Vodafone Group Plc : Q1 FY21 trading update

24 July 2020

Maintaining commercial momentum during lockdown, service revenue in line with our expectations

- Q1 organic service revenue relatively resilient with a decline of 1.3%*, mainly due to COVID-19 impacts
- Resilient performance in Germany with stable organic service revenue growth
- Mobile contract customer loyalty improved year-on-year for a seventh successive quarter and record 429,000 NGN broadband customer additions in Europe
- Europe's leading tower infrastructure company, 'Vantage Towers', on track for IPO in early 2021

Q1 performance summary	Q1 FY21 €m	Q1 FY20 €m	*Reported growth*	*Organic growth*[1]
Service revenue[1]				
Total Europe	7,227	6,782	*6.6%*	*(2.6)%*
- of which Germany	*2,840*	*2,265*	*25.4%*	*0.0%*
Vodacom	950	1,078	*(11.9)%*	*1.5%*
Other Markets	840	1,036	*(18.9)%*	*9.1%*
Other / Eliminations	93	98		
Total service revenue	**9,110**	**8,994**	***1.3%***	***(1.3)%***
Other revenue	1,396	1,659		
Total revenue	**10,506**	**10,653**	***(1.4)%***	***(2.8)%***

1. Service revenue and organic growth are alternative performance measures. See page 7 for further details.

- COVID-19 impacted sequential organic service revenue growth due to lower revenue from roaming and visitors, project delays and lower automotive activity in Business, and lower prepaid revenue in some smaller markets
- On track to deliver at least €0.4 billion net opex reduction in Europe in FY21. Adjusted EBITDA outlook unchanged - remains 'flat to slightly down'
- FY21 guidance for 'at least' €5.0 billion of free cash flow (pre-spectrum) reiterated

Nick Read, Group Chief Executive, commented:

"Our trading performance in the first quarter demonstrates the relative resilience of our operating model and focused delivery of our strategic priorities. Whilst we have seen the direct impact on our revenue from travel restrictions and business project delays, we have also seen increased usage in voice and data, alongside record NGN broadband customer net additions in Europe.

I am also delighted to introduce Vantage Towers as Europe's leading tower infrastructure company. A year ago, I set out a three-phase plan for our towers to deliver industrial synergies from network infrastructure sharing, generate operational efficiencies by establishing a dedicated towers management team, and unlock value for our shareholders through the IPO of Vantage Towers, which is firmly on track for early 2021.

The role Vodafone plays in society has never been more important, particularly as the markets in which we operate continue to face challenging conditions. We have executed well in delivering on our social contract to provide fast and reliable connectivity for our customers. We will continue to work collaboratively with governments and policy makers to create the right environment for investment in essential services and ensure our customers receive the best overall experience."

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A webcast Q&A session will be held at 9.30 am on 24 July 2020. The webcast and supporting information can be accessed at investors.vodafone.com.

Operating review ⁝ Maintaining commercial momentum during lockdown

During the quarter, we made good progress against our four strategic priorities to deepen engagement with our customers, transform our operating model through targeted deployment of technology, improve the utilisation of our assets, and optimise our portfolio.

In Consumer, we are competing effectively across all market segments, with unlimited data at the high end and second brands in the value segment. We have reduced our reliance on above-the-line marketing, instead using a range of digital tools to drive ARPU accretion and greater customer engagement. The MyVodafone app has helped us stay connected with our customers during the lockdown, enabling them to top-up, upgrade and receive help from our virtual assistant Tobi. We have used the app as a platform to educate our customers and support their transition to our digital platforms.

In Business, we have developed a new range of propositions to support our customers in the more complex working environment and to meet the rising demand of SMEs. For example, we have developed solutions that enable virtual customer contact centres to be established in less than a week and announced a strategic relationship with Accenture to deliver managed enterprise-grade cybersecurity services to SMEs and national corporate customers in Europe.

