixed voice call termination. The FTR is reduced from 0.063 to 0.047 eurocents per minute as of October 23. The glide path reduces the FTR to 0.046 eurocents per minute in October 2019 and to 0.045 eurocents per minute in October 2020.

Greece

In June 2018 Vodafone Greece, along with all Greek MNOs, submitted an updated MVNO offer to Forthnet that included 4G. If Forthnet does not accept any of the MNOs updated offers, the national regulatory authority (EETT) may set provisional prices for wholesale access via benchmarking.

In June 2018 EETT audited compliance of commercial practices related to portability of Prepaid SIMs. Vodafone Greece is working with EETT to ensure compliance with all portability requirements.

In September 2018 EETT s Virtual Unbundled Local Access (VULA) specifications and provisions entered into force and their BULRIC+ model for calculating the wholesale copper and fibre access prices is expected to be announced by November 2018.

Vodafone Greece has been granted an extension on the implementation deadline up until December 2018 for the Regulation on General Authorisation , regulating how customers contracts are set up, managed, terminated and renewed.

Czech Republic

In August 2018 the national regulatory authority (CTU) issued its 5G framework position on the auction of the 700 MHz spectrum that is planned for Q2 FY2020.

22

REGULATION

Hungary

In March 2018 the national regulatory authority (NMHH) approved the 900MHz network sharing (and partial spectrum sharing) agreement of Magyar Telekom and Telenor. Vodafone Hungary appealed this decision with the next court hearing due in November 2018.

NMHH has started the preparation of the 2019 spectrum tender where the unused blocks of previously assigned bands in 2100MHz and 3.4-3.8 GHz, as well as new bands 700MHz and 2.3GHz, may be offered for sale.

NMHH s investigation into Vodafone s Red Infinity offer has been closed with no further action after the regulator found that the offer did not infringe net neutrality rules.

Albania

In July 2018 the national regulatory authority (AKEP) launched the bidding process for licences in the 800 MHz spectrum band. The reserve price per 2x10 MHz licence is to be 7,440,000, and licence duration will be 15 years.

In October 2018 AKEP postponed the tender for the 800MHz spectrum band until 3 December 2018, In October 2018 AKEP announced the continuation of symmetric MTRs applicable to all three operators as SMPs in the relevant market. Starting from December 2018 a new rate of 1.22 Leke per minute will apply, reducing to 1.11 Leke per minute in December 2019.

In October 2018 AKEP announced that wholesale market of access and origination in mobile networks, wholesale international calls market, and retail market of mobile services will now be regulated, and they will implement remedies against Vodafone as an SMP operator.

Malta

In March 2018 the Maltese Government announced its intention to introduce SIM registration requirements for all new and existing accounts. Further to this, a public consultation on the proposed legislation was held, led by the national regulatory authority (MCA). Vodafone Malta has responded to the consultation and await the findings to be published.

The national regulatory authority (MCA) is currently consulting on a Revised Radio Spectrum Policy Programme for the upcoming five years - Terrestrial ECS Operators . The deadline for submitting comments was 11 September 2018 and the findings and subsequent proposals will be subject to a public consultation process.

Africa, Middle East and Asia Pacific region

India

Vodafone India s challenges to the national regulatory authority s (TRAI) revised 2015 and 2017 Interconnect Usage Charge (IUC) Regulations are ongoing. The next date is for IUC Regulations 2017 is yet to be announced but IUC 2015 is scheduled in December 2018. The next hearing date for Vodafone India s challenge to TRAI s reduction of International Termination Charges is awaited.

Vodafone India s challenge against TRAI s recommended fine for alleged failure to provide adequate points of interconnection to Reliance Jio (RJIL) is ongoing and listed for April 2019. Vodafone India s challenge against RJIL s zero/free mobile tariff offers being non-compliant with TRAI s tariff requirements for interconnect usage charges is ongoing and the next hearing is scheduled in January 2019.

Vodafone India s challenge to the Telecommunication Tariff Order (TTO) 63rd Amendment and Significant Market Power (SMP) requirements is pending with the Telecoms Disputes Settlement and Appellate Tribunal (TDSAT). The matter was heard in September 2018 and the judgment is reserved.

