

VODAFONE IDEA LIMITED

DIVIDEND DISTRIBUTION POLICY

1.0 INTRODUCTION

- 1.1 As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, Vodafone Idea Limited (the "Company") is required to formulate and disclose a dividend distribution policy. Accordingly, the Board of Directors of the Company (the "Board") has approved this Dividend Distribution Policy (the "Policy").
- 1.2 The objective of this Policy is to provide clarity to stakeholders on the circumstances in which shareholders of the Company may or may not expect dividend, and specify the factors that will be taken into account while declaring dividend. The Board shall recommend dividend in compliance with this Policy, the provisions of the Companies Act, 2013 and the rules thereunder and other applicable law.

2.0 TARGET DIVIDEND PAYOUT

- 2.1 Subject to applicable law, the Board shall declare or recommend dividend as follows:
- (a) if the Leverage Ratio falls below 3:1, dividend of such amount as may be determined by the Board; and
 - (b) if the Leverage Ratio falls below 2.5:1, an amount equal to one hundred per cent. (100%) of:
 - (i) the excess cash of the Company and its Subsidiaries as at the end of the last completed financial year as determined by the Board by majority resolution; or
 - (ii) if the Board has not passed a resolution to distribute the excess cash of the Company and its Subsidiaries in accordance with (i) above, then the Free Cash Flow of the Company for such financial year,
- in each case, *plus* any additional amounts (such additional amounts to be determined by the Board) in respect of any previous financial year(s) that would, but for any of the restrictions referred to in this Policy, have been so distributed but which have not been so distributed and can then be distributed.
- 2.2 Subject to paragraph 2.1 above, the Company shall declare dividends at least once in each financial year and shall be entitled to make interim distributions.

3.0 FACTORS TO BE CONSIDERED FOR DIVIDEND PAYOUT

For purposes of determination of the amount of dividend to be declared or recommended pursuant to paragraph 2.1(a) of this Policy, the Board will consider various internal and external factors, including but not limited to the following:

- Leverage profile and capital adequacy metrics
- Stability of earnings
- Cash flow position from operations
- Future capital expenditure, inorganic growth plans and reinvestment opportunities
- Industry outlook and stage of business cycle for underlying businesses
- Overall economic / regulatory environment
- Contingent liabilities
- Past dividend trends
- Buyback of shares or any such alternate profit distribution measure
- Any other factor as deemed fit by the Board

4.0 PARAMETERS WITH REGARD TO VARIOUS CLASSES OF SHARES

Presently, the issued and paid-up share capital of the Company comprises of equity shares only. If the Company issues other kinds of shares, the Board may suitably amend this Policy.

5.0 RETAINED EARNINGS

Subject to paragraph 2.1 of this Policy, retained earnings may be used for the Company's growth plans, working capital requirements, debt repayments and other contingencies.

6.0 REVIEW

This Policy is subject to revision / amendment on a periodic basis.

7.0 DISCLOSURE

This Policy (as amended from time to time) will be available on the Company's website and in the annual report.

8.0 DEFINITIONS

- 8.1 "EBITDA" means the consolidated profit before tax of the Company as per the Financial Statements for that relevant period after adding back: (a) any amount attributable to amortisation of intangible assets and goodwill, and depreciation of tangible assets; (b) Finance Charges; (c) items treated as exceptional; and (d) Integration Costs, in each case, to the extent added, deducted or taken into account, as the case may be, in determining the consolidated profit before tax of the Company as per the relevant Financial Statements;
- 8.2 "Finance Charges" means, for any relevant period, the aggregate amount of interest, commission, fees, discounts, prepayment penalties or premiums, Forex Losses or Gains (if net losses) and other finance payments in respect of Financial Indebtedness whether accrued, paid or payable in respect of that relevant period, net of any treasury income (representing income from investing surplus cash in securities as per the treasury policy of the Company), or interest or similar income and Forex Losses or Gains (if net gains) whether accrued, received or receivable, and:
- (a) including the interest element of leasing and hire purchase payments;
 - (b) including the mark-to-market gains or losses, whether realised or unrealised, on foreign exchange rate and interest rate derivative financial instruments; and
 - (c) including any amounts in the nature of interest payable in respect of any shares other than ordinary equity share capital;
- 8.3 "Financial Indebtedness" means any borrowings or indebtedness appearing in the consolidated balance sheet for or in respect of:
- (a) moneys borrowed;
 - (b) Deferred Payment Obligation for Spectrum;
 - (c) accrued interest payable;
 - (d) any interest bearing amount raised by acceptance under any acceptance credit, bill acceptance or bill endorsement facility or dematerialised equivalent;
 - (e) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
 - (f) the amount of any liability in respect of any finance lease;

- (g) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (h) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing under Ind AS;
- (i) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account); and
- (j) shares which are expressed to be redeemable or shares or instruments convertible into shares (other than compulsorily convertible instruments),

provided in each case that there shall be no double-counting of any indebtedness;

- 8.4 "Financial Statements" means in relation to the Company the consolidated quarterly financial statements of the Company and its subsidiaries prepared under Ind AS;
- 8.5 "Forex Losses or Gains" means the net foreign exchange gains or losses with respect to Financial Indebtedness denominated in a currency other than INR;
- 8.6 "Free Cash Flow" means, in respect of any accounting period, EBITDA less net interest and other net financial expenses, less tax payments, less net change in working capital, less tangible capital expenditure, less intangible capital expenditure, plus net proceeds from asset sales but, for the avoidance of doubt, before net proceeds from borrowings, in all cases as determined in accordance with the accounting policies of the Company and by reference to the Financial Statements;
- 8.7 "Integration Costs" means costs incurred on or after 31 August 2018 in connection with the combination of the Company and Vodafone India Limited, which would not have been incurred otherwise;
- 8.8 "Leverage Ratio" means, at any time, the ratio of the Net Financial Debt to LTM EBITDA, each of which shall have been determined with reference to the same time;
- 8.9 "LTM EBITDA" means, at any time, the EBITDA (by reference to the Financial Statements) for the 12 (twelve) months up to the end of the most recent calendar quarter ended 31 March, 30 June, 30 September or 31 December. Where LTM EBITDA requires EBITDA to be determined for periods prior to 31 August 2018, EBITDA for these periods shall be taken from the Financial Statements and the Vodafone Financial Statements and aggregated;
- 8.10 "Net Financial Debt" means, at any time, the aggregate amount of all obligations of the Company for or in respect of Financial Indebtedness at that time but:
 - (a) deducting the aggregate amount of cash and cash equivalent investments held by the Company at that time; and
 - (b) deducting the aggregate amount of interest receivable by the Company at that time,and so that no amount shall be included or excluded more than once; and
- 8.11 "Vodafone Financial Statements" means the consolidated financial statements of Vodafone India Limited and its subsidiaries prepared for group reporting purposes under IFRS.

9.0 GENERAL

Any questions or clarifications relating to this Policy should be addressed to the Company Secretary at pankaj.kapdeo@vodafoneidea.com.