Operational metrics	Units	Q1 FY21	Q1 FY20
Europe mobile contract customers[1]	million	64.5	63.3
Europe broadband customers[1]	million	25.2	18.8
Europe Consumer converged customers[1]	million	7.3	6.8
Europe mobile contract customer churn	%	11.4	14.6
Africa data users[2]	million	82.1	79.1
M-Pesa transaction volume	billion	5.0	3.0
Europe digital channel sales mix	%	26	20
Average Europe monthly mobile data usage per customer	GB	5.9	3.9
Europe on-net NGN broadband penetration[1]	%	30	28

1. Including VodafoneZiggo | 2. Africa including Safaricom, Ghana and Egypt

Social contract ⁝ Responding to COVID-19 and supporting governments' digital agenda

COVID-19 ⁝ Our five-point plan to support economic recovery

At the start of the COVID-19 crisis we outlined our rapid, comprehensive and co-ordinated five-point plan to support society and help save lives. Our priorities were to maintain the quality of our networks, support essential services, and keep people working, communicating, and able to access education and essential information. Through our essential network infrastructure, we have kept people and societies connected. We have donated over €100 million to support those affected by the crisis through direct contributions and services in-kind. The Vodafone Foundation has also donated €9.5 million to local charities in our markets in the form of cash grants, gifts in-kind and from colleague donations via the community fund.

As we look at the challenging economic period ahead, just as we were there for the emergency response phase, we are committed to playing a key role in supporting Europe's economic and social recovery. As a result, we have evolved our five-point plan and identified five key areas where Vodafone can clearly prioritise activity and support governments' digital agenda. These are:

- expand and future-proof our network infrastructure with next-generation fixed line and mobile technologies;
- further support governments as they seek to integrate eHealth and eEducation solutions into their "new normal" public service frameworks;
- enhance digital access for the most vulnerable and support digital literacy;

- promote the widespread adoption of digital technologies for all businesses, with a particular emphasis on SMEs; and
- support government exit strategies through targeted deployment of digital technology.

Vodafone is ready to do everything in its power to support the recovery, whilst emerging a stronger business, playing an ever more critical role in society. In our African markets, we have deployed the same five-point plan approach, but are also prioritising furthering financial inclusion.

Social contract ⁝ Supporting governments' digital agenda to drive sustainable industry change

During the next phase of the COVID-19 crisis we will support governments' digital priorities, helping rebuild national economies and driving sustainable industry change. However, we will not be able to do this alone. We will need a more comprehensive and ambitious digital agenda to support societies' recovery and resilience in the future.

Governments and regulators will need to support us - as an industry - with measures that promote a healthy, sustainable market structure, that support investment and enable us to make a fair return on capital employed.

We will continue to work hard on this shared ambition of a more resilient, sustainable, inclusive and digital Europe and are ready to partner with national governments, regulators and institutions to deliver this. As part of this ambition, we have announced that our Europe network will be powered by 100% renewable electricity no later than July 2021.

Vantage Towers ⁝ Europe's leading tower infrastructure company with IPO on track for early 2021

In July 2019, Vodafone set out its three-phase plan for its tower assets:

- to deliver industrial synergies through establishing network infrastructure sharing agreements;
- to generate operational efficiencies by establishing a dedicated management team; and
- to unlock value for Vodafone shareholders through the IPO of Vantage Towers.

Over the past year we have executed at pace, delivering network sharing agreements, forming 'Vantage Towers', and realising value for shareholders through the mergers of tower assets. We merged our Italy tower assets with INWIT in March 2020 and today announced the merger of our Greek tower assets with Wind.

We have also made further progress as we prepare for the IPO of our European TowerCo, 'Vantage Towers', based in Dusseldorf, Germany and we target an IPO in Frankfurt, Germany in early calendar 2021.

Further information on the formation, composition and pro forma financial information for Vantage Towers is provided in a separate announcement available here: investors.vodafone.com. We will continue to develop Vantage Towers' strategy in the coming months, including its capital structure. Further details will be provided in due course.

