VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 13, 2015

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, 2015

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. 333-190307), 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PUBLIC LIMITED COMPANY AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 2015 (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 2015, in particular the following sections:

- the information contained under Key performance indicators on pages 18 to 20;
- the information contained under Chief Financial Officer s review on pages 38 and 39;
- the information contained under Operating results on pages 40 to 48;
- the consolidated financial statements on pages 105 to 174.
- the information contained under Prior year operating results on pages 175 to 179;

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.

Exhibit 7

- Computation of ratio of earnings to fixed charges

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CHIEF EXECUTIVE S STATEMENT

Financial review of the half year

The Group returned to organic growth in both service revenue and adjusted EBITDA in the first half of the financial year. Our emerging markets businesses continue to demonstrate strong commercial momentum, while an increasing number of our European businesses are returning to growth. Customer demand for high speed fixed and mobile data services across our footprint is strong and growing. Our financial performance is beginning to reflect the positive impact of our Project Spring investment programme and better commercial execution, and in Europe we are also benefiting from some easing of regulatory pressures and a steady improvement in the macroeconomic environment.

Group

Revenue for the first half fell 2.3% to £20.3 billion. Group organic service revenue rose 1.0%* to £18.4 billion, comprising growth of 0.8%* in Q1 and 1.2%* in Q2. Excluding the impact of mobile termination rate (MTR) cuts, H1 service revenue rose 1.6%*, with continued strong growth in AMAP and further evidence of stabilisation in Europe.

Adjusted EBITDA rose 1.9%* to £5.8 billion. The Group adjusted EBITDA margin improved by 0.2 percentage points to 28.6%, but declined 0.3* percentage points on an organic basis. Both Europe and AMAP showed organic margin improvement, supported by a better top line trend and good cost control.

Adjusted operating profit fell 5.9%* as the increase in depreciation and amortisation charges resulting from the Project Spring investment more than offset the organic growth in adjusted EBITDA.

The effective tax rate for the six months ended 30 September 2015 was 783% compared to -1,255% in the same period last year due to a reduction in the deferred tax asset in the current period and the recognition of deferred tax assets in the prior period.

Adjusted earnings per share of 2.51 pence fell 4.6% year-on-year, reflecting the lower adjusted operating profit.

Free cash outflow1 was £0.5 billion, a decline of £0.5 billion from the same period last year, as a result of increased payments for Project Spring investments.

Net debt as at 30 September 2015 was £28.9 billion, or £25.4 billion net of the $5.25 billion Verizon loan notes, compared to £22.3 billion at 31 March 2015. In addition to licence and spectrum payments of £2.1 billion, including £1.4 billion in Germany and £0.6

billion in India, net debt also reflects £2.0 billion of deferred payments relating to the acquisition or renewal of spectrum in India and Germany recognised during the period.

The Board is recommending an interim dividend per share of 3.68 pence, up 2.2% year-on-year, in line with our intention to grow the full year dividend per share annually.

The Group will change its reporting currency from sterling to euro from 1 April 2016.

Europe

Service revenue in Europe declined 1.3%* in H1, reflecting continued competitive pressures in a number of markets. However, revenue trends continue to improve, with Q2 service revenue down 1.0%* (Q1: -1.5%*), the fifth consecutive quarter of easing rates of decline. 7 out of 13 countries grew organic service revenue in H1, and Southern Europe in particular showed a strong rate of recovery.

Mobile service revenue declined 2.4%* (Q1: -2.5%*; Q2 -2.3%*). The main factors behind this performance include continued growth in our contract customer base and stabilising ARPU in a number of markets, supported by customer appetite for 4G services and strong data growth, offset by continued declines in the prepay base and ongoing regulatory factors.

Fixed service revenue grew 2.4%* (Q1: 1.7%*; Q2: 3.1%*), driven by strong consumer broadband customer growth, particularly in fibre and cable services. Fixed revenue now accounts for 25.8% of European service revenue, compared to 22.6% in the prior year.

Organic adjusted EBITDA grew 1.1%* and the adjusted EBITDA margin increased to 29.3%, an organic improvement of 0.2* percentage points. This reflects good cost control in a number of our markets, as well as the benefits of acquisition integrations.

AMAP

Service revenue in AMAP increased by 6.4%* (Q1: 6.1%*; Q2: 6.7%*), continuing its sustained track record of strong organic growth. The fundamental drivers of these businesses - customer growth and strong demand for mobile voice and data services - remain very healthy. Our leading network quality and distribution reach, supported by a strong brand, continue to be effective. In H1, the customer base increased by 8.9 million to 332.7 million, and voice and data usage increased 7% and 92% respectively. The number of data users increased by 17.9% to 124.6 million year-on-year.

Organic adjusted EBITDA grew 8.8%* and the adjusted EBITDA margin was 30.6%, a slight improvement year-on-year as operating leverage and good cost control offset the impact of increased operating costs from the Project Spring programme.

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CHIEF EXECUTIVE S STATEMENT

Strategic progress

Project Spring

Project Spring is our two-year, accelerated investment programme designed to place Vodafone at the forefront of the growth in customer demand for mobile data and the increasing trend towards the convergence of fixed and mobile services for individuals and businesses. The programme is primarily focused on:

- Rapidly expanding our 4G coverage in Europe and 3G and 4G coverage in AMAP;
- Modernising our mobile networks to increase capacity and deliver significant improvements to call quality and reliability;
- Extending our own fibre networks in a number of markets;
- Developing and introducing leading Enterprise products and services into more countries; and
- Investing in our stores to improve the service we give to customers and do more of our business through Vodafone-branded channels.

We have continued to make very good progress on all of these elements in the first half. Highlights include:

- 80% 4G population coverage in Europe, up from 32% two years ago. 88% of customers data sessions in Europe are now at high-definition video speeds (3 Mbps or above);
- 94% 3G coverage in targeted urban areas in India; 47% 4G coverage and 98% 3G coverage in South Africa;
- Dropped call rates at record lows in many countries, with the European average at 0.60% (a reduction in dropped calls in Europe of around 50 million per month);
- 66 million homes in Europe can now subscribe for Vodafone-branded high speed broadband services, of which 42% are on our own fibre or cable networks; and
- M2M services now available in 27 countries; IP-VPN in 65 countries

Data

Customer demand for data continues to grow very quickly, stimulated by the increasing availability of great TV, sport and video on smartphones and tablets, the improving reliability and speed of mobile networks, the continued deflation in unitary data pricing, and the increasing size and quality of smartphone screens.

Data traffic in H1 grew 75% (Q1: 79%; Q2: 73%). We now have 29.9 million 4G customers across the 19 countries where we offer 4G, with a further 9.7 million customers added in H1. Although take-up continues to be rapid, still only 20% of our European customer base is taking a 4G service, providing us with a very substantial opportunity for future growth. Customers who move to 4G typically buy bigger data packages and see their data consumption double, and average usage per smartphone customer in Europe is up 39% year-on-year.

In our AMAP region, data adoption is also rapid, supported by our significant network investment and the relative scarcity of fixed line internet access. The total mobile data customer base is 124.6 million, up 18% year-on-year. In India alone, we now have 23.8 million 3G customers, up 75% year-on-year, and their usage is similar to European levels. We will launch 4G in India in the coming months.

Unified communications

We are well on our way to becoming a full service integrated operator, for both households and businesses, in our main markets. We market high speed broadband services to 66 million households across Europe, and through organic investment and acquisition, 42% of these households are on-net serviced by our own fibre or cable infrastructure. In the last 12 months we have extended our own network to reach an additional 3.6 million homes, and we continue to invest to reach more homes and businesses in Spain, Italy and Portugal.

We are achieving strong and consistent customer growth across our footprint. We now have 12.5 million broadband customers, with 0.5 million new broadband customers added in H1. In Europe, we have 11.7 million broadband customers and 9.2 million TV customers, with 47% of our European broadband customers taking a high speed service over fibre or cable.

During H1, we launched Vodafone One, our converged service in Spain combining mobile with the cable services of Ono, which we acquired in 2014. By September, nearly 800,000 customers had subscribed to the service. We also brought out our consumer broadband package in the UK, with TV to follow later in the 2016 financial year, and in November we launched Vodafone Red One in Germany, our fully integrated bundle combining mobile with high speed broadband on the Kabel Deutschland (KDG) cable network.

In H1, 25.8% of our service revenue in Europe came from fixed line.

CHIEF EXECUTIVE S STATEMENT

Enterprise

Services to business comprise 27.3% of our Group service revenue, and 32.3% in Europe. Our relationships with business customers are evolving, expanding from traditional mobile voice and data services to embrace total communications, M2M, Cloud & Hosting and IP-VPN provision. These new areas offer both market growth and market share opportunities for us, and we have been investing consistently to establish leadership positions.

We are a recognised global leader in the provision of M2M services, with a strong presence in key industries such as automotive and utilities. In H1, we increased our total M2M connections by 29.9% year-on-year to 24.0 million, with revenue growing 25.6%* to £224 million. Vodafone Global Enterprise (VGE) which provides services to our biggest international customers, achieved revenue growth of 5.1%*, driven by our unmatched geographical presence and the increasing trend among multinational corporations to retain a single provider of services across borders.

Outlook and guidance[2]

The overall performance of the Group in the first half of the current financial year has been in line with our expectations, and we expect revenue and profitability trends to improve in the second half. We now expect adjusted EBITDA for the 2016 financial year to be in the range of £11.7 billion to £12.0 billion, and free cash flow to be positive, after all capex.

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. See page 41 for Use of non-GAAP financial information .

1 Free cash flow for the six months ended 30 September 2015 excludes £70 million (2014: £167 million) of restructuring costs, a £50 million (2014: £100 million) payment in respect of the Group s historic UK tax settlement and £nil of other payments (2014: £450 million, see note 4 on page 19).

2 See Guidance on page 7.

GROUP FINANCIAL HIGHLIGHTS

		Six months ended 30 September		Change	
	Page	2015 £m	2014 £m	Reported %	Organic* %
Statutory basis[1]					
Group revenue	27	20,266	20,752	(2.3)	2.8
Operating profit	27	933	917	1.7	
Profit before taxation	27	232	406	(42.9)	
(Loss)/profit for the financial period[2]	27	(1,584)	5,501	(128.8)	
Basic earnings per share[2]	27	(6.40)p	20.48p	(131.2)	
Net cash flow from operating activities	30, 35	4,130	3,691	11.9	
Adjusted statutory basis[3]					
Group service revenue	8	18,430	19,139	(3.7)	1.0
Adjusted EBITDA	8	5,786	5,884	(1.7)	1.9
Adjusted EBITDA margin	8	28.6%	28.4%	0.2pp	(0.3)pp
Adjusted operating profit	8	1,641	1,756	(6.5)	(5.9)
Adjusted profit attributable to owners of the parent	10, 47	667	697	(4.3)	
Adjusted earnings per share	10, 47	2.51p	2.63p	(4.6)	
Capital expenditure	19	3,708	3,901	(4.9)	
Free cash flow[4]	19	(541)	1	n/a	
Net debt	19, 20	(28,923)	(21,832)	32.5	

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. See page 41 for Use of non-GAAP financial information .

1. Statutory basis prepared in accordance with IFRS accounting principles, including the results of the Group s joint ventures using the equity accounting basis.

2. Six months ended 30 September 2015 includes £1,476 million in relation to a reduction in the tax losses in Luxembourg following the write back of previous impairments in the local statutory accounts. Six months ended 30 September 2014 included the recognition of £5,468 million of deferred tax assets in respect of tax losses in Luxembourg.

3. See page 41 for Use of non-GAAP financial information and page 51 for Definition of terms .

4. Free cash flow for the six months ended 30 September 2015 excludes £70 million (2014: £167 million) of restructuring costs, a £50 million (2014: £100 million) payment in respect of the Group s historic UK tax settlement and £nil of other payments (2014: £450 million, see note 4 on page 19).

GUIDANCE

Please see page 41 for Use of non-GAAP financial information , page 51 for Definition of terms and page 52 for Forward-looking statements .

2016 financial year guidance

	Adjusted EBITDA £bn	Free cash flow £bn
Original guidance	11.5 12.0	Positive
Updated guidance	11.7 12.0	Positive

We now expect adjusted EBITDA to be in the range of £11.7 billion to £12.0 billion. We expect free cash flow to be positive after all capex, before the impact of M&A, spectrum purchases and restructuring costs. Total capex is expected to be around £8.5 billion to £9.0 billion (including Ono).

Assumptions

We have based guidance for the 2016 financial year on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of £1: 1.37, £1:INR 95.2 and £1:ZAR 18.1. It excludes the impact of licences and spectrum purchases, material one-off tax-related payments, restructuring costs 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. A 1% change in the euro to sterling exchange rate would impact adjusted EBITDA by £60 million and free cash flow by £10 million. A 1% change in the Indian rupee to sterling exchange rate would impact adjusted EBITDA by £10 million and would have no impact on free cash flow. A 1% change in the South African rand to sterling exchange rate would impact adjusted EBITDA by £15 million and free cash flow by £5 million.