In June 2018 the Department of Telecommunications issued clarification that internet telephony under license is un-tethered from the underlying access network and can be provided using the Internet service of the other service providers. A licence amendment was also issued including the requirement that the mobile number should be used for internet telephony.

In July 2018 the DoT issued a communication on the framework for Net Neutrality that prohibits licensees from engaging in discriminatory treatment of content, including by any arrangement or contract. Exemptions have been provided, including proportional, transient and transparent measures such as reasonable traffic management, emergency services, implementation of Court Orders and security measures. The DoT s detailed licence amendments are awaited.

In September 2018 the Union Cabinet approved the National Digital Communication Policy with the policy objectives targeted for delivery by 2022.

In July 2018 the TRAI issued an amendment to its 1 January 2018 Interconnection Regulations that extends the time period and process for port augmentation for future interconnection agreements which create a perpetual subsidy in favour of state-owned BSNL/MTNL. Vodafone is assessing next steps on this aspect.

23

REGULATION

In July 2018 the TRAI submitted its recommendations to the DoT recommending that all entities in the digital ecosystem, which control or process personal data should be brought under the data protection framework and Justice SriKrishna s Committee submitted its recommendations on data protection & privacy along with a Data Protection Bill to the Ministry of Electronics & IT (MEITY). The deadline for submitting comments on the proposed draft laws was 30 September 2018 and we await the findings to be published.

In August 2018 the TRAI submitted its recommendations on Auction of Spectrum including reserve prices, bands and block sizes. The DoT s decision is awaited.

In August 2018 the TRAI submitted its recommendations to DoT on mandatory testing and certification of equipment in India. A preferential market access (PMA) policy would apply for all public telecom networks to address national security concerns, with telecom operators incentivised to deploy domestically manufactured telecom products. The DoT s decision is awaited.

In August 2018 the DoT issued a licence amendment permitting Category B Virtual network operators (VNOs) at a District level for wireline access services.

For information on the Vodafone Idea merger, see note 8 Acquisitions and disposals .

For information on litigation in India, see note 13 Commitments, contingent liabilities and legal proceedings to the unaudited condensed consolidated financial statements.

Vodacom: South Africa

In August 2018 the national regulatory authority (ICASA) inquiry to identify their priorities for market reviews and potential regulation in the Electronic Communications Sector (ECS) concluded. The markets identified are wholesale fixed access, upstream infrastructure markets and mobile services, that includes the retail market for mobile services and the wholesale supply of mobile network services, including relevant facilities. We await ICASA to announce which of the prioritised markets will be subject to a market review first.

The completion date for the Competition Commission (CompCom) s market inquiry into the market(s) for data services in South Africa (the Data Services Market Inquiry) covering all relevant players in the value chain who contribute to or influence prices of data services in South Africa has been extended to March 2019. The public hearings took place in October 2018 and we await the findings to be published.

In August 2018 ICASA published draft Call Termination Regulations (CTR) and interested stakeholders were required to make written submissions and to present at public hearings held on 10 September 2018. We await ICASA to publish the finalised CTR.

In August 2018 Cabinet approved the Electronic Communications Act (ECA) Amendment Bill (the Bill) and the Council of Scientific and Industrial Research s (CSIR) study on dynamic spectrum management as submitted by the Ministry. The Bill is to be tabled in Parliament for consideration. The Parliamentary Committee on Telecommunications and Postal Services is expected to consult on the Bill.

In September 2018, ICASA published the final Call Termination Regulations (CTR), for implementation on 1st October 2018.

In September 2018 the South African Government published a draft policy direction on the assignment of high demand spectrum, including to the wholesale open access network (WOAN), for comment by 8 Nov 2018.

Vodacom: Democratic Republic of Congo

In January 2018 the Minister of Communications and the Communications Regulator put forward a decree to implement a traffic monitoring system. In order to be enacted the proposed decree requires sign-off by the Prime Minister and industry has engaged the Prime Minister and office of the Presidency on the proposed decree.