Performance review ⁝ Trading in line with our expectations

- Good commercial performance in most markets, service revenue impacted by roaming and visitor declines
- Limited COVID-19 impact on Germany performance, reflecting resilient revenue mix
- On track to deliver at least €0.4 billion net opex reduction in Europe in FY21. Adjusted EBITDA outlook unchanged - remains 'flat to slightly down'
- FY21 guidance for 'at least' €5.0 billion of free cash flow (pre-spectrum) reiterated

Q1 performance summary	Germany	Italy	UK	Spain	Other Europe	Total Europe[1]	Vodacom	Other markets	Group[1]
Q1 FY21									
Service revenue (€m)[2]	2,840	1,120	1,193	920	1,171	7,227	950	840	9,110
Other revenue (€m)	327	110	270	74	147	928	203	97	1,396
Total revenue (€m)	**3,167**	**1,230**	**1,463**	**994**	**1,318**	**8,155**	**1,153**	**937**	**10,506**
Organic service revenue growth (%)[2]	*0.0%*	*(6.5)%*	*(1.9)%*	*(6.9)%*	*(3.1)%*	*(2.6)%*	*1.5%*	*9.1%*	*(1.3)%*
Q1 FY20									
Service revenue (€m)[2]	2,265	1,198	1,233	988	1,128	6,782	1,078	1,036	8,994
Other revenue (€m)	307	132	336	94	142	1,010	254	179	1,659
Total revenue (€m)	**2,572**	**1,330**	**1,569**	**1,082**	**1,270**	**7,792**	**1,332**	**1,215**	**10,653**

Notes:
1. For a full disaggregation of our financial results by geography, including intersegment eliminations, see pages 8 and 9.
2. Service revenue and organic growth are alternative performance measures. These are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Alternative performance measures" on page 7 for further details.

Further geographic performance information is available in a downloadable spreadsheet format at https://investors.vodafone.com/reports-information/results-reports-presentations

All amounts in the commentary below marked with an "" represent organic growth, which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. Organic growth is an alternative performance measure. See "Alternative performance measures" on page 7 for further details and the reconciliation to the respective closest equivalent GAAP measure.*

COVID-19 ⁝ Driving service revenue slowdown

The COVID-19 crisis had a significant impact on service revenue growth in Q1. Service revenue decreased by 1.3%* (Q4: +1.6%*), reflecting a:

- 1.6 percentage point sequential drag from lower roaming and visitor revenue, including the impact of lower prepaid SIM sales to tourists and migrant workers. During the quarter roaming and visitor revenue in Europe declined by around 70%;
- 0.5 percentage point sequential drag from lower Business revenue, predominately reflecting COVID-19 impacts including corporate project delays, notably in the UK, Spain, Italy and Ireland, as well as lower automotive IoT activity in Europe, partially offset by higher connectivity revenue with many of our customers' employees working from home; and
- 0.8 percentage point sequential drag from other impacts. Increased voice revenue during the lockdown was more than offset by a drop in out-of-bundle prepaid traffic, prepaid top-up access challenges in some of our smaller markets, the zero rating of M-Pesa person-to-person transfers in some of Vodacom's International operations, and increased competitive pressure in Greece and Ireland.

Germany ⁝ Resilient performance with good underlying momentum

Service revenue was flat* (Q4: -0.1%*), supported by the first-time inclusion of Unitymedia in our organic growth rate in Q1. Including Unitymedia, our service revenue growth slowed by 0.5 percentage points quarter-on-quarter. A 1.0 percentage point sequential drag from lower roaming and visitor revenue was offset by higher variable usage revenue during the COVID-19 lockdown and the lapping of international call rate regulation. Retail service revenue grew by 0.4%* (Q4: +0.9%*).