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FINANCIAL RESULTS

Group[1,2]

					Six months ended 30 September		Change	
	Europe £m	**AMAP £m**	**Other3 £m**	**Eliminations £m**	**2015 £m**	**2014 £m**	**Reported %**	**Organic* %**
Mobile in-bundle revenue	5,767	1,914	73		7,754	7,900		
Mobile out-of-bundle revenue	2,057	2,778	5		4,840	5,498		
Mobile incoming revenue	626	565			1,191	1,351		
Fixed line revenue	3,118	408	313	(31)	3,808	3,575		
Other service revenue	536	224	91	(14)	837	815		
Service revenue	**12,104**	**5,889**	**482**	**(45)**	**18,430**	**19,139**	**(3.7)**	**1.0**
Other revenue	1,027	722	87		1,836	1,613		
Revenue	**13,131**	**6,611**	**569**	**(45)**	**20,266**	**20,752**	**(2.3)**	**2.8**
Direct costs	(2,967)	(1,686)	(425)	40	(5,038)	(5,196)		
Customer costs	(2,895)	(1,069)	18		(3,946)	(4,176)		
Operating expenses	(3,422)	(1,830)	(249)	5	(5,496)	(5,496)		
Adjusted EBITDA	**3,847**	**2,026**	**(87)**		**5,786**	**5,884**	**(1.7)**	**1.9**
Depreciation and amortisation:								
Acquired intangibles					(168)	(250)		
Purchased licences					(682)	(625)		
Other					(3,292)	(3,216)		
Share of result in associates and joint ventures					(3)	(37)		
Adjusted operating profit					**1,641**	**1,756**	**(6.5)**	**(5.9)**
Restructuring costs					(114)	(84)		
Amortisation of acquired customer base and brand intangible assets					(521)	(637)		
Other income and expense					(73)	(118)		
Operating profit					**933**	**917**		

Non-operating income and expense	(1)	(26)
Net financing costs	(700)	(485)
Income tax, excluding deferred tax on revaluation of investments in Luxembourg	(340)	(373)
Deferred tax following revaluation of investments in Luxembourg4	(1,476)	5,468
(Loss)/profit for the financial period	**(1,584)**	**5,501**

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. See page 41 for Use of non-GAAP financial information .

1. Current period reflects average foreign exchange rates of £1: 1.39, £1:INR 98.95 and £1:ZAR 19.33.

2. The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within common functions rather than within the results disclosed for each country and region. The results presented for the six months ended 30 September 2014 have been restated onto a comparable basis. There is no impact on total Group revenues or costs.

3. The Other segment primarily represents the results of partner markets and the net result of unallocated central Group costs.

4. Refer to page 10 for further details.

FINANCIAL RESULTS

Revenue

Group revenue decreased by 2.3% to £20.3 billion and service revenue decreased by 3.7% to £18.4 billion. Reported growth includes the impact of the acquisitions of Ono, Hellas Online (HOL) and Cobra Automotive (Cobra).

In Europe, organic service revenue declined by 1.3%* as growing demand for 4G and mobile data, as well as growth in fixed line service revenue, continue to be offset by the ongoing impact of competition. By Q2, however, 7 of the 13 countries in Europe had returned to organic service revenue growth.

In AMAP, organic service revenue increased by 6.4%* driven by growth in all markets apart from Qatar.

Adjusted EBITDA and operating profit

Group adjusted EBITDA fell 1.7% to £5.8 billion, with organic growth in Europe and AMAP and the acquisitions of HOL and Cobra being more than offset by foreign exchange movements. The Group s adjusted EBITDA margin improved by 0.2 percentage points to 28.6%. On an organic basis, adjusted EBITDA rose 1.9%* and the Group s adjusted EBITDA margin fell 0.3* percentage points, as organic margin improvements in Europe and AMAP were offset by the phasing of operating expenses related to Project Spring within common costs.

Operating profit increased 1.7% to £0.9 billion as lower adjusted EBITDA was offset by lower depreciation and amortisation charges.

Net financing costs

	Six months ended 30 September	
	2015	**2014**
	£m	**£m**
Investment income	145	305
Financing costs	(845)	(790)
Net financing costs	**(700)**	**(485)**

Analysed as:		
Net financing costs before interest on settlement of tax issues	(451)	(578)
Interest expense arising on settlement of outstanding tax issues	(15)	(24)
	(466)	**(602)**
Mark to market losses	(86)	(80)
Foreign exchange[1]	(148)	197
	(700)	**(485)**

Note:

1 Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances.

Net financing costs includes £148 million of intercompany related foreign exchange losses (2014: £197 million gain), £86 million of mark to market losses (2014: £80 million loss) and £15m of interest on settlement of tax issues (2014: £24 million). Excluding these items, net financing costs decreased by 22% primarily due to the impact of foreign exchange losses on financing costs.

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FINANCIAL RESULTS

Taxation

The effective tax rate for the six months ended 30 September 2015 was 783% compared to -1,255% in the same period last year due a reduction in the deferred tax asset in the current period and the recognition of deferred tax assets in the prior period. The tax rate for the full year will include the cost of writing down the value of our UK deferred tax asset following the forthcoming reduction in the UK tax rate to 18%.

The effective tax rate for both periods includes the use of Luxembourg losses in the half year of £258 million (2014: £272 million) and a reduction in the deferred tax asset in the current period of £1,476 million (2014: recognition of an additional asset of £2,127 million) arising from the revaluation of investments based upon the local GAAP financial statements. The tax rate in the six months ended 30 September 2014 includes the impact of the recognition of an additional £3,341 million deferred tax asset in respect of the Group s historic tax losses in Luxembourg. The losses have been recognised as a consequence of the financing arrangements for the acquisition of Ono.

Earnings per share

Adjusted earnings per share, which excludes the reduction in the tax losses in Luxembourg following the revaluation of investments in the local statutory accounts in the current period and the recognition of deferred tax assets in respect of tax losses in Luxembourg in the prior period, was 2.51 pence, a decrease of 4.6% year-on-year, reflecting the Group s lower adjusted operating profit over the same period.

Basic earnings per share was a loss of 6.40 pence due to the reduction in deferred tax on losses, as described above, which has been excluded from adjusted earnings per share.

	Six months ended 30 September	
	2015 £m	**2014 £m**
(Loss)/profit attributable to owners of the parent	**(1,698)**	**5,422**
Adjustments:		
Amortisation of acquired customer base and brand intangible assets	521	637
Restructuring costs	114	84
Other income and expense	73	118
Non-operating income and expense	1	26
Investment income and financing costs	148	(197)
	857	**668**
Taxation[1]	1,517	(5,383)

Non-controlling interests	(9)	(10)
Adjusted profit attributable to owners of the parent	**667**	**697**

	Million	Million
Weighted average number of shares outstanding basic	26,529	26,470

(Loss)/earnings per share

	Pence	Pence
Basic earnings per share	(6.40)p	20.48p
Adjusted earnings per share	2.51p	2.63p

Note:

1. Six months ended 30 September 2015 includes £1,476 million in relation to a reduction in the tax losses in Luxembourg following the write back of previous impairments in the local statutory accounts. Six months ended 30 September 2014 included the recognition of £5,468 million of deferred tax assets in respect of tax losses in Luxembourg.

FINANCIAL RESULTS

Europe[1]

	Germany £m	Italy £m	UK £m	Spain £m	Other Europe £m	Eliminations £m	Europe £m	% change Reported	Organic
30 September 2015									
Mobile in-bundle revenue	1,535	938	1,348	787	1,159		**5,767**		
Mobile out-of-bundle revenue	383	391	560	204	519		**2,057**		
Mobile incoming revenue	108	130	161	52	182	(7)	**626**		
Fixed line revenue	1,335	300	727	512	251	(7)	**3,118**		
Other service revenue	163	95	145	71	106	(44)	**536**		
Service revenue	**3,524**	**1,854**	**2,941**	**1,626**	**2,217**	**(58)**	**12,104**	**(6.2)**	**(1.3)**
Other revenue	298	258	145	166	162	(2)	**1,027**		
Revenue	**3,822**	**2,112**	**3,086**	**1,792**	**2,379**	**(60)**	**13,131**	**(4.8)**	**0.4**
Direct costs	(925)	(450)	(709)	(396)	(545)	58	**(2,967)**		
Customer costs	(750)	(447)	(773)	(456)	(471)	2	**(2,895)**		
Operating expenses	(897)	(495)	(935)	(466)	(629)		**(3,422)**		
Adjusted EBITDA	**1,250**	**720**	**669**	**474**	**734**		**3,847**	**(2.5)**	**1.1**
Adjusted EBITDA margin	**32.7%**	**34.1%**	**21.7%**	**26.5%**	**30.9%**		**29.3%**		
30 September 2014									
Mobile in-bundle revenue	1,728	994	1,264	884	1,234		**6,104**		
Mobile out-of-bundle revenue	481	552	640	264	673		**2,610**		
Mobile incoming revenue	129	148	178	57	198		**710**		
Fixed line revenue	1,490	322	647	288	174		**2,921**		
Other service revenue	169	97	148	77	101	(37)	**555**		
Service revenue	**3,997**	**2,113**	**2,877**	**1,570**	**2,380**	**(37)**	**12,900**		
Other revenue	293	219	129	104	149	(3)	**891**		
Revenue	**4,290**	**2,332**	**3,006**	**1,674**	**2,529**	**(40)**	**13,791**		
Direct costs	(999)	(505)	(719)	(378)	(541)	38	**(3,104)**		
Customer costs	(914)	(448)	(785)	(539)	(489)	2	**(3,173)**		
Operating expenses	(995)	(593)	(864)	(450)	(667)		**(3,569)**		
Adjusted EBITDA	**1,382**	**786**	**638**	**307**	**832**		**3,945**		
Adjusted EBITDA margin	**32.2%**	**33.7%**	**21.2%**	**18.3%**	**32.9%**		**28.6%**		
Change at constant exchange rates	%	%	%	%	%				
Mobile in-bundle revenue	(0.8)	5.4	6.7	(0.6)	4.8				
Mobile out-of-bundle revenue	(11.3)	(20.9)	(12.5)	(13.6)	(13.7)				
Mobile incoming revenue	(6.8)	(1.9)	(9.7)	3.3	2.8				
Fixed line revenue	0.1	4.0	12.4	97.0	59.1				
Other service revenue	8.9	9.8	(1.7)	1.4	15.7				
Service revenue	**(1.5)**	**(2.0)**	**2.2**	**15.4**	**3.9**				
Other revenue	12.8	31.6	12.1	78.7	22.5				
Revenue	**(0.5)**	**1.2**	**2.7**	**19.4**	**5.0**				
Direct costs	(3.5)	0.6	1.3	(16.3)	(13.0)				
Customer costs	8.4	(11.4)	1.5	5.5	(7.3)				
Operating expenses	(0.6)	6.6	(8.2)	(15.6)	(5.1)				
Adjusted EBITDA	**1.0**	**2.3**	**4.9**	**72.1**	**(1.6)**				

Adjusted EBITDA margin movement (pps)	**0.5**	**0.4**	**0.5**	**8.1**	**(2.1)**

FINANCIAL RESULTS

Revenue decreased by 4.8%. M&A activity, including Ono and HOL, contributed a 3.3 percentage point positive impact, while foreign exchange movements contributed an 8.5 percentage point negative impact. On an organic basis, service revenue declined 1.3%*, driven primarily by price competition.

Adjusted EBITDA decreased by 2.5%, including a 5.7 percentage point positive impact from M&A activity and a 9.3 percentage point negative impact from foreign exchange movements. On an organic basis adjusted EBITDA increased 1.1%*, as good cost control offset the continued fall in service revenue.

	Organic* change %	M& A and other activity pps	Foreign exchange pps	Reported change %
Europe revenue	**0.4**	**3.3**	**(8.5)**	**(4.8)**
Service revenue				
Germany	(1.5)		(10.3)	(11.8)
Italy	(2.0)		(10.3)	(12.3)
UK	(0.1)	2.3		2.2
Spain	(3.8)	19.2	(11.8)	3.6
Other Europe	1.0	2.9	(10.7)	(6.8)
Europe service revenue	**(1.3)**	**3.4**	**(8.3)**	**(6.2)**
Adjusted EBITDA				
Germany	1.0		(10.6)	(9.6)
Italy	2.3		(10.7)	(8.4)
UK	(5.0)	9.9		4.9
Spain	16.3	55.8	(17.7)	54.4
Other Europe	(3.4)	1.8	(10.2)	(11.8)
Europe adjusted EBITDA	**1.1**	**5.7**	**(9.3)**	**(2.5)**

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. See page 41 for Use of non-GAAP financial information .

1 The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within common functions rather than within the results disclosed for each country and region. The results presented for the six months ended 30 September 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.

Germany

Service revenue declined 1.5%* (Q1: -1.2%*; Q2: -1.8%*). Underlying year-on-year trends in each quarter were similar, excluding the impact of one-off items on reported results.