In June 2018 a new decree was issued to govern implementation of the law requiring that all sub-contracts must be with Congolese owned and registered companies. This included the establishment of a regulatory body to oversee implementation. The regulatory oversight body has yet to be constituted.

Vodacom: Tanzania

Vodacom Tanzania s ongoing challenge to the national regulatory authority s (TCRA) new MTR rates is ongoing and hearing dates with the Fair Competition Commission are awaited.

In June 2018 Vodacom Tanzania secured a licence for 2x10MHz of 700MHz spectrum at a cost of US$10 million, due to expire in 2033.

Clarification sought by the Tanzanian Mobile Network Operators Association (TAMNOA) on industry concerns with the Electronic & Postal Communications (Investigation) Regulations, 2017 (LI Regulations) are still pending with TCRA.

REGULATION

Vodacom: Mozambique

In July 2018 Vodacom Mozambique acquired a unified licence attached to its existing 2G and 3G spectrum at a cost of US$40 million, extending the right of use of its 900MHz, 1800MHz and 2100MHz frequencies until August 2038.

In August 2018 Vodacom Mozambique received formal notification from the national regulatory authority (INCM) initiating the auction process for 800 MHz, 1800 MHz and 2600MHz spectrum. The reserve price per block of 2x5MHz spectrum is set at US$15million, US$30million and US$15 million respectively. The auction is expected to take place later in the year.

Vodacom: Lesotho

In August 2018 the national regulatory authority (LCA) granted Vodacom Lesotho s application for an additional 79MHz of 3.5GHz spectrum for an annual licence fee of US$92,000 enabling Vodacom Lesotho to launch its 5G services.

In September 2018 Vodacom Lesotho responded to LCA s proposal of a new MTR glide path for stakeholder consultation and the final decision of LCA is awaited.

International roaming in Africa

Vodacom has complied with transparency requirements proposed by the SADC Roaming Policy and Guidelines issued by the Communications Regulators Association of Southern Africa (CRASA) in 2016. In Lesotho and Mozambique Vodacom has further implemented Phase 1 of the glide path recommended by CRASA on the basis of requests by their national regulatory authority. In June 2018, CRASA conducted a consultative workshop in Botswana and commissioned a cost model to inform regulation of wholesale and retail roaming rates across the region. CRASA issued data requests to all participating regulatory authorities to support this process. Vodacom South Africa, Mozambique and Tanzania submitted the data request in August 2018, as instructed by their national regulatory authority. No request was received in the DRC and Lesotho.

Turkey

In October 2018 the national regulatory authority (ICTA) reintroduced a retail price cap tariff for all mobile operators after the annulments started with the 2014 high court decision relating to TT Mobil.

Australia

In June 2018 the Australian Communications and Media Authority (ACMA) introduced a new regulation to deal with improving consumer protections associated with the rollout of the National Broadband Network, including consumer information, continuity of service, line testing, complaint handling and record keeping rules.

In September 2018 the Telecommunications Sector Security Reforms (TSSR) came into effect. Under the TSSR, the Government has announced a ban on vendors in 5G networks who are likely to be subject to extrajudicial directions from a foreign government that conflict with Australian law.

In October Vodafone Hutchison Australia announced a joint venture vehicle with TPG Telecom Ltd that has registered to take part in the 3.5GHz spectrum auction scheduled for later in 2018.

Egypt

The arbitration case with Etisalat Misr concerning the Administrative Court ruling in favour of Vodafone Egypt regarding the national regulatory authority s (NTRA) authority to set MTRs between operators is still pending. A ruling is expected in November 2018.

Further to Vodafone Egypt s successful challenge of the NTRA s authority to determine interconnection rates and to overrule / supersede the signed Interconnection Agreements, the NTRA has referred the case to the Higher Administrative Court, with a ruling expected in early 2019.

For information on litigation in Egypt, see note 13 Commitments, contingent liabilities and legal proceedings to the unaudited condensed consolidated financial statements.