Fixed service revenue grew by 2.4%* (Q4: +2.2%)* supported by customer base growth and increased demand for high-speed broadband products. We added 74,000 cable customers in Q1, including 38,000 migrations from DSL. Our broadband customer base reached 10.8 million and 1.8 million customers subscribe to speeds of at least 400Mbps, with 19.5 million customers now able to access Gigabit speeds on our cable network. Our TV customer base declined by 50,000 (Q4: -61,000) reflecting lower retail activity during the COVID-19 crisis as well as lower wholesale customer losses. In August, we will launch a harmonised offering across all of our 24 million cable homes passed in Germany, bringing the superior Vodafone TV portfolio to the Unitymedia footprint. We increased our converged consumer customer base by 22,000 and have over 1.5 million converged accounts.

Mobile service revenue fell by 3.0%* (Q4: -1.9%*) as a decline in roaming, visitor and wholesale revenue was partially offset by higher incoming revenue and the lapping of international call rate regulation. We added 57,000 contract customers, supported by the migration of 63,000 Unitymedia mobile customers to our network. Contract churn reduced by 0.3 percentage points to 12.0%. We added 89,000 prepaid customers, supported by our new online-only proposition 'CallYa Digital'.

We have continued to make rapid progress on integrating Unitymedia and we reached agreement on restructuring with the works councils in June. We remain on track to deliver our targeted synergies.

Italy, UK, Spain and Other Europe ⁝ Greater COVID impacts, solid commercial performance

Italy

Service revenue fell by 6.5%* (Q4: -3.7%*) reflecting a 2.0 percentage point sequential impact from lower roaming/visitor revenue, and lower Business revenue, primarily due to project delays.

Despite the challenging competitive environment, mobile number portability remained neutral, supported by lower prepaid churn at 24.4% (Q4: 27.4%) and our market-leading consumer mobile net promoter scores. Our second brand 'ho.' continued to grow strongly, reaching 2.0 million active customers at the end of the quarter. We maintained our good momentum in fixed broadband with 45,000 (Q4: 31,000) customer additions.

UK

Service revenue decreased by 1.9%* (Q4: +1.2%*) reflecting a 1.7 percentage point sequential drag from lower roaming/visitor revenue, lower incoming revenue, and lower Business revenue due to project delays, partially offset by customer base growth.

Our mobile contract customer base increased by 61,000 (Q4: 51,000) driven by increased business demand and all-time low mobile contract churn of 11.4% (Q4: 14.2%). Our broadband commercial momentum remained strong with 74,000 (Q4: 64,000) net customer additions, supported by our 'Great British Broadband Switch' campaign.

Spain

Service revenue declined by 6.9%* (Q4: -2.7%*) reflecting a 2.1 percentage point sequential drag from lower roaming/visitor revenue, service suspensions in Business and enriched customer offers such as unlimited data to SoHo/SME customers.

Mobile contract churn improved to 10.6% (Q4: 19.7%) reflecting limits on mobile number portability imposed by the government during the state of emergency. We are competing effectively across all segments of the market and grew our contract mobile, NGN broadband and TV customer base for a fourth consecutive quarter, supported by our second brand 'Lowi' which now has 1.0 million customers.

Other Europe

Service revenue declined by 3.1%* (Q4: +3.4%*) reflecting a 2.5 percentage point sequential drag from lower roaming/visitor revenue, and lower prepaid top-ups notably in Portugal and Greece, the first time inclusion of UPC, increased competition in Ireland and Greece, and the lapping of a prior year price increase in Romania.

In Portugal, service revenue grew by 0.7%* (Q4: +7.5%*) reflecting lower roaming/visitor revenue and lower prepaid revenue. In Ireland, service revenue fell by 6.8%* (Q4: -3.6%*) due to lower roaming/visitor revenue and increased competitive intensity. Service revenue in Greece declined by 8.8%* (Q4: +1.9%*) reflecting lower roaming/visitor revenue and increased competitive intensity.