Mobile service revenue fell 2.4%*. Consumer contract revenue stabilised in Q2, supported by consistent growth in contract net adds and an increased focus on Vodafone branded channels, although the impact of price reductions in prior years continued to put pressure on ARPU. The enterprise market became increasingly competitive in H1, leading to a deteriorating revenue trend despite good contract wins as a strong churn performance could not offset falling ARPU. We have made further strong progress on network investment, with 81% 4G coverage and dropped call rates falling 28% year-on-year. In October, the ComputerBILD test ranked Vodafone the best voice network in Germany.

Fixed service revenue growth was 0.1%*, with continued strong growth in cable offsetting a decline in DSL-related revenue. Cable net adds growth continued to be strong throughout H1, supplemented by ongoing migrations from the DSL base. Broadband ARPU was down year-on-year in a promotional market, but stable through the course of H1. The integration of KDG continued as planned, including the rebranding of the business as Vodafone in September. In November, we launched Vodafone RedOne, our fully integrated fixed, mobile and TV service combining high speed mobile and cable.

Adjusted EBITDA grew 1.0%*, with the adjusted EBITDA margin improving by 0.5* percentage points. This reflects the achievement of KDG synergies, and savings in commercial costs and other operating expenses offsetting the increased network opex from Project Spring.

FINANCIAL RESULTS

Italy

Service revenue declined 2.0%* (Q1: -2.0%*; Q2: -2.0%*). The mobile business is on a steady recovery path, while fixed line performance continues to be positive despite increased competition in recent months.

Mobile service revenue fell 3.1%*, as a recovery in ARPU supported by strong data demand only partially offset the year-on-year decline in the customer base. Churn in the market has reduced in recent quarters and the customer base is stable quarter-on-quarter. Enterprise continued to perform well in a stable market, although roaming revenue fell in Q2 after a very strong comparable period last year. We now have 91% population coverage with our 4G network, and have recently launched a network service promise to underline our confidence in network performance.

Fixed service revenue was up 4.0%*, driven by sustained commercial momentum. We added a further 67,000 broadband customers in H1, and a third of our gross adds are now taking a fibre service. Of our base of 1.9 million broadband customers, 148,000 are fibre customers. We have now built out our own fibre network to nearly 12,000 cabinets, more than doubling our footprint in the last six months.

Adjusted EBITDA was up 2.3%*, as we successfully offset the decline in service revenue with savings in commercial costs and operating expenses. The adjusted EBITDA margin expanded by 0.4* percentage points.

UK

Service revenue declined 0.1%* (Q1: 0.2%*; Q2: -0.5%*), with improving trends in fixed line and enterprise offset by a slowdown in consumer mobile after a period of strong growth. The organic growth rate excludes one-off settlements with other network operators in Q2.

Mobile service revenue grew 0.1%*. We continued to achieve good contract customer growth, reflecting the increased number of Vodafone-branded stores. Revenue trends in Q2 were impacted by the pricing and usage of 08XX numbers following the introduction of Non Geographic Call Services regulation, and a focus on giving customers more control of their out-of-bundle data spend. As a result, in-bundle revenue and demand for data add-ons continued to grow. Enterprise mobile service revenue was broadly stable in H1 despite increased competition. National 4G coverage reached 82% (based on the OFCOM definition), and 99% in London. A recent independent test by P3 ranked our network number one in London for combined voice and data. We achieved significant growth in 4G customers, with 5.3 million at the period end (September 2014: 1.1 million).

Fixed service revenue declined 0.9%*. Excluding carrier services, fixed revenue was stable in Q2, including an improving performance in Enterprise. After regional trials during the summer, we launched our consumer broadband service to 22 million premises across the UK (95% of BT s fibre footprint) in October, with our new TV service to follow in Q4.

Adjusted EBITDA declined 5.0%*, with a 1.1* percentage point decline in the adjusted EBITDA margin. The decline in margin was mainly the result of the phasing of central costs allocated to the UK business, which were heavily weighted to H2 last year but are more evenly spread this year. Reported adjusted EBITDA benefited from one-off settlements with other network operators.

Spain

Service revenue declined 3.8%* (Q1: -5.5%*; Q2: -2.0%*), with mobile revenue recovering steadily despite the negative effect of handset financing, and continued positive momentum in fixed.

Mobile service revenue fell 8.1%*. The contract customer base continued to grow in a more stable market, despite increased promotional activity around the start of the new football season, and aggressive cross-selling of mobile to TV customers by a competitor. Although unit prices continue to fall, we have been increasing data bundle sizes at slightly higher monthly fees. Our new commercial strategy on data, offering customers the opportunity to buy additional bundles for up to 10 per month, has been very successful. Our 4G population coverage reached 80% at September 2015 and we have 4.3 million 4G customers.

Fixed service revenue rose 7.4%*, supported by consistent growth in broadband net additions. The integration of Ono is proceeding strongly, with the MVNO migrated to the Vodafone network seven months ahead of schedule and the very successful launch in May of Vodafone One, our fully integrated cable, mobile and TV service. At September 2015 we already have nearly 800,000 customers on Vodafone One. Including our joint fibre network build with Orange, we now reach 8 million premises with fibre.

Adjusted EBITDA increased 16.3%* year-on-year, as strong cost control, the benefit to margin from handset financing and the cost synergies from the Ono acquisition more than offset rising TV costs. The organic improvement in the adjusted EBITDA margin was 3.7* percentage points year-on-year.

FINANCIAL RESULTS

Other Europe

Service revenue rose 1.0%* (Q1: 0.6%*; Q2: 1.5%*), with the Netherlands, Ireland, Greece, Romania, the Czech Republic and Hungary all growing in H1, and trends in Portugal clearly improving.

In the Netherlands, service revenue was up 1.1%*, with consumer fixed line and enterprise as the main drivers of growth. After reaching 100% 4G coverage last year we are now expanding 4G+ presence and have reached 130 municipalities. We had 73,000 consumer fixed line customers at September 2015.

In Portugal, despite ongoing pressure in convergence pricing, fixed revenue continues to grow strongly and mobile is recovering, driven by migration from prepay to contract and recovery in enterprise. Our fibre to the home network now reaches 2.1 million homes. Ireland returned to service revenue growth in Q2, with strong momentum in fixed line and an improving trend in mobile. The 4G roll-out is complete with 95% population coverage. In Greece we saw a slight slowdown in Q2 as a result of the macroeconomic environment, which increased pressure on consumer contract ARPU in particular. The HOL integration is on track, with the business rebranded in October.

Adjusted EBITDA declined 3.4%*, with a 1.8* percentage point decline in adjusted EBITDA margin, mainly driven by lower margins in Portugal, Ireland and Romania.

FINANCIAL RESULTS

Africa, Middle East and Asia Pacific[1]

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	% change Reported	% change Organic
30 September 2015							
Mobile in-bundle revenue	509	562	843		1,914		
Mobile out-of-bundle revenue	1,286	873	619		2,778		
Incoming revenue	238	87	240		565		
Fixed line revenue	97	67	251	(7)	408		
Other service revenue	83	81	60		224		
Service revenue	**2,213**	**1,670**	**2,013**	**(7)**	**5,889**	**1.8**	**6.4**
Other revenue	8	401	313		722		
Revenue	**2,221**	**2,071**	**2,326**	**(7)**	**6,611**	**3.0**	**8.2**
Direct costs	(661)	(281)	(751)	7	(1,686)		
Customer costs	(100)	(580)	(389)		(1,069)		
Operating expenses	(800)	(441)	(589)		(1,830)		
Adjusted EBITDA	**660**	**769**	**597**		**2,026**	**4.2**	**8.8**
Adjusted EBITDA margin	**29.7%**	**37.1%**	**25.7%**		**30.6%**		
30 September 2014							
Mobile in-bundle revenue	377	528	792		1,697		
Mobile out-of-bundle revenue	1,249	958	669		2,876		
Incoming revenue	293	102	246		641		
Fixed line revenue	77	1	253		331		
Other service revenue	47	131	61		239		
Service revenue	**2,043**	**1,720**	**2,021**		**5,784**		
Other revenue	10	382	243		635		
Revenue	**2,053**	**2,102**	**2,264**		**6,419**		
Direct costs	(643)	(304)	(751)		(1,698)		
Customer costs	(88)	(598)	(333)		(1,019)		
Operating expenses	(715)	(465)	(577)		(1,757)		
Adjusted EBITDA	**607**	**735**	**603**		**1,945**		
Adjusted EBITDA margin	**29.6%**	**35.0%**	**26.6%**		**30.3%**		
Change at constant exchange rates							
Mobile in-bundle revenue	32.3	15.3	18.4				
Mobile out-of-bundle revenue	0.9	(2.1)	(2.2)				
Incoming revenue	(20.6)	(8.2)	6.2				
Fixed line revenue	25.1		11.9				
Other service revenue	78.7	(36.6)	8.3				
Service revenue	**6.3**	**4.2**	**8.8**				
Other revenue	(21.9)	12.4	47.7				
Revenue	**6.1**	**5.7**	**12.8**				
Direct costs	(1.0)	1.5	(9.7)				
Customer costs	(11.1)	(4.3)	(35.3)				
Operating expenses	(9.6)	(0.6)	(11.7)				
Adjusted EBITDA	**6.7**	**13.2**	**5.9**				
	0.1	**2.4**	**(1.6)**				

Adjusted EBITDA margin movement (pps)

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FINANCIAL RESULTS

Revenue increased by 3.0%, with strong organic growth offset by a 5.1 percentage point adverse impact from foreign exchange movements, particularly with regards to the South African rand, Egyptian pound and Turkish lira. On an organic basis service revenue was up 6.4%* driven by growth in the customer base, increased voice and data usage, and continued good commercial execution. Overall growth was offset by MTR cuts and other regulatory charges, mainly in India.

Adjusted EBITDA increased by 4.2%, including a 4.6 percentage point adverse impact from foreign exchange movements. On an organic basis, adjusted EBITDA grew 8.8%* driven by growth in all major markets.

	Organic* change %	M&A and other activity pps	Foreign exchange pps	Reported change %
AMAP revenue	**8.2**	**(0.1)**	**(5.1)**	**3.0**
Service revenue				
India	6.3		2.0	8.3
Vodacom	4.2		(7.1)	(2.9)
Other AMAP	8.8		(9.2)	(0.4)
AMAP service revenue	**6.4**		**(4.6)**	**1.8**
Adjusted EBITDA				
India	6.7		2.0	8.7
Vodacom	13.2		(8.6)	4.6
Other AMAP	5.9		(6.9)	(1.0)
AMAP adjusted EBITDA	**8.8**		**(4.6)**	**4.2**

Notes:

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1 The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within common functions rather than within the results disclosed for each country and region. The results presented for the six months ended 30 September 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.

<u>India</u>

Service revenue increased 6.3%* (Q1: 6.9%*; Q2: 5.6%*) as customer base growth and strong demand for 3G data was partially offset by a number of regulatory changes, including MTR cuts, roaming price caps and an increase in service tax. Excluding these impacts, service revenue growth in H1 was 11.2%*.

We added 4.4 million customers in the period, taking the total to 188.2 million. Growth in total minutes of use accelerated in H1 but this was offset by a decline in revenue per minute as a result of ongoing competition on voice business.

Data growth continues to be very strong, with data usage over the network up 74% year-on-year in H1, and the active data customer base increasing 16% to 66.5 million. The 3G customer base grew to 23.8 million, up 75% year-on-year, and smartphone penetration in our four biggest urban areas is now 49%. Data pricing has recently become more competitive after price rises earlier in the year. In Q2, browsing revenue represented 18.9% of local service revenue, up from 13.5% in the equivalent quarter last year.

Since the launch of Project Spring we have added over 22,000 new 3G sites, taking the total to nearly 40,000 and our population coverage to 94% of target urban areas. We plan to launch 4G in five key circles in the coming months.

Our M-Pesa business continues to expand, with 665,000 active customers at September 2015, and 97,000 agents. In August, the Reserve Bank of India granted us in principle approval to set up a payments bank.

Adjusted EBITDA grew 6.7%*, with a 0.1* percentage point improvement in adjusted EBITDA margin as the benefits of service revenue growth offset the ongoing increase in operating costs related to Project Spring, higher acquisition costs and the translation effects of non-rupee operating costs.

We have recently begun preparations for a potential IPO of Vodafone India, subject to market conditions.

FINANCIAL RESULTS

Vodacom

Vodacom Group service revenue increased 4.2%* (Q1: 4.5%*; Q2: 3.9%*), supported by strong momentum in both South Africa and the International operations.

In South Africa, organic service revenue grew 2.9%* (Q1: 2.8%*; Q2: 3.0%*), with the consumer and enterprise businesses both performing well. We continued to focus on building brand and network differentiation, with our performance driven by strong demand for data, the success of voice and data bundles, and very low contract churn. Data revenue growth accelerated to 33.3*% in H1 and is now 35% of local service revenue compared to 27% a year ago. The 3G customer base grew 25.2% year-on-year, supported by the increasing affordability of smartphones: we sold 1.3 million Vodafone branded devices in H1, representing 24% of total volume. We accelerated our network build in H1, taking coverage to 47% on 4G and 98% on 3G.