Safaricom Kenya

In May 2018 the national regulatory authority (CA) issued a public notice instructing all MNOs to deactivate all active unregistered and partially registered SIM-cards on their respective networks. The MNOs engaged the Ministry of Information, Communication and Technology as well as the CA on agreeing a sustainable registration framework and possible amendments to the current SIM-card Registration Regulations.

In May 2018 the Cabinet Secretary, Ministry of Information, Communications and Technology created a taskforce to develop the Policy and Regulatory Framework for Privacy and Data Protection in Kenya. The Data Protection Bill 2018 is also undergoing discussion at the Senate. The deadline for submission of comments for both documents closed on 19 September and we await the findings to be published.

25

LEGAL PROCEEDINGS

The following section describes developments in legal proceedings which may have, or have had, during the six months ended 30 September 2018, a significant effect on the financial position or profitability of the Company and its subsidiaries. This section should be read in conjunction with the information contained under Legal proceedings on pages 164 to 167 of the Group s annual report on Form 20-F for the year ended 31 March 2018.

Indian tax cases

Refer to Commitments, contingent liabilities and legal proceedings on page 50.

Patent litigation: Spain

Refer to Commitments, contingent liabilities and legal proceedings on page 51.

Italy: British Telecom (Italy) v Vodafone Italy

Refer to Commitments, contingent liabilities and legal proceedings on page 52.

Italy: Telecom Italia v Vodafone Italy (TeleTu)

Refer to Commitments, contingent liabilities and legal proceedings on page 52.

Netherlands: Consumer credit/handset case

Refer to Commitments, contingent liabilities and legal proceedings on page 52.

South Africa: GH Investments (GHI) v Vodacom Congo

Refer to Commitments, contingent liabilities and legal proceedings on page 52.

RISK FACTORS

There are a number of key factors and uncertainties that could have a significant effect on the Group s financial performance, including the following:

1. Cyber threat and information security

An external attack, insider threat or supplier breach could cause service interruption or confidential data breaches.

2. Adverse political and regulatory measures

The scale and complexity of political and regulatory risk is increasing especially as digital becomes the backbone of economic growth, potentially resulting in political intervention and competitive disadvantage. 5G spectrum auctions are also underway in many jurisdictions which could lead to unfair spectrum allocation or pricing.

3. Market disruption

New entrants to markets or competitors with lean models could create pricing pressure. As more competitors push unlimited bundles, it might impact profitability in the short to medium term through price erosion.

4. Effective digital and technological transformation

We plan to accelerate the evolution of Vodafone towards a digital future to improve customer experience, increase speed to market and operate in an efficient and agile manner. Failure to do this could lead to missed commercial opportunities, increased cost of working and customer service failures.

5. Disintermediation

We face increased competition from a variety of new technology platforms which could impact our customer relationships and experience. We must be able to keep pace with new technology to compete in changing markets while maintaining high levels of customer service.

6. Global economic disruption/adequate liquidity

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.

7. Technology resilience

A technology site loss could result in a major impact on our customers, revenues and reputation. This could involve all major technology sites including: mobile, fixed, and data centres.

8. Legal and regulatory compliance

Vodafone must comply with a multitude of local and international laws as well as more specific regulations. These include licence requirements, privacy regulation, anti-money laundering, competition law, anti-bribery law, intellectual property rights and economic sanctions.

9. Maintain investment grade credit rating

We may fail to maintain our investment grade credit rating if we do not effectively allocate the Group s capital to maximise returns.

10. Electro-magnetic fields related health risks

Electromagnetic signals emitted by mobile devices and base stations may be found to pose health risks, with potential impacts including: changes to national legislation, a reduction in mobile phone usage or litigation.

There have been two changes to the above risk factors since 31 March:

- The separate risk on privacy and data management has been merged into the legal and regulatory compliance risk (8) due to the GDPR compliance programme moving from the implementation phase into business as usual.

- The wording for risk 9 has been updated to reflect the link between effective allocation of the Group s capital and the impact on our credit rating.