Vodacom ⁝ Strong growth in data usage despite challenging macroeconomic environment

Vodacom service revenue grew by 1.5%* (Q4: +3.2%*) as higher usage revenue in South Africa was partially offset by challenging macroeconomic conditions and zero rating of some M-Pesa services in Vodacom's International operations.

In South Africa, service revenue increased by 6.4%* (Q4: +3.7%*) supported by positive price elasticity and increased voice and data usage during the COVID-19 lockdown. In Vodacom's International operations, service revenue fell by 5.2%* (Q4: +4.4%*) driven by lower economic activity, the zero-rating of person-to-person M-Pesa transfers in DRC, Mozambique and Lesotho, and government customer registration requirements in Tanzania.

In South Africa, we added 12,000 contract customer, but lost 2.6 million (Q4: -3.1 million) prepaid customers as we focused on customer lifetime value.

Other Markets

Service revenue in Other Markets grew by 9.1%* (Q4: +14.2%*). Service revenue in Turkey grew by 13.8%* (Q4: +16.0%*), reflecting a 2.8 percentage point sequential impact from lower roaming/visitor revenue, lower prepaid revenue, partially offset by higher fixed and wholesale revenue. Service revenue in Egypt grew by 6.0%* (Q4: +14.8%*), reflecting a 2.0 percentage point sequential impact from lower roaming/visitor revenue, and lower prepaid revenue growth due to lower variable usage during the pandemic curfew and lower prepaid SIM sales to visitors.

Alternative performance measures

In the discussion of the Group's reported operating results, alternative performance measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Service revenue

Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls. We believe that it is both useful and necessary to report this measure for the following reasons:

- It is used for internal performance reporting;
- It is used in setting director and management remuneration; and
- It is useful in connection with discussion with the investment community.

Organic growth

All amounts in this document marked with an "*" represent organic growth, which presents performance on a comparable basis in terms of merger and acquisition activity and movements in foreign exchange rates.

Whilst this measure is not intended to be a substitute for reported growth, nor is it superior to reported growth, we believe that the measure provides useful and necessary information to investors and other interested parties for the following reasons:

- It provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- It is used for internal performance analysis; and
- It facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

We have not provided a comparative in respect of organic growth rates as the current rates describe the change between the beginning and end of the current period, with such changes being explained by the commentary in this news release. If comparatives were provided, significant sections of the commentary from the news release for prior periods would also need to be included, reducing the usefulness and transparency of this document.

Reconciliations of organic growth to reported growth are shown where used or in the tables overleaf.

Quarter ended 30 June - Service revenue	Q1 FY21 €m	Q1 FY20 €m	Reported growth %	Other activity (incl. M&A) pps	Foreign exchange pps	Organic growth* %
Germany	2,840	2,265	25.4	(25.4)	–	–
Mobile service revenue	1,226	1,260	(2.7)	(0.3)	–	(3.0)
Fixed service revenue	1,614	1,005	60.6	(58.2)	–	2.4
Italy	1,120	1,198	(6.5)	–	–	(6.5)
Mobile service revenue	815	905	(9.9)	(0.1)	–	(10.0)
Fixed service revenue	305	293	4.1	–	–	4.1
UK	1,193	1,233	(3.2)	–	1.3	(1.9)
Mobile service revenue	846	897	(5.7)	–	1.4	(4.3)
Fixed service revenue	347	336	3.3	–	1.5	4.8
Spain	920	988	(6.9)	–	–	(6.9)
Other Europe	1,171	1,128	3.8	(8.6)	1.7	(3.1)
Of which: Ireland	195	209	(6.7)	(0.1)	–	(6.8)
Of which: Portugal	240	238	0.8	(0.1)	–	0.7
Of which: Greece	199	218	(8.7)	(0.1)	–	(8.8)
Eliminations	(17)	(30)				
Europe	**7,227**	**6,782**	**6.6**	**(9.7)**	**0.5**	**(2.6)**
Vodacom	950	1,078	(11.9)	–	13.4	1.5
Of which: South Africa	678	778	(12.9)	–	19.3	6.4
Of which: International operations	279	299	(6.7)	–	1.5	(5.2)
Other Markets	840	1,036	(18.9)	24.6	3.4	9.1
Of which: Turkey	430	434	(0.9)	–	14.7	13.8
Of which: Egypt	361	313	15.3	–	(9.3)	6.0
Other	109	123	(11.4)	–	0.1	(11.3)
Eliminations	(16)	(25)				
Total service revenue	**9,110**	**8,994**	**1.3**	**(5.1)**	**2.5**	**(1.3)**
Other revenue	1,396	1,659	(15.9)	0.4	3.6	(11.9)
Revenue	**10,506**	**10,653**	**(1.4)**	**(4.1)**	**2.7**	**(2.8)**