Service revenue growth in Vodacom s operations outside South Africa was 9.5%*, driven by customer base growth, data take-up and M-Pesa. Active data customers reached 10.5 million, up 14.2% year-on-year, and M-Pesa customers totalled 6.8 million, all benefiting from sustained network investment.

Vodacom Group adjusted EBITDA increased 13.2%*, with a 2.4* percentage point improvement in adjusted EBITDA margin. This strong performance was driven by operating leverage and a significant cost reduction programme put in place in H2 last year.

Other AMAP

Service revenue increased 8.8%* (Q1: 6.8%*; Q2: 10.8%*), with strong growth in Turkey, Egypt and Ghana partially offset by a decline in Qatar.

Service revenue in Turkey was up 17.6%*, reflecting continued strong growth in consumer contract and enterprise revenue, driven by growth in both the customer base and ARPU. Fixed line momentum was also good, with 183,000 fixed broadband customers at the end of the period. In Egypt, service revenue was up 8.4%* driven by continued strong growth in data and voice usage. New Zealand sustained its improving trend of recent quarters, returning to service revenue growth in Q2 supported by good year-on-year growth in the mobile contract customer base and improving fixed line ARPU.

Adjusted EBITDA grew 5.9%*, driven by the strong revenue performance.

Associates

Safaricom, Vodafone s 40% associate which is the number one mobile operator in Kenya, achieved local currency service revenue growth of 12.3% driven by data and M-Pesa.14 out of 16 targeted regions now have 4G coverage.

Vodafone Hutchison Australia (VHA), in which Vodafone owns a 50% stake, is performing well, with service revenue growth supported by ongoing growth in the contract customer base and a slight increase in ARPU. Strong adjusted EBITDA growth was driven by the improving top line and reduced commercial costs.

Indus Towers, the Indian towers company in which Vodafone has a 42% interest, achieved local currency revenue growth of 5.6%. Indus owns 117,579 towers, with a tenancy ratio of 2.22.

FINANCIAL RESULTS

Statement of financial position

Assets

Goodwill and other intangible assets

Goodwill and other intangible assets increased by £2.9 billion to £46.4 billion at 30 September 2015. The increase primarily arose as a result of £5.2 billion of additions, including £4.5 billion for spectrum purchased in India, Germany and Spain, partly offset by £2.1 billion of amortisation and £0.2 billion as a result of unfavourable movements in foreign exchange rates.

Property, plant and equipment

Property, plant and equipment increased by £0.1 billion to £26.7 billion at 30 September 2015, principally as a result of £3.0 billion of additions, largely offset by £2.5 billion of depreciation charges and £0.4 billion of adverse foreign exchange movements.

Other non-current assets

Other non-current assets decreased by £0.9 billion to £31.7 billion at 30 September 2015 mainly due to decrease in deferred tax assets primarily due to the reduction of tax losses in Luxembourg (see note 4 for further details).

Current assets

Current assets decreased by £4.2 billion to £15.7 billion at 30 September 2015 mainly due to a decrease in cash and cash equivalents of £2.6 billion, and £2.2 billion lower short-term investments.

Total equity and liabilities

Total equity

Total equity decreased by £3.2 billion to £64.5 billion mainly due to the total comprehensive expense for the period of £1.1 billion and dividends paid to equity shareholders and non-controlling interests of £2.2 billion.

Non-current liabilities

Non-current liabilities increased by £1.6 billion to £27.5 billion at 30 September 2015 primarily due to a £1.3 billion increase in long-term borrowings and a £0.6 billion increase in trade and other payables.

Current liabilities

Current liabilities decreased by £0.5 billion to £28.4 billion at 30 September 2015 mainly due to a £1.1 billion decrease in trade and other payables being offset by £0.5 billion of additional 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 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows and funding

	Six months ended 30 September	
	2015	**2014**
	£m	**£m**
Adjusted EBITDA	5,786	5,884
Working capital	(1,203)	(1,072)
Other	56	45
Cash generated by operations (excluding restructuring and other costs)[1]	**4,639**	**4,857**
Cash capital expenditure[2]	(4,287)	(3,907)
Capital expenditure	(3,708)	(3,901)
Working capital movement in respect of capital expenditure	(579)	(6)
Disposal of property, plant and equipment	32	62
Operating free cash flow[1]	**384**	**1,012**
Taxation	(430)	(418)
Dividends received from associates and investments		127
Dividends paid to non-controlling shareholders in subsidiaries	(131)	(140)
Interest received and paid	(364)	(580)
Free cash flow[1]	**(541)**	**1**
Licence and spectrum payments	(2,104)	(127)
Acquisitions and disposals[3]	(62)	(6,679)
Equity dividends paid	(2,020)	(1,979)
Foreign exchange	297	843
Other[4]	(2,222)	(191)
Net debt increase	**(6,652)**	**(8,132)**
Opening net debt	(22,271)	(13,700)
Closing net debt	**(28,923)**	**(21,832)**

Notes:

1 Cash generated by operations for the six months ended 30 September 2015 excludes £70 million (2014: £167 million) of restructuring costs, £nil (2014: £365 million) UK pensions contribution payment, £nil (2014; £116 million) of KDG incentive scheme payments that vested upon acquisition and £41 million (2014: £nil) of other amounts received. See also note 4 below.

2 Cash capital expenditure comprises cash payments in relation to the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the period.

3 Acquisitions and disposals for the six months ended 30 September 2014 primarily includes a £2,945 million payment in relation to the acquisition of the entire share capital of Ono plus £2,858 million of associated net debt acquired, a £563 million payment in relation to the acquisition of the remaining 10.97% equity interest in Vodafone India and £131 million payment in relation to acquisition of the entire share capital of Cobra plus £40 million of associated debt acquired.

4 Other cash flows for the six months ended 30 September 2015 include £2,034 million (2014:£nil) of debt recognised in respect of spectrum in India, £70 million (2014: £167 million) of restructuring costs, £nil (2014: £365 million) UK pensions contribution payment, £nil (2014: £359 million) of Verizon Wireless tax dividends received after the completion of the disposal, £nil (2014: £328 million) of interest paid on the settlement of the Piramal option, £nil (2014: £116 million) of KDG incentive scheme payments that vested upon acquisition and a £50 million (2014: £100 million) payment in respect of the Group s historic UK tax settlement.

Cash generated by operations excluding restructuring and other costs decreased 4.5% to £4.6 billion, primarily driven by lower adjusted EBITDA and working capital movements.

Capital expenditure decreased £0.2 billion to £3.7 billion reflecting continued investment in the Group s networks as a result of Project Spring.

Free cash outflow was £0.5 billion, a decline in £0.5 billion from the prior year, reflecting the phasing of payments for the Group s Project Spring investment.

Licence and spectrum payments include amounts relating to the purchase of spectrum in Germany of £1.4 billion and £0.6 billion in India. In addition, net debt at 30 September 2015 includes liabilities of £3.9 billion (31 March 2015: £1.8 billion) relating to acquisitions or renewals of spectrum in India and Germany.

A foreign exchange gain of £0.3 billion was recognised on net debt as losses on the euro were more than offset by favourable exchange rate movements on the South African rand and India rupee.

LIQUIDITY AND CAPITAL RESOURCES

Analysis of net debt:

	30 September 2015 £m	31 March 2015 £m
Cash and cash equivalents	**4,240**	**6,882**
Short-term borrowings		
Bonds	(1,709)	(1,786)
Commercial paper[1]	(4,975)	(5,077)
Put options over non-controlling interests	(1,360)	(1,307)
Bank loans	(2,345)	(1,876)
Other short-term borrowings[2]	(2,766)	(2,577)
	(13,155)	**(12,623)**
Long-term borrowings		
Put options over non-controlling interests	(6)	(7)
Bonds, loans and other long-term borrowings	(23,715)	(22,428)
	(23,721)	**(22,435)**
Other financial instruments[3]	3,713	5,905
Net debt	**(28,923)**	**(22,271)**

Notes:

1 At 30 September 2015 US$532 million (31 March 2015: US$3,321 million) was drawn under the US commercial paper programme and 6,257 million (31 March 2015: 3,928 million) was drawn under the euro commercial paper programme.

2 At 30 September 2015 the amount includes £2,733 million (31 March 2015: £2,542 million) in relation to cash received under collateral support agreements.

3 Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (30 September 2015: £4,655 million; 31 March 2015: £4,005 million) and trade and other payables (30 September 2015: £1,634 million; 31 March 2015: £984 million) and short-term investments primarily in index linked government bonds and a managed investment fund included as a component of other investments (30 September 2015: £692 million; 31 March 2015: £2,884 million).

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

	Maturity	30 September 2015 £m

US$3.9 billion committed revolving credit facility[1, 2]	February 2020	2,600
3.9 billion committed revolving credit facility[1]	March 2020	2,852
Other committed credit facilities	Various	1,337
Undrawn committed facilities		**6,789**

Notes:

1 Both facilities support US and euro commercial paper programmes of up to US$15 billion and £8.0 billion, respectively.

2 US$155 million of this facility matures March 2016.

Dividends

The directors have announced an interim dividend per share of 3.68 pence, representing a 2.2% increase over the prior financial year s interim dividend. The ex-dividend date for the interim dividend is 19 November 2015 for ordinary shareholders, the record date is 20 November 2015 and the dividend is payable on 3 February 2016. 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. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities.

The following section describes the regulatory frameworks and the key regulatory developments at the global and supranational level and in selected countries in which we have significant interests during the six months ended 30 September 2015 and should be read in conjunction with the information contained under Regulation on pages 195 to 201 of the Group s annual report on Form 20-F for the year ended 31 March 2015. 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)

The regulation proposed by the European Commission in September 2013, that has become known as the Telecoms Single Market Package, has been adopted by the European Parliament and the European Council and is expected to enter into force on 13 November 2015. The regulation requires the abolition of retail roaming surcharges by June 2017 and introduces net neutrality rules.

In May 2015, the European Commission published the Digital Single Market strategy, aimed at producing a true digital single market. The strategy has three pillars: (i) better access for consumers and businesses to online e-goods and services across Europe; (ii) creating the right conditions for digital networks and services to flourish; and (iii) maximising the growth potential of the European digital economy The Commission is currently conducting various consultations which in many cases will lead to the revision of existing legislation or the adoption of new legislation.

These consultations include a consultation dealing with the revision of the EU telecoms regulatory framework that covers five areas: access regulation, spectrum, rules for communications services, universal service and the institutional set-up and governance. There is a clear focus on incentivising (fibre) investment (including access for mobile backhaul), the further harmonisation of spectrum regulation and the creation of a fair and level playing field for competing services. The consultation on broadband needs aims to develop a view on how to support investors to deploy future-proof connectivity networks and ensure that all users are able to participate in a digital economy and society.

Other consultations address the adoption of a Priority ICT standards plan, platforms, data, cloud and the sharing economy and how and whether to regulate platforms as well as consultations on geo-blocking and on modernising VAT for cross-border e-commerce.

Europe region

Germany

In June 2015, Vodafone Germany acquired 110 MHz out of the 270 MHz made available in the spectrum auction conducted by BNetzA, Germany s national telecommunications regulator. This consisted off 2x10MHz of 700MHz band, 2x10MHz of 900MHz band, 1x20MHz of 1500MHz band and 2x25MHz of 1800MHz band for a total consideration of 2,091 million. Total auction bids amounted to 5,081 million. Other successful bidders were Deutsche Telekom and Telefónica. Spectrum rights are valid until the end of 2033.

In April 2015, BNetzA finally approved new Mobile Termination Rates (MTRs) with retrospective effect. From 1 December 2014 to 30 November 2015 the MTR is set at 1.72 eurocents per minute which then reduces to 1.66 eurocents per minute from 1 December 2015 until 30 November 2016.

Further to the opening of the vectoring register in July 2014, and Deutsche Telekom s subsequent request to BNetzA in February 2015 for permission to deploy VDSL vectoring equipment in its near range street cabinets and for BNetzA to prevent other operators from deploying their own VDSL equipment at the exchange, BNetzA is expected to make a decision on the matters in November 2015.

In October 2015, the European Commission released a statement on BNetzA s draft remedy decision for market 3b (wholesale central access provided at a fixed location for mass-market products). The statement required that BNetzA provide additional support for its proposed price regulation and the possible substitution of Layer-2-Ethernet bitstream for unbundled local loop. BNetzA s response is expected by the end of November 2015.

REGULATION

Italy

In May 2014, the Regional Administrative Tribunal confirmed the anti-trust decision finding that Telecom Italia had abused its dominant position in the fixed broadband market. Telecom Italia subsequently paid a 104 million fine and filed an appeal before the Council of State. The Council of State has since upheld the Regional Administrative Tribunal s decision.

In September 2015, Vodafone obtained 1 of the 2 L band TDD blocks equal to 20 MHz at just under 232 million.