Brexit implications

The Board continues to keep the possible implications of Brexit for Vodafone s operations under review. A cross-functional team has identified ways in which Brexit might affect the Group s operations. There remains insufficient information about the likely terms of the post-Brexit arrangements between the UK and the EU, as well as about any possible transitional arrangements, to draw any conclusions about the probable impact.

Although we are a UK headquartered company and have put in place necessary contingency planning, 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.

RISK FACTORS

Depending on the arrangements agreed between the UK and the EU, there are two primary issues that could directly affect our operations, in both cases potentially causing us to incur additional cost:

- Creation of a data frontier between the UK and the EU: the inability to move data freely between the UK and EU countries might cause us to have to move some technical facilities, and affect future network design; and

- Inability to access the talent we need to run a multinational Group operation from the UK: increased controls over or restrictions to our ability to employ leading talent from non UK markets could cause us to have to adjust our operating model to ensure that we attract and retain the best people for the roles we have.

As far as our UK operations are concerned, we are reviewing the impact of a no deal scenario. One potential impact may be on our processes for the procurement of handsets and technical equipment, which may result in a greater investment in working capital at 31 March 2019 and consequently lower cash flow, although this would be unlikely to have a material impact at a Group level.

A further, indirect, issue that could affect our future performance would be if the Brexit process caused downward revisions to macro-economic performance in our major markets including the UK, impacting the performance of the operating companies in those markets.

Further information in relation to these risk factors and uncertainties can be found on pages 38 to 45 of the Group s annual report for the financial year ended 31 March 2018, which is available at http://www.vodafone.com/investor.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

	Note	Six months ended 30 September 2018 m	2017 m
Revenue	2	**21,796**	**23,075**
Cost of sales		(15,163)	(16,208)
Gross profit		**6,633**	**6,867**
Selling and distribution expenses		(1,907)	(1,987)
Administrative expenses		(2,781)	(2,770)
Share of results of equity accounted associates and joint ventures		(430)	(58)
Impairment loss	3	(3,495)	
Other income and expense		(91)	(44)
Operating (loss)/profit	2	**(2,071)**	**2,008**
Non-operating income and expense		(3)	(1)
Investment income		184	333
Financing costs		(999)	(181)
(Loss)/profit before taxation		**(2,889)**	**2,159**
Income tax expense	4	(1,409)	(579)
(Loss)/profit for the financial period from continuing operations		**(4,298)**	**1,580**
Loss for the financial period from discontinued operations	5	**(3,535)**	**(345)**
(Loss)/profit for the financial period		**(7,833)**	**1,235**
Attributable to:			
Owners of the parent		(7,965)	1,131
Non-controlling interests		132	104
(Loss)/profit for the financial period		**(7,833)**	**1,235**
(Loss)/earnings per share			
From continuing operations:			
Basic	6	(16.13)c	5.26c
Diluted	6	(16.13)c	5.25c
Total Group:			
Basic	6	(29.00)c	4.03c
Diluted	6	(29.00)c	4.02c

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Consolidated statement of comprehensive income

	Six months ended 30 September 2018 m	2017 m
(Loss)/profit for the financial period	**(7,833)**	**1,235**
Other comprehensive income:		
Items that may be reclassified to the income statement in subsequent periods		

Foreign exchange translation differences, net of tax	(816)	(1,716)
Foreign exchange losses transferred to the income statement	2,079	
Other, net of tax	(144)	(7)
Total items that may be reclassified to the income statement in subsequent periods	**1,119**	**(1,723)**
Items that will not be reclassified to the income statement in subsequent periods		
Net actuarial gains/(losses) on defined benefit pension schemes, net of tax	208	(182)
Total items that will not be reclassified to the income statement in subsequent periods	**208**	**(182)**
Other comprehensive income/(expense)	**1,327**	**(1,905)**
Total comprehensive expense for the financial period	**(6,506)**	**(670)**
Attributable to:		
Owners of the parent	(6,637)	(649)
Non-controlling interests	131	(21)
	(6,506)	**(670)**

29

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

	Note	30 September 2018 m	31 March 2018 m
Non-current assets			
Goodwill		23,316	26,734
Other intangible assets			