Other growth metrics						
Germany - Retail revenue	2,755	2,168	27.1	(26.7)	–	0.4

Quarter ended 31 March - Service revenue	Q4 FY20 €m	Q4 FY19 €m	Reported growth %	Other activity (incl. M&A) pps	Foreign exchange pps	Organic growth* %
Germany	2,852	2,267	25.8	(25.9)	–	(0.1)
Mobile service revenue	1,262	1,262	–	(1.9)	–	(1.9)
Fixed service revenue	1,590	1,005	58.2	(56.0)	–	2.2
Italy	1,189	1,234	(3.6)	(0.1)	–	(3.7)
Mobile service revenue	870	945	(7.9)	(0.1)	–	(8.0)
Fixed service revenue	319	289	10.4	–	–	10.4
UK	1,287	1,257	2.4	–	(1.2)	1.2
Mobile service revenue	909	895	1.6	–	(1.3)	0.3
Fixed service revenue	378	362	4.4	–	(0.7)	3.7
Spain	972	1,002	(3.0)	0.3	–	(2.7)
Other Europe	1,233	1,103	11.8	(9.3)	0.9	3.4
Of which: Ireland	205	218	(6.0)	2.4	–	(3.6)
Of which: Portugal	245	227	7.9	(0.4)	–	7.5
Of which: Greece	210	214	(1.9)	3.8	–	1.9
Eliminations	(26)	(23)				
Europe	**7,507**	**6,840**	**9.8**	**(10.0)**	**(0.2)**	**(0.4)**
Vodacom	1,091	1,096	(0.5)	–	3.7	3.2
Of which: South Africa	789	807	(2.2)	–	5.9	3.7
Of which: International operations	305	287	6.3	–	(1.9)	4.4
Other Markets	881	1,012	(12.9)	26.3	0.8	14.2
Of which: Turkey	460	432	6.5	(1.2)	10.7	16.0
Of which: Egypt	369	279	32.3	–	(17.5)	14.8
Other	137	123	11.4	–	(0.1)	11.3
Eliminations	(22)	(34)				
Total service revenue	**9,594**	**9,037**	**6.2**	**(5.0)**	**0.4**	**1.6**
Other revenue	1,691	1,783	(5.2)	(0.1)	1.6	(3.7)
Revenue	**11,285**	**10,820**	**4.3**	**(4.2)**	**0.7**	**0.8**
Other growth metrics						
Germany - Retail revenue	2,762	2,158	28.0	(27.1)	–	0.9

Additional information

Quarter ended 30 June - Revenue

Group and Regions

	Group		Europe	
	Q1 FY21 €m	Q1 FY20 €m	Q1 FY21 €m	Q1 FY20 €m
Mobile customer revenue	5,241	5,655	3,776	3,994
Mobile incoming revenue	431	438	310	307
Other service revenue	383	458	247	301
Mobile service revenue	6,055	6,551	4,333	4,602
Fixed service revenue	3,055	2,443	2,894	2,180
Service revenue	9,110	8,994	7,227	6,782
Other revenue	1,396	1,659	928	1,010
Revenue	**10,506**	**10,653**	**8,155**	**7,792**