In September 2015, AGCOM, the national telecommunications regulator, published the final decision on setting the fully symmetric MTRs for both Mobile and Mobile Virtual Network Operators until 2017 by confirming the 0.98 eurocent/min already in force with regard to the calls originated in UE/EEA, leaving the MTRs related to the calls originated outside UE/EEA to the commercial agreements.

In September 2015, AGCOM notified the European Commission of its draft decision for the wholesale access market. The draft decision proposes applying the same remedies and prices to the entire national market, foresees cost orientation for all wholesale copper and fibre access services and price reductions from 2015 to 2017: VULA FTTC (-36%) and copper bit-stream (-18%). In publishing its findings, the European Commission did not raise any specific concerns, opening the way for AGCOM to adopt the final decision.

United Kingdom

In September 2015, the national regulator Ofcom published its final decision revising the annual licence fees payable on licences for the use of spectrum in the 900MHz and 1800MHz bands to reflect full market value following the completion of the 4G auction. From 31 October 2016, after the end of a 12-month period beginning on 31 October 2015 during which transitional fees will apply, Vodafone UK will pay annual fees of approximately £50m for the spectrum.

In October 2015, British Telecom s proposed acquisition of mobile network operator Everything Everywhere received provisional approval from the UK s Competition and Markets Authority (CMA). Vodafone UK will submit its detailed comments on the proposed acquisition, including wider market concerns relating to the impact on the fixed wholesale market. The CMA has extended the deadline for the final report to the 18 January 2016. The acquisition of Telefonica s UK business by Hutchison 3G is still subject to review by the CMA.

In September 2015, the proposed Hutchison acquisition of Telefonica UK (O2) was formally notified to the European Commission competition authority with the request from the CMA for it to be referred back to them for investigation. In October 2015 the European Commission opened its own investigation and is due to make a decision by 18 April 2016.

Spain

In June 2015, in response to the National Markets and Competition Commission s (CNMC) conditional approval of Telefonica s acquisition of DTS, Vodafone Spain appealed to the high court and requested the adoption of precautionary measures requiring an increase in the amount of premium content made available to other operators from 50% to 75% and including football within the same pricing mechanism as other premium content. Vodafone Spain has also made a submission to the CNMC requesting the modification of the regulatory ex ante price squeeze test run on Telefonica s retail offers to ensure it is capable of being replicated by other operators. The CNMC started a review of this request in October 2015.

In October 2015, the European Commission approved Orange s proposed acquisition of Jazztel, based on an agreement to sell a certain amount of JazzTel s fibre-optic assets to Masmovil.

Portugal

In August 2015, the National Communications Regulator (Anacom) published its final decision on MTRs, which set a glide path with a maximum of 0.83 eurocents from August 2015 onwards, falling to 0.80 eurocents by July 2016 and 0.73 eurocents by July 2017, subject to corrections for inflation and the consumer price index.

REGULATION

Greece

In June 2015, the national regulatory authority, the National Telecommunications and Post Commission (EETT), approved OTE s Reference Offer for services provided via optical fibre network in two out of three areas identified for the project. INTRAKAT has undertaken construction in the remaining area. The wholesale services included in OTE s Reference Offer are access to passive optical infrastructure, capacity (ethernet) and bitstream. According to the proposed schedule, the network providers are due to provide services from the end of 2016.

In October 2015, responses to the public consultations for the 2.6GHz spectrum due to expire in December 2015 and for 1800MHz spectrum expiring in August 2016 were due to the EETT. The award process for 2.6GHz is expected to be held before December, however as EETT is currently without a president, an extension may be granted. The award process for 1800MHz is expected to be held during the first quarter of 2016. A second consultation will then be launched to define the terms and price of the award process. In the initial consultation, EETT proposed three options for the 1800MHz award process, the first and second option include an auction process and the third includes a renewal for 4 years and 4 months to align all three operators spectrum terms.

Czech Republic

In June 2015, the former fixed and mobile incumbent (O2 Czech Republic a.s.) announced the voluntary separation of their network and service enterprises however the new Reference Access Offer from the newly created wholesale entity has not provided more favourable terms.

Albania

In June 2015, Vodafone Albania secured an additional 2 x 0.6 MHz of 900 MHz spectrum for 0.3 million, the licence expires in June 2030.

Africa, Middle East and Asia Pacific region

India

In May 2015, the Supreme Court dismissed Vodafone India s appeal against the Department of Telecommunications (DoT) refusal to extend its existing spectrum licences in Delhi, Mumbai and Kolkata.

In September 2015, both Spectrum Sharing and Spectrum Trading were approved by the Union Cabinet however the current policy and guidelines provide only limited opportunity for Vodafone India.

In September 2015, the Telecommunications Regulatory authority of India (TRAI) commenced its consultation on compensating consumers for dropped calls. On 16 October 2015, the TRAI announced its decision. The decision requires that consumers are compensated 1 Rupee per dropped call, limited to 3 dropped calls a day, and that operators must notify customers of the applied credit by text or on their next post-paid bill. Vodafone India has expressed concerns regarding the decision and continues to discuss the issue with TRAI.

Vodacom: South Africa

In May 2014, Vodacom entered into a sale and purchase agreement under which it would acquire 100% of the issued share capital of Neotel as well as Neotel s shareholders loan and liabilities. The transaction remains subject to the fulfilment of a number of conditions precedent, foremost of which are regulatory approvals from both the Independent Communications Authority of South Africa s (ICASA) and the Competition Commission of South Africa (CompCom). Decisions regarding these approvals are expected by the end of March 2016.

In September 2015, further to its IMT Radio Frequency Spectrum Assignment Plans (RFSAP) published in March 2015, the ICASA published an Information Memorandum (IM) on the prospective licensing of the 700MHz, 800MHz and 2600MHz High Demand Spectrum bands. The IM is a precursor to an Invitation to Apply (ITA). Vodacom has raised its concerns that the IM does not provide sufficient detail on some of the critical aspects of the auction design and process.

Vodacom: Democratic Republic of Congo

In September 2015, the Regulating Authority for Post and Telecommunications (ARPTC) issued regulations which retained the existing MTR (US$3.40 cents per minute) rather than reduce MTR with the glide path regulation issued in September 2014.

In September 2015, ARPTC retained the current on-net voice price floor at US$5.10 cents per minute and off net US$8.50 cents per minute set in March 2015, and extended the price floor to cover international outgoing calls and promotions.

The Ministry of Communications is consulting on a new communications bill, which includes significant changes to the licence regime. Vodacom is working with industry participants to provide joint comments and engaging with key stakeholders.

REGULATION

Vodacom: Tanzania

In June 2015, Millicom announced that it had agreed to acquire an 85% shareholding in Zantel from Etisalat, subject to regulatory approvals. Should it receive these approvals, Millicom would have majority control of 3 licensees Tigo, Telesis, and Zantel. Millicom has publicly stated its intention to operate Zantel brand separate to the other licensees, while leveraging technical and operational efficiencies. To date, the Tanzanian Communications Regulatory Authority and the Fair Competition Commission have not published decisions on this transaction.

In August 2015, the Minister of Communications gazetted final regulations which set out voluntary requirements for all telecommunications licencees to list a minimum of 20% of their ordinary share capital held by Tanzanian investors on the Dar Stock Exchange, or pay 0.6% of gross annual revenue to an Information and Communications Technology development fund within 12 months of the effective date of the regulation.

Vodacom: Mozambique

In September 2015, a new customer registration regulation was issued, permitting an electronic registration process and requiring all customers to be registered by 28 November 2015.

Vodacom: Lesotho

In September 2015, the Lesotho Communications Authority confirmed in writing to Vodacom Lesotho that its service licence will be renewed when it expires in June 2016. Vodacom Lesotho is working with the Lesotho Communications Authority to convert its current mobile communications licence into a new unified communication licence in accordance with the communications law.

In September 2015, the Lesotho Communications Authority issued a new MTR three year regulatory glide path effective from 15 October 2015, reducing from Maluti 0.38 to Maluti 0.20 by October 2017.

International roaming in Africa

In September 2015, further to Southern African Development Community (SADC) Ministers of Communications requirements that the National Regulatory Authorities (NRAs) implement international roaming wholesale and retail five-year glide paths, the Communications Regulators Association of Southern Africa (CRASA) issued Regulatory Guidance and accompanying Policy. The

CRASA requested that NRAs implement the glide paths from 1 October 2015 and transparency measures in accordance with their applicable national law. The Policy recognised that the glide paths should not take prices below underlying cost and that member countries should take steps to reduce issues which increase costs, notably taxes on international incoming calls. Vodacom is participating in the processes conducted by NRAs in SADC member states.

Turkey

Further to Vodafone s letter of objection and appeal in the administrative court to the announcement by the Communications Technologies Authority (ICTA) in August 2014 that the scope of the 3G coverage must be broadened to include new metropolitan areas, on 12 March 2015 the Council of State adopted a motion for the stay of execution of the ICTA s action. The lawsuit is pending and this issue is being discussed as part of the Concession Agreements Amendment Process determined in 4.5G Tender Specifications.

In May 2015, after the Electronic Trade Law came into force, secondary legislations were finalised by both the Ministry of Customs and Trade (MoCT) and the ICTA. Under the new regulations, operators will only be permitted to use the marketing database for operator related marketing reasons. Mobile operators will no longer be able to sell targeted SMSs for third parties. Third parties are able to send one time SMSs to mobile operators databases asking their customers to opt-into their database up to and including 15 September 2015.

In August 2015, the 4.5G (IMT Advanced) auction was completed grossing total revenue of EUR 3.36 billion excluding taxes, compared to reserve prices of EUR 2.3 billion. Only three mobile operators bid for the spectrum bands and there were no bids for the 2.6 MHz block reserved for a fourth operator. Vodafone Turkey will pay a total of 778 million for 82.8 MHz (2x10MHz in the 800MHz band, 2x1.4MHz in 900 MHz band, 2x10 MHz in 1800 MHz band, 2x15 MHz FDD in the 2.6GHz band and 1x10MHz TDD in the 2.6GHz band). The operators will be required to launch 4.5G services by April 2016.

Australia

In May 2015, new MTRs were set at AUD 1.7 cents per minute commencing 1 January 2016 to 30 June 2019, down from 3.6 cents per minute in 2015. SMS termination rates will be regulated for the first time at 0.03 cents per SMS.

Egypt

The Administrative Court ruling in favour of Vodafone Egypt in the case filed against Telecom Egypt and the national regulator (NTRA) regarding the NTRA s authority to set MTRs between operators has been partially implemented with Mobinil and Telecom Egypt, however, an arbitration case is pending with Etisalat Misr.

REGULATION

Ghana

On 5 October 2015, the National Communications Authority (NCA) issued requests for application of interest in the forthcoming auction of spectrum in the 800MHz band.

The request follows months of engagement with stakeholders to auction two lots of spectrum blocks in the 800MHz band. The NCA made revisions to the minimum reserve price, blocks to be auctioned and the local minimum ownership eligibility criteria in response to the comments raised by operators during the public consultation exercise in July 2015.

The spectrum blocks to be auctioned comprise two lots of 2x10MHz (technology and service neutral) at a reserve price of USD$67.5m per lot instead of the previous reserve price of USD$92m. Entities that apply to participate in the auction are required to have a minimum of 35% private indigenous Ghanaian shareholders or meet that requirement within 13 months of being issued the spectrum.

The auction for the two blocks is expected to take place on 2 November 2015 under a Simple Multiple Round Simultaneous Auction process. The third lot of spectrum in the 800MHz band will be auctioned at a later date when the spectrum is freed from the existing TV operator and Code-Division Multiple Access operator. Ghana has 6 mobile network operators and 4 mobile broadband wireless access operators; however, the dynamics in the market are expected to change since new entrants are not excluded from this auction.

New Zealand

In March 2015, the New Zealand government announced the expansion of the existing Ultra-fast Broadband FTTP initiative from 75% to 80% of premises passed at a projected cost of between NZ$152m and NZ$210m. In addition, the government announced a further NZ$150m of funding to improve broadband coverage in rural areas and address mobile blackspots. Competitive tenders for these initiatives are expected to be completed in 2016.

Safaricom: Kenya

Safaricom continues to operate on a periodically renewed trial licence for the 2x15MHz 800MHz band spectrum granted in February 2015 until the Communications Authority of Kenya (CA) is ready to issue the full Commercial Licence.

The CA has announced its intention to commission a study on competition within the telecommunications sector. The timeline for when the review will commence has not been published.

Qatar

From 1 October 2015 new rates have been set for MTRs, FTRs and wholesale leased lines. MTRs are QAR 0.09 from 1 October 2015, QAR 0.0831 from 1 January 2016 and QAR 0.0762 from 1 January 2017. FTRs are QAR 0.019, QAR 0.0182 and 0.0175 for the same periods.

LEGAL PROCEEDINGS

The following section describes developments in legal proceedings which may have, or have had, during the six months ended 30 September 2015, 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 168 to 170 of the Group s Annual Report on Form 20-F for the year ended 31 March 2015.

Telecom Egypt arbitration

Refer to Commitments and contingent liabilities on page 38.

Indian tax cases

Refer to Commitments and contingent liabilities on page 38.

Indian regulatory cases

Refer to Commitments and contingent liabilities on page 38 and 39.

British Telecom (Italy) v Vodafone Italy

Refer to Commitments and contingent liabilities on page 39.

Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece, Vodafone Group Plc and certain Directors and Officers of Vodafone

Refer to Commitments and contingent liabilities on page 39.

GH Investments (GHI) v Vodacom Congo

Refer to Commitments and contingent liabilities on page 39.

CWN v Vodacom

Refer to Commitments and contingent liabilities on page 39.

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

		Six months ended 30 September	
		2015	2014
	Note	£m	£m
Revenue	2	**20,266**	**20,752**
Cost of sales		(14,893)	(15,476)
Gross profit		**5,373**	**5,276**
Selling and distribution expenses		(1,725)	(1,707)
Administrative expenses		(2,639)	(2,499)
Share of result of equity accounted associates and joint ventures		(3)	(35)
Other income and expense		(73)	(118)
Operating profit	2	**933**	**917**
Non-operating income and expense		(1)	(26)
Investment income		145	305
Financing costs		(845)	(790)
Profit before taxation		**232**	**406**
Income tax (expense)/credit	4	(1,816)	5,095
(Loss)/profit for the financial period		**(1,584)**	**5,501**
Attributable to:			
Owners of the parent		(1,698)	5,422
Non-controlling interests		114	79
(Loss)/profit for the financial period		**(1,584)**	**5,501**
Earnings per share			
Basic	5	(6.40)p	20.48p
Diluted	5	(6.40)p	20.37p

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

Consolidated statement of comprehensive income

	Six months ended 30 September	
	2015	2014
	£m	£m
(Loss)/profit for the financial period	**(1,584)**	**5,501**
Other comprehensive income:		
Items that may be reclassified to profit or loss in subsequent periods		
Gains on revaluation of available-for-sale investments, net of tax	1	5
Foreign exchange translation differences, net of tax	189	(3,016)
Foreign exchange losses/(gains) transferred to the income statement	70	(1)
Fair value loss transferred to the income statement		(4)
Other, net of tax	109	(149)
Total items that may be reclassified to profit or loss in subsequent periods	**369**	**(3,165)**

Items that will not be reclassified to profit or loss in subsequent periods		
Net actuarial gains/(losses)on defined benefit pension schemes, net of tax	154	(13)
Total items that will not be reclassified to profit or loss in subsequent periods	**154**	**(13)**
Other comprehensive income/(expense)	**523**	**(3,178)**
Total comprehensive (expense)/income for the financial period	**(1,061)**	**2,323**
Attributable to:		
Owners of the parent	(1,056)	2,221
Non-controlling interests	(5)	102
	(1,061)	**2,323**

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

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

	Note	30 September 2015 £m	31 March 2015 £m
Non-current assets			
Goodwill		22,549	22,537
Other intangible assets		23,854	20,953
Property, plant and equipment		26,656	26,603
Investments in associates and joint ventures	8	(63)	(3)
Other investments		3,558	3,757
Deferred tax assets		22,664	23,845
Post employment benefits		212	169
Trade and other receivables		5,337	4,865
		104,767	**102,726**
Current assets			
Inventory		574	482
Taxation recoverable		598	575
Trade and other receivables		8,552	8,053
Other investments		1,688	3,855
Cash and cash equivalents		4,240	6,882
		15,652	**19,847**
Total assets		**120,419**	**122,573**
Equity			
Called up share capital		3,792	3,792
Additional paid-in capital		117,111	117,054
Treasury shares		(6,955)	(7,045)
Accumulated losses		(53,295)	(49,471)
Accumulated other comprehensive income		2,457	1,815
Total attributable to owners of the parent		**63,110**	**66,145**
Non-controlling interests		1,435	1,595
Put options over non-controlling interests		(6)	(7)
Total non-controlling interests		**1,429**	**1,588**
Total equity		**64,539**	**67,733**
Non-current liabilities			
Long-term borrowings		23,721	22,435
Deferred tax liabilities		419	595
Post employment benefits		428	567
Provisions		1,125	1,082
Trade and other payables		1,834	1,264
		27,527	**25,943**
Current liabilities			
Short-term borrowings		13,155	12,623
Taxation liabilities		543	599
Provisions		807	767
Trade and other payables		13,848	14,908
		28,353	**28,897**

Total equity and liabilities	**120,419**	**122,573**

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

	Share capital £m	Additional paid-in capital1 £m	Treasury shares £m	Accumulated comprehensive income2 £m	Equity attributable to the owners £m	Non-controlling interests £m	Total equity £m
1 April 2014	3,792	116,973	(7,187)	(42,776)	**70,802**	979	**71,781**
Issue or reissue of shares		1	124	(97)	**28**		**28**
Share-based payments		45			**45**		**45**
Transactions with non-controlling interests in subsidiaries				(755)	**(755)**	616	**(139)**
Comprehensive income				2,221	**2,221**	102	**2,323**
Dividends				(1,975)	**(1,975)**	(150)	**(2,125)**
Other		(7)		5	**(2)**		**(2)**
30 September 2014	**3,792**	**117,012**	**(7,063)**	**(43,377)**	**70,364**	**1,547**	**71,911**
1 April 2015	3,792	117,054	(7,045)	(47,656)	**66,145**	1,588	**67,733**
Issue or reissue of shares		1	90	(81)	**10**		**10**
Share-based payments		56			**56**		**56**
Transactions with non-controlling interests in subsidiaries				(30)	**(30)**	(14)	**(44)**
Comprehensive expense				(1,056)	**(1,056)**	(5)	**(1,061)**
Dividends				(2,020)	**(2,020)**	(139)	**(2,159)**
Other				5	**5**	(1)	**4**
30 September 2015	**3,792**	**117,111**	**(6,955)**	**(50,838)**	**63,110**	**1,429**	**64,539**

Notes:

1 Includes share premium, capital redemption reserve and merger reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.

2 Includes accumulated losses and accumulated other comprehensive income.

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of cash flows

		Six months ended 30 September	
		2015	**2014**
	Note	**£m**	**£m**
Net cash flow from operating activities	9	**4,130**	**3,691**
Cash flows from investing activities			
Purchase of interests in subsidiaries, net of cash acquired	7	(14)	(2,936)
Purchase of interests in associates and joint ventures		(2)	(4)
Purchase of intangible assets		(2,837)	(937)
Purchase of property, plant and equipment		(3,554)	(3,103)
Purchase of investments		(94)	(92)
Disposal of interests in associates and joint ventures			27
Disposal of property, plant and equipment		32	62
Disposal of investments		2,149	1,031
Dividends received from associates and joint ventures			485
Dividends received from investments			1
Interest received		121	131
Net cash flow from investing activities		**(4,199)**	**(5,335)**
Cash flows from financing activities			
Issue of ordinary share capital and reissue of treasury shares		10	28
Net movement in short-term borrowings		(95)	2,354
Proceeds from issue of long-term borrowings		1,818	2,169
Repayment of borrowings		(1,614)	(3,232)
Equity dividends paid	6	(2,020)	(1,979)
Dividends paid to non-controlling shareholders in subsidiaries		(131)	(140)
Other transactions with non-controlling interests in subsidiaries		(45)	(718)
Other movements in loans with associates and joint ventures		(18)	
Interest paid		(485)	(1,039)
Net cash flow used in financing activities		**(2,580)**	**(2,557)**
Net cash flow		**(2,649)**	**(4,201)**
Cash and cash equivalents at beginning of the financial period	11	6,861	10,112
Exchange gain/(loss) on cash and cash equivalents		3	(118)
Cash and cash equivalents at end of the financial period	11	**4,215**	**5,793**

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

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

1 Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2015:

- were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34);

- are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the Group s annual report for the year ended 31 March 2015;

- apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Group s consolidated financial statements for the year ended 31 March 2015, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and were also prepared in accordance with IFRS adopted by the European Union (EU), the Companies Act 2006 and Article 4 of the EU IAS Regulations. Income taxes are accrued using the tax rate that is expected to be applicable for the full financial year, adjusted for certain discrete items which occurred in the interim period in accordance with IAS 34.

- include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented;

- do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006; and

- were approved by the Board of directors on 10 November 2015.

The information relating to the year ended 31 March 2015 is an extract from the Group s published annual report for that year, which has been delivered to the Registrar of Companies, and on which the auditors report was unqualified and did not contain any emphasis of matter or statements under section 498(2) or 498(3) of the UK Companies Act 2006.

After reviewing the Group s budget for the remainder of the financial year, and longer term plans, the directors are satisfied that, at the time of approving the unaudited condensed consolidated financial statements, it is appropriate to continue to adopt a going concern basis of accounting.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

On 1 April 2015, the Group adopted certain new accounting policies where necessary to comply with amendments to IFRS, none of which had a material impact on the consolidated results, financial position or cash flows of the Group; further details are provided in the Group s annual report for the year ended 31 March 2015.

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

2 Segmental analysis

The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue.

	Segment revenue £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	Adjusted EBITDA £m
Six months ended 30 September 2015[1]						
Germany	3,822	(12)	3,810	(3)	3,807	1,250
Italy	2,112	(9)	2,103	(1)	2,102	720
UK	3,086	(7)	3,079		3,079	669
Spain	1,792	(11)	1,781		1,781	474
Other Europe	2,379	(21)	2,358	(1)	2,357	734
Europe	**13,191**	**(60)**	**13,131**	**(5)**	**13,126**	**3,847**
India	2,221	(7)	2,214	(6)	2,208	660
Vodacom	2,071		2,071		2,071	769
Other AMAP	2,326		2,326	(9)	2,317	597
AMAP	**6,618**	**(7)**	**6,611**	**(15)**	**6,596**	**2,026**
Other[2]	570	(1)	569	(25)	544	(87)
Group	**20,379**	**(68)**	**20,311**	**(45)**	**20,266**	**5,786**
Six months ended 30 September 2014[1]						
Germany	4,290	(6)	4,284	(8)	4,276	1,382
Italy	2,332	(8)	2,324	(1)	2,323	786
UK	3,006	(5)	3,001	(1)	3,000	638
Spain	1,674	(10)	1,664	(3)	1,661	307
Other Europe	2,529	(11)	2,518	(1)	2,517	832
Europe	**13,831**	**(40)**	**13,791**	**(14)**	**13,777**	**3,945**
India	2,053		2,053	(1)	2,052	607
Vodacom	2,102		2,102		2,102	735
Other AMAP	2,264		2,264	(5)	2,259	603
AMAP	**6,419**		**6,419**	**(6)**	**6,413**	**1,945**
Other[2]	562		562		562	(6)
Group	**20,812**	**(40)**	**20,772**	**(20)**	**20,752**	**5,884**

Notes:

1. The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within common functions rather than within the results disclosed for each country and region. The results presented for the six months ended 30 September 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.

2. The Other segment primarily represents the results of partner markets and the net result of unallocated central Group costs.

The Group s measure of segment profit, adjusted EBITDA, excludes depreciation, amortisation, loss on disposal of fixed assets, impairment loss, restructuring costs, the Group s share of results in associates and joint ventures and other income and expense. A reconciliation of adjusted EBITDA to operating profit is shown below. For a reconciliation of operating profit to (loss)/profit for the financial period, see the consolidated income statement on page 27.

	Six months ended 30 September	
	2015	**2014**
	£m	**£m**
Adjusted EBITDA	**5,786**	**5,884**
Depreciation, amortisation and loss on disposal of fixed assets	(4,663)	(4,728)
Restructuring costs	(114)	(84)
Share of results in associates and joint ventures	(3)	(37)
Other income and expense	(73)	(118)
Operating profit	**933**	**917**

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Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

3 Impairment review

Impairment testing was performed as at 30 September 2015 and 30 September 2014. No impairment charge was recognised for the six months ended 30 September 2015 or for the six months ended 30 September 2014. The methodology adopted for impairment testing for the six months ended 30 September 2015 was consistent with that disclosed on page 111 and pages 118 to 122 of the Group s annual report for the year ended 31 March 2015.

The table below shows the key assumptions used in the value in use calculations at 30 September 2015.

	Assumptions used in value in use calculation		
	Germany %	**Italy %**	**Spain %**
Pre-tax risk adjusted discount rate	8.3	10.6	9.9
Long-term growth rate	0.5	1.0	1.5
Budgeted adjusted EBITDA[1]	3.2	0.8	10.7
Budgeted capital expenditure[2]	11.6 20.9	12.5 24.3	11.5 24.0

The estimated recoverable amounts of the Group s operations in Germany, Italy and Spain exceed their carrying values by £2.2 billion, £1.8 billion and £0.6 billion respectively.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an impairment loss being recognised for the six months ended 30 September 2015:

	Change required for carrying value to equal the recoverable amount		
	Germany pps	**Italy pps**	**Spain pps**
Pre-tax risk adjusted discount rate	0.7	2.2	0.5
Long-term growth rate	(0.8)	(2.4)	(0.5)
Budgeted adjusted EBITDA[1]	(1.3)	(2.7)	(0.9)
Budgeted capital expenditure[3]	6.7	9.7	3.5

Notes:

1. Budgeted adjusted EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing.

2. Budgeted capital expenditure, which excludes licences and spectrum, is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash generating units of the plans used for impairment testing.