Operating Companies

	Germany		Italy		UK	
	Q1 FY21 €m	Q1 FY20 €m	Q1 FY21 €m	Q1 FY20 €m	Q1 FY21 €m	Q1 FY20 €m
Mobile customer revenue	1,074	1,103	689	773	736	771
Mobile incoming revenue	57	48	77	75	59	65
Other service revenue	95	109	49	57	51	61
Mobile service revenue	1,226	1,260	815	905	846	897
Fixed service revenue	1,614	1,005	305	293	347	336
Service revenue	2,840	2,265	1,120	1,198	1,193	1,233
Other revenue	327	307	110	132	270	336
Revenue	**3,167**	**2,572**	**1,230**	**1,330**	**1,463**	**1,569**

	Spain		Vodacom	
	Q1 FY21 €m	Q1 FY20 €m	Q1 FY21 €m	Q1 FY20 €m
Mobile customer revenue	552	575	809	923
Mobile incoming revenue	39	31	32	40
Other service revenue	24	38	58	51
Mobile service revenue	615	644	899	1,014
Fixed service revenue	305	344	51	64
Service revenue	920	988	950	1,078
Other revenue	74	94	203	254
Revenue	**994**	**1,082**	**1,153**	**1,332**

Definitions

Term	Definition
ARPU	Average revenue per user, defined as customer revenue and incoming revenue divided by average customers.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Converged customer	A customer who receives fixed and mobile services (also known as unified communications) on a single bill or who receives a discount across both bills.
Adjusted EBITDA	Operating profit after depreciation on lease-related right of use assets and interest on leases but excluding depreciation, amortisation and gains/losses on disposal for owned fixed assets and excluding share of results in associates and joint ventures, impairment losses, restructuring costs arising from discrete restructuring plans, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group.
Europe	The Group's region, Europe, which comprises the European operating segments.
Fixed service revenue	Service revenue relating to provision of fixed line ('fixed') and carrier services.
Free cash flow (pre-spectrum)	Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments, dividends paid to non-controlling shareholders in subsidiaries, but before restructuring costs arising from discrete restructuring plans and licence and spectrum payments.
Incoming revenue	Comprises revenue from termination rates for voice and messaging to Vodafone customers.
Internet of Things ('IoT')	The network of physical objects embedded with electronics, software, sensors, and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database.
Mobile customer revenue	Represents revenue from mobile customers from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge ('in-bundle') and revenues from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles ('out-of-bundle'). Mobile in-bundle and out-of-bundle revenues are combined to simplify presentation.
Mobile service revenue	Service revenue relating to the provision of mobile services.
Next generation networks ('NGN')	Fibre or cable networks typically providing high-speed broadband over 30Mbps.
Operating free cash flow	Cash generated from operations after cash payments for capital additions (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible fixed assets and property, plant and equipment, but before restructuring costs arising from discrete restructuring plans.
Organic growth	An alternative performance measure which presents performance on a comparable basis, in terms of merger and acquisition activity (notably by excluding Vodafone New Zealand and the acquired European Liberty Global assets) and movements in foreign exchange rates.
Other Europe	Other Europe markets include Portugal, Ireland, Greece, Romania, Czech Republic, Hungary and Albania.
Other Markets	Other Markets include Turkey, Egypt and Ghana.
Other revenue	Other revenue includes connection fees, equipment revenue, interest income and lease revenue.
Regulation	Impact of industry law and regulations covering telecommunication services. The impact of regulation on service revenue in European markets comprises the effect of changes in European mobile termination rates and changes in out-of-bundle roaming revenues less the increase in visitor revenues.
Reported growth	Based on amounts reported in euros as determined under IFRS.
Restructuring costs	Costs incurred by the Group following the implementation of discrete restructuring plans to improve overall efficiency.
Roaming	Allows customers to make calls, send and receive texts and data on other operators' mobile networks, usually while travelling abroad.
Service revenue	Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls.
SME	Small and medium sized enterprises.