3. Budgeted capital expenditure, which excludes licences and spectrum, is expressed as a percentage of revenue in the initial five years of the plans used for impairment testing.

The recoverable amount of the Group s operation in Romania is also not materially greater than its reported carrying value at 30 September 2015.

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

4 Taxation

	Six months ended 30 September 2015 £m	2014 £m
United Kingdom corporation tax expense:1		
Current year		
Adjustments in respect of prior years	6	
Overseas current tax expense		
Current year	369	359
Adjustments in respect of prior years	15	(11)
Total current tax expense	**390**	**348**
Deferred tax on origination and reversal of temporary differences:		
United Kingdom deferred tax	15	(3)
Overseas deferred tax	1,411	(5,440)
Total deferred tax expense/(income)	**1,426**	**(5,443)**
Total income tax expense/(income)	**1,816**	**(5,095)**

Note:

1. UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the £6.8 billion of spectrum payments to the UK government in 2000 and 2013.

Overseas deferred tax charge for the six months ended 30 September 2015 includes reduction in the deferred tax assets in Luxembourg of £1,476 million resulting from the reversal of previous write downs of investments following the completion and approval of Luxembourg statutory accounts. The six months ended 30 September 2014 includes the recognition of tax losses in Luxembourg following the acquisition of Grupo Corporativo Ono, S.A. (£3,341 million) and losses arising from the write down of investments following the completion and approval of Luxembourg statutory accounts (£2,127 million).

The Group expects to use its losses in Luxembourg over a period of between 50 and 65 years and the losses in Germany over a period of between 10 and 15 years; the actual use of these losses, and the period over which they may be used, is dependent on many factors which may change. These factors include the level of profitability in both Luxembourg and Germany, changes in tax law and changes to the structure of the Group. Further details about the Group s tax losses can be found in note 6 of the Group s consolidated financial statements for the year ended 31 March 2015.

5 Earnings per share

	Six months ended 30 September	
	2015	**2014**
	Million	**Million**
Weighted average number of shares for basic earnings per share	26,529	26,470
Effect of dilutive potential shares: restricted shares and share options		145
Weighted average number of shares for diluted earnings per share	**26,529**	**26,615**

	Six months ended 30 September	
	2015	**2014**
	£m	**£m**
Earnings for basic and diluted earnings per share	**(1,698)**	**5,422**

	Pence	**Pence**
Basic earnings per share	(6.40)p	20.48p
Diluted earnings per share	(6.40)p	20.37p

6 Equity dividends

	Six months ended 30 September	
	2015	**2014**
	£m	**£m**
Declared during the financial period:		
Final dividend for the year ended 31 March 2015: 7.62 pence per share (2014: 7.47 pence)	2,020	1,975
Proposed after the end of the reporting period and not recognised as a liability:		
Interim dividend for the year ending 31 March 2016: 3.68 pence per share (2015: 3.60 pence)	977	955

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Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

7 Acquisitions

The aggregate cash consideration in respect of purchases in subsidiaries, net of cash acquired, is as follows:

	Six months ended 30 September 2015 £m	2014 £m
Cash consideration paid:		
Grupo Corporativo Ono, S.A.		2,945
Other acquisitions	15	136
	15	**3,081**
Net cash acquired	(1)	(145)
	14	**2,936**

During the six month period ended 30 September 2015 the Group completed a number of acquisitions for an aggregate net cash consideration of £14 million. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £3 million, £12 million and £1 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for net cash consideration of £45 million.

During the six months period ended 30 September 2014 the Group acquired the entire share capital of Ono for cash consideration of £2,945 million. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £1,439 million, £4,989 million and £3,478 million, respectively. In addition, the Group also completed a number of other acquisitions for an aggregate net cash consideration of £136 million, all of which was paid during the period. The aggregate fair values of goodwill, identifiable assets, and liabilities of these acquired operations were £133 million, £143 million and £140 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for net cash consideration of £718 million.

8 Investment in associates and joint arrangements

	30 September 2015 £m	31 March 2015 £m
Investment in joint ventures	(336)	(331)
Investment in associates	273	328
	(63)	**(3)**

9 Reconciliation of net cash flow from operating activities

	Note	Six months ended 30 September 2015 £m	2014 £m
(Loss)/profit for the financial period		**(1,584)**	**5,501**
Non-operating income and expense		1	26
Investment income		(145)	(305)
Financing costs		845	790
Income tax expense/(credit)	4	1,816	(5,095)
Operating profit		**933**	**917**
Adjustments for:			
Share based payments		56	45
Depreciation and amortisation		4,649	4,720
Loss on disposal of property, plant and equipment		14	8
Share of result of equity accounted associates and joint ventures		3	35
Other income and expense		73	118
Increase in inventory		(112)	(111)
Increase in trade and other receivables		(731)	(403)
Decrease in trade and other payables		(275)	(1,120)
Cash generated by operations		**4,610**	**4,209**
Net tax paid		(480)	(518)
Net cash flow from operating activities		**4,130**	**3,691**

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

10 Related party transactions

The Group has a number of related parties including joint arrangements and associates, pension schemes, directors and Executive Committee members. Related party transactions with the Group s joint arrangements and associates primarily comprise fees for the use of products and services including network airtime and access charges, and cash pooling arrangements. No related party transactions have been entered into during the period which might reasonably affect any decisions made by the users of these unaudited condensed consolidated financial statements except as disclosed below.

	Six months ended 30 September 2015 £m	2014 £m
Sales of goods and services to associates	2	3
Purchase of goods and services from associates	45	45
Sales of goods and services to joint arrangements	2	3
Purchase of goods and services from joint arrangements	290	273
Net interest income receivable from joint arrangements	37	1

	30 September 2015 £m	31 March 2015 £m
Trade balances owed:		
by associates	2	3
to associates	2	4
by joint arrangements	150	182
to joint arrangements	46	48
Other balances owed by joint arrangements	75	61
Other balances owed to joint arrangements	67	54

In the six months ended 30 September 2015 the Group made contributions to defined benefit pension schemes of £19 million (six months ended 30 September 2014: £384 million, including special contributions of £325 million to the Vodafone Group Pension Scheme and £40 million to the Cable & Wireless Worldwide Retirement Plan relating to past service representing accelerated funding amounts that would have been due for each scheme over the period to 31 March 2020).

In addition, £1.7 million of dividends were paid to Board members and executive committee members (six months ended 30 September 2014: £1.5 million). Dividends received from associates are disclosed in the consolidated statement of cash flows.

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

11 Fair value of financial instruments

The table below sets out the valuation basis[1] of financial instruments held at fair value by the Group at 30 September 2015.

	Level 1[2]		Level 2[3]		Total	
	30 September 2015 £m	31 March 2015 £m	30 September 2015 £m	31 March 2015 £m	30 September 2015 £m	31 March 2015 £m
Financial assets:						
Fair value through the income statement			964	3,184	964	3,184
Derivative financial instruments:						
Interest rate swaps			2,256	2,466	2,256	2,466
Cross currency interest rate swaps			2,368	1,506	2,368	1,506
Foreign exchange contracts			31	33	31	33
Interest rate futures			6	8	6	8
			5,625	**7,197**	**5,625**	**7,197**
Financial investments available for sale:						
Listed equity securities[4]	5	4			5	4
Unlisted equity securities[4]			82	222	82	222
	5	**4**	**82**	**222**	**87**	**226**
	5	**4**	**5,707**	**7,419**	**5,712**	**7,423**
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps			1,253	682	1,253	682
Cross currency interest rate swaps			334	245	334	245
Interest rate options			12	11	12	11
Foreign exchange contracts			35	46	35	46
			1,634	**984**	**1,634**	**984**

Notes:

1. There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.

2. Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

3. Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.

4. Listed and unlisted securities are classified as held for sale financial assets and fair values are derived from observable quoted market prices for similar items.

Carrying value and fair value information[1]

The fair value and carrying value of the Group s financial assets and financial liabilities held at amortised cost are set out in the table below:

	Fair value		Carrying value	
	30 September 2015 £m	**31 March 2015 £m**	**30 September 2015 £m**	**31 March 2015 £m**
Cash and cash equivalents[2]	4,240	6,882	4,240	6,882
Cash and other investment held in restricted deposits	705	650	705	650
Other debt and bonds	3,490	3,551	3,490	3,551
	8,435	**11,083**	**8,435**	**11,083**
Short-term borrowings:				
Bonds	(1,684)	(1,798)	(1,709)	(1,786)
Commercial paper	(4,975)	(5,077)	(4,975)	(5,077)
Bank loans and other short-term borrowings	(6,471)	(5,766)	(6,471)	(5,760)
	(13,130)	**(12,641)**	**(13,155)**	**(12,623)**
Long-term borrowings:				
Bonds	(15,808)	(17,109)	(18,144)	(17,174)
Bank loans and other long-term borrowings	(5,652)	(5,346)	(5,577)	(5,261)
	(21,460)	**(22,455)**	**(23,721)**	**(22,435)**
	(26,155)	**(24,013)**	**(28,441)**	**(23,975)**

Notes:

1. The Group s trade and other receivables and trade and other payables are not shown in the table above. The carrying amounts of both categories approximate their fair values.

2. Cash and cash equivalents as presented in the statement of cash flow includes £25 million of bank overdrafts (31 March 2015: £21 million).

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

12 Commitments and contingent liabilities

There have been no material changes to the Group s commitments or contingent liabilities during the period, except as disclosed below.

Telecom Egypt arbitration

In October 2009 Telecom Egypt began an arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of lower interconnection rates paid to Vodafone Egypt by Mobinil. Telecom Egypt also sought to join Vodafone International Holdings BV (VIHBV), Vodafone Europe BV (VEBV) and Vodafone Group Plc to the arbitration. In January 2015, the arbitral tribunal issued its decision. It held unanimously that it had no jurisdiction to arbitrate the claim against VIHBV, VEBV and Vodafone Group Plc. The tribunal also held by a three to two majority that Telecom Egypt had failed to establish any liability on the part of Vodafone Egypt. Telecom Egypt has applied to the Egyptian court to set aside the decision. The first procedural hearing in respect of Telecom Egypt s request has been scheduled for November 2015.

Indian tax cases

VIHBV arbitration proceedings

On 17 April 2014, VIHBV served its notice of arbitration under the Dutch Bilateral Investment Treaty (BIT), formally commencing the Dutch-India BIT arbitration proceedings (Dutch BIT Proceedings). An arbitrator has been appointed by VIHBV. The Indian Government appointed an arbitrator, but he resigned in May 2015. The third arbitrator, who will act as chairman of the tribunal, had been agreed by the two party-appointed arbitrators (prior to the Indian Government s arbitrator s resignation) but declined to accept the appointment.

The Indian Government has since appointed a replacement for its party-appointed arbitrator. The two party- appointed arbitrators will consider the process for appointment of a chairman of the tribunal. If there is no subsequent agreement on appointment of a chairman of the tribunal, the International Court of Justice will appoint the third arbitrator. On 15 June 2015, Vodafone Group Plc and Vodafone Consolidated Holdings Limited served a Notice of Dispute on the Indian Government under the United Kingdom-India Bilateral Investment Treaty (UK BIT) in respect of the same claims made in the Dutch BIT Proceedings.

The Group did not carry a provision for the litigation or in respect of the retrospective legislation at 30 September 2015, or at previous reporting dates.

Vodafone India Services Private Limited (VISPL) tax claims

VISPL has been assessed as owing tax of approximately £209 million (plus interest of £101 million) in respect of: (i) a transfer pricing margin charged for the international call centre of Hutchison Telecommunications International Limited group (HTIL) prior to the 2007 transaction with Vodafone for HTIL assets in India; (ii) the sale of the international call centre by VISPL to HTIL; and (iii) the acquisition of and/or the alleged transfer of options held by VISPL for Vodafone India Limited (VIL) equity shares. The first two of the three heads of tax are subject to an indemnity by HTIL under the VIHBV Tax Deed of Indemnity. The larger part of the potential claim is not subject to any indemnity. VISPL unsuccessfully challenged the merits of the tax demand in the statutory tax tribunal and the jurisdiction of the Tax Office to make the demand in the High Court. The Tax Appeal Tribunal heard the appeal and ruled in the Tax Office s favour. VISPL has lodged an appeal (and stay application) in the Bombay High Court which was partially heard in April 2015 and concluded in early May 2015. On 13 July 2015 the tax authorities issued a revised tax assessment reducing the tax VISPL had previously been assessed as owing in respect of (i) and (ii) above. In the meantime: (i) a stay of the tax demand on a deposit of £20 million; and (ii) a corporate guarantee by VIHBV for the balance of tax assessed remain in place. On 8 October 2015, the Bombay High Court ruled in favour of Vodafone in relation to the options and the call centre sale. The Tax Office has 90 days from delivery of the order and judgment to decide whether it will appeal to the Supreme Court of India.