Notes

1. All figures in this trading update are unaudited.
2. References to Vodafone are to Vodafone Group Plc and references to Vodafone Group are to Vodafone Group Plc and its subsidiaries unless otherwise stated. Vodafone, the Vodafone Portrait, the Vodafone Speech mark, Vodafone Broken Speech mark Outline, Vodacom, Vodafone One, The future is exciting. Ready? and M-Pesa, are trade marks owned by Vodafone. Other product and company names mentioned may be the trade marks of their respective owners.
3. All growth rates reflect a comparison to the quarter ended 30 June 2019 unless otherwise stated.
4. References to "Q4" and "Q1" are to the three months ended 31 March 2020 and 30 June 2020, respectively, unless otherwise stated. References to the "year", "financial year" or "2021 financial year" are to the financial year ending 31 March 2021 and references to the "last year", "last financial year" or "2020 financial year" are to the financial year ended 31 March 2020 unless otherwise stated.
5. Vodacom refers to the Group's interest in Vodacom Group Limited ('Vodacom') in South Africa as well as its subsidiaries, including its operations in the DRC, Lesotho, Mozambique and Tanzania.
6. Quarterly historical information, including information for service revenue, mobile customers, mobile churn, mobile data usage, mobile ARPU and certain fixed line and convergence metrics, is provided in a spreadsheet available at https://investors.vodafone.com/reports-information/results-reports-presentations
7. This trading update contains references to our website. Information on our website is not incorporated into this update and should not be considered part of this update. We have included any website as an inactive textual reference only.

Forward-looking statements

This report contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives.

In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations and the guidance for organic adjusted EBITDA and free cash flow pre-spectrum for the financial year ending 31 March 2021; the launch, IPO and listing of Vantage Towers; prospects for the 2021 financial year, including the response to the COVID-19 crisis and Vodafone's support for national governments' digital agendas; expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends, including customer usage, competitive position and macroeconomic pressures, price trends and opportunities in specific geographic markets; intentions and expectations regarding the development, launch and expansion of products, services and technologies, either introduced by Vodafone or by Vodafone in conjunction with third parties or by third parties independently including 5G networks, sharing infrastructure and its benefits and sharing mobile networks in Europe; expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses, including in respect of Vodafone Business' partnership with Accenture.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form or other variations). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: external cyber-attacks, insider threats or supplier breaches; general economic and political conditions including as a consequence of the COVID-19 pandemic, of the jurisdictions in which the Group operates, including as a result of Brexit, and changes to the associated legal, regulatory and tax environments; increased competition; increased disintermediation; levels of investment in network capacity and the Group's ability to deploy new technologies, products and services; rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations; the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services; the Group's ability to generate and grow revenue; a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays; slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure; the Group's ability to extend and expand its spectrum position to support ongoing growth in customer demand for mobile data services; the Group's ability to secure the timely delivery of high-quality products from suppliers; loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets; changes in the costs to the Group of, or the rates the Group my charge for, terminations and roaming minutes; the impact of a failure or significant interruption to the Group's telecommunications, networks, IT systems or data protection systems; the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the Group's ability to integrate acquired business or assets; the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition; a developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends; the Group's ability to satisfy working capital requirements; changes in foreign exchange rates; changes in the regulatory framework in which the Group operates; the impact of legal or other proceedings against the Group or other companies in the communications industry and changes in statutory tax rates and profit mix.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Forward-looking statements" and "Principal risk factors and uncertainties" in the Group's annual report for the financial year ended 31 March 2020. The annual report can be found on the Group's website (https://investors.vodafone.com/reports-information/latest-annual-results). All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Any forward-looking statements are made of the date of this presentation. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

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