<u>Indian regulatory cases</u>

3G inter-circle roaming: Vodafone India and others v Union of India

In April 2013, the DoT issued a stoppage notice to VIL s operating subsidiaries and other mobile operators requiring the immediate stoppage of the provision of 3G services on other operators mobile networks in an alleged breach of licence claim. The DoT also imposed a fine of approximately 5.5 million. VIL applied to the Delhi High Court for an order quashing the DoT s notice. Interim relief from the notice has been granted (but limited to existing customers at the time with the effect that VIL was not able to provide 3G services to new customers on other operators 3G networks pending a decision on the issue). The dispute was referred to the TDSAT for decision, which ruled on 28 April 2014 that VIL and the other operators were permitted to provide 3G services to their customers (current and future) on other operators networks. The DoT has appealed the judgment and sought a stay of the tribunal s judgment. The DoT s stay application was rejected by the Supreme Court. The matter is pending before the Supreme Court.

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

One time spectrum charges: Vodafone India v Union of India

The Indian Government has sought to impose one time spectrum charges of approximately 525 million on certain operating subsidiaries of VIL. VIL filed a petition before the Telecommunications Dispute Settlement Appellate Tribunal (TDSAT) challenging the one time spectrum charges on the basis that they are illegal, violate VIL s licence terms and are arbitrary, unreasonable and discriminatory. The tribunal stayed enforcement of the Indian Government s spectrum demand pending resolution of the dispute. Given the DoT is defending its demand before the high courts and the Tribunal, the Tribunal has sought clarification from the DoT as regards its stance on the Tribunal s jurisdiction. Accordingly, the matter in the TDSAT is adjourned until 11 November 2015.

Adjusted Gross Revenue (AGR) dispute before Supreme Court: VIL and others v Union of India

VIL has challenged the tribunal s judgment dated 23 April 2015 to the extent that it dealt with the calculation of AGR, upon which License Fees and Spectrum Usage Charges are based. The cumulative impact of the inclusion of the above-mentioned components is approximately £2.2 billion (Rs. 2,200 Crores). The DoT also moved cross appeals challenging the tribunal s judgment. In the hearing before the Supreme Court, the Court orally directed the DoT not to take any coercive steps in the matter, which was adjourned until January 2016.

<u>Other cases in the Group</u>

Italy

British Telecom (Italy) v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to allegations that it had abused its dominant position in the wholesale market for mobile termination. In 2010, British Telecom (Italy) brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority s investigation and Vodafone Italy s undertakings. British Telecom (Italy) seeks damages in the amount of 280 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market for the period from 1999 to 2007. A court appointed expert delivered an opinion to the court that the range of damages in the case should be in the region of 10 million to 25 million which was reduced in a further supplemental report published in September 2014 to a range of 8 million to 11 million. Judgment was handed down by the court in August 2015, awarding 12 million, (including interest) to British Telecom (Italy). Vodafone Italy is considering an appeal.

Greece

Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece, Vodafone Group Plc and certain Directors and Officers of Vodafone

In December 2013, Mr and Mrs Papistas, and companies owned or controlled by them, brought three claims in the Greek court in Athens against Vodafone Greece, Vodafone Group Plc and certain directors and officers of Vodafone Greece and Vodafone Group Plc for purported damage caused by the alleged abuse of dominance and wrongful termination of a franchise arrangement with a Papistas company. Approximately 1.0 billion of the claim is directed exclusively at one former and one current director of Vodafone Greece. The balance of the claim (approximately 285.5 million) is sought from Vodafone Greece and Vodafone Group Plc on a joint and several basis. The cases are scheduled to come to trial in April 2016.

South Africa

GH Investments (GHI) v Vodacom Congo

Vodacom Congo contracted with GHI to install ultra-low cost base stations on a revenue share basis. After rolling out three sites, GHI stopped and sought to renegotiate the terms. Vodacom Congo refused. GHI accused it of bad faith and infringement of intellectual property rights. In April 2015, GHI issued a formal notice for a claim of US$1.16 billion, although there does not seem to be a proper basis nor any substantiation for the compensation claimed. The dispute has been submitted to mediation under the International Chamber of Commerce. A mediator was appointed in September 2015 who has convened a first meeting to take place in early November 2015.

CWN v Vodacom

There are various legal matters relating to Vodacom s investment in Vodacom Congo (DRC) SA (VDRC), the most recent of which is a claim brought by Mr Alieu Badara Mohamed Conteh (Conteh) in the Commercial Court of Kinshasa/Gombe against Vodacom International Limited (VCOMIL) and VDRC. Conteh is the controlling shareholder of Congolese Wireless Network s.a.r.l (CWN), a company incorporated in the DRC. CWN is a minority shareholder in VDRC. These proceedings seek to invalidate a court decision removing Conteh as the statutory manager of CWN, as well as the liquidation of Vodacom Congo and the payment of various sums to CWN and Conteh. The action also includes an unsubstantiated claim for US$14 billion against VCOMIL for its alleged role in helping to undermine Conteh s position as former statutory manager of CWN.

Notes to the unaudited condensed financial statements

For the six months ended 30 September 2015

13 Other matters

Organisational changes

On 21 July 2015 Vodafone announced a number of changes to its European leadership structure intended to simplify organisational processes, enhance management efficiency and accelerate decision-making. Effective 1 October 2015 Vodafone s four largest European markets - Germany, Italy, UK and Spain now report directly to the Group s Chief Executive together with a new European Cluster region covering Vodafone s smaller European markets. Corporate functions operating at regional level in Europe have been integrated within the respective Group functions. There were no changes to the leadership structure for the Group s Africa, Middle East and Asia-Pacific region. These organisation changes do not impact the Group s segmental reporting.

Liberty Global Plc

On 28 September 2015 Vodafone announced that discussions with Liberty Global Plc regarding a possible exchange of selected assets between the two companies had terminated.

Board changes

On 29 September 2015 Vodafone announced the appointment of David Nish as a Non-Executive Director with effect from 1 January 2016. David Nish was the Chief Executive Officer of Standard Life Plc from January 2010 to September 2015, the Group Finance Director of Scottish Power plc from 1999 to 2005 and was a former Partner at Price Waterhouse.

Seasonality or cyclicality of interim operations

The Group s financial results have not, historically, been subject to significant seasonal trends.

USE OF NON-GAAP FINANCIAL INFORMATION

In the discussion of the Group s reported financial position, operating results and cash flows, information is 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 non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Adjusted EBITDA

Adjusted EBITDA is operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. We use adjusted EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that adjusted EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive to assess internal performance in conjunction with adjusted EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report adjusted EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because adjusted EBITDA does not take into account certain items that affect operations and performance, adjusted EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse adjusted EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. Adjusted EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance.

A reconciliation of adjusted EBITDA to the closest equivalent GAAP measure, operating profit, is provided in note 2 Segmental analysis to the consolidated financial statements.

Group adjusted operating profit and adjusted earnings per share

Group adjusted operating profit excludes non-operating income of associates, impairment losses, restructuring costs, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used for internal performance reporting;

- these measures are used in setting director and management remuneration; and

- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

Reconciliations of adjusted operating profit and adjusted earnings per share to the respective closest equivalent GAAP measures, operating profit and basic earnings per share, respectively, are provided in the section Financial results beginning on page 27.

Cash flow measures

In presenting and discussing our reported results, free cash flow and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow does not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;

- free cash flow facilitates comparability of results with other companies although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;

- these measures are used by management for planning, reporting and incentive purposes; and

- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow is provided below.

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USE OF NON-GAAP FINANCIAL INFORMATION

	Six months ended 30 September	
	2015 **£m**	**2014** **£m**
Cash generated by operations (refer to note 9)	4,610	4,209
Capital expenditure	(3,708)	(3,901)
Working capital movement in respect of capital expenditure	(579)	(6)
Disposal of property, plant and equipment	32	62
Restructuring costs	70	167
Other1	(41)	481
Operating free cash flow	**384**	**1,012**
Taxation	(430)	(418)
Dividends received from associates and investments		127
Dividends paid to non-controlling shareholders in subsidiaries	(131)	(140)
Interest received and paid	(364)	(580)
Free cash flow	**(541)**	**1**

Note:

1 Other movements for the six months ended 30 September 2015 excludes £nil (2014: £365 million) UK pensions contribution payment, £nil (2014; £116 million) of KDG incentive scheme payments that vested upon acquisition and £41 million (2014: £nil) of other amounts received.

Organic growth

All amounts in this document marked with an * represent organic growth which presents performance on a comparable basis in terms of merger and acquisition activity and foreign exchange rates. While organic growth is neither 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).

Further information on the use of non-GAAP financial information is outlined on pages 202 to 205 of the Group s annual report for the year ended 31 March 2015.

For the quarter ended 31 March 2015 and consequently the year ended 31 March 2015, the Group s organic service revenue growth rate was adjusted to exclude the beneficial impact of a settlement of an historical interconnect rate dispute in the UK and the beneficial impact of an upward revision to interconnect revenue in Egypt from a re-estimation by management of the appropriate historical mobile interconnection rate. The adjustments in relation to Vodafone UK and Vodafone Egypt also impacted the disclosed organic growth rates for those countries. In addition, the Group s organic service revenue growth rates for the year ended 31 March 2015 and the six months ended 30 September 2015 have been amended to exclude the adverse impact of an adjustment to intercompany revenue.

For the 2016 financial year, the Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit service revenue and costs within common functions rather than within the service revenue and cost amounts disclosed for each country and region. The results presented for the six months ended 30 September 2014 have been restated onto a comparable basis together with all disclosed organic growth rates. There is no impact on total Group results. In addition, for the quarter and six months ended 30 September 2015, the Group s and Vodafone UK s organic service revenue growth rate has been adjusted to exclude the beneficial impact of a settlement of an historical interconnect rate dispute in the UK.

Reconciliations of organic growth to reported growth is shown where used or in the table below.

USE OF NON-GAAP FINANCIAL INFORMATION

		Organic %	M&A and other activity pps	Foreign exchange pps	Reported %
Group					
Revenue	H1	2.8	2.3	(7.4)	(2.3)
Service revenue	H1	1.0	2.5	(7.2)	(3.7)
Adjusted EBITDA	H1	1.9	4.2	(7.8)	(1.7)
Percentage point change in adjusted EBITDA margin	H1	(0.3)	0.6	(0.1)	0.2
Adjusted operating profit	H1	(5.9)	7.5	(8.1)	(6.5)
Service revenue excluding the impact of MTR cuts	H1	1.6	2.5	(7.2)	(3.1)
Vodafone Global Enterprise service revenue	H1	5.1	(2.2)	2.6	5.5
Machine-to-machine revenue	H1	25.6	(9.6)	28.6	44.6
Mobile in-bundle revenue	Q2	6.3	0.4	(8.5)	(1.8)
Mobile out-of-bundle revenue	Q2	(8.3)		(5.4)	(13.7)
Mobile incoming revenue	Q2	(6.9)	0.1	(5.9)	(12.7)
Fixed line revenue	Q2	3.3	9.4	(8.7)	4.0
Other revenue	Q2	21.6	(7.1)	(8.0)	6.5
Service revenue	Q2	1.2	1.7	(7.4)	(4.5)
Vodafone Global Enterprise service revenue	Q2	7.3	(2.8)	4.8	9.3
Machine-to-machine revenue	Q2	29.2	(9.5)	16.0	35.6
Service revenue	Q1	0.8	3.2	(6.9)	(2.9)
Europe					
Mobile service revenue	H1	(2.4)	0.4	(8.0)	(10.0)
Fixed line revenue	H1	2.4	13.7	(9.4)	6.7
Germany - Mobile service revenue	H1	(2.4)	(0.0)	(10.2)	(12.7)
Germany - Fixed line revenue	H1	0.1		(10.5)	(10.4)
Italy - Mobile service revenue	H1	(3.1)		(10.2)	(13.2)
Italy - Fixed line revenue	H1	4.0		(10.8)	(6.8)
UK - Mobile service revenue	H1	0.1	(0.8)	(0.0)	(0.7)
UK - Fixed line revenue	H1	(0.9)	13.3		12.4
Spain - Mobile service revenue	H1	(8.1)	5.1	(10.1)	(13.1)
Spain - Fixed line revenue	H1	7.4	89.6	(19.2)	77.8
Netherlands - Service revenue	H1	1.1		(10.6)	(9.5)
Germany - Percentage point change in adjusted EBITDA margin	H1	0.5			0.5
Italy - Percentage point change in adjusted EBITDA margin	H1	0.4			0.4
UK - Percentage point change in adjusted EBITDA margin	H1	(1.1)	1.6		0.5
Spain - Percentage point change in adjusted EBITDA margin	H1	3.7	4.4	0.1	8.2
Other Europe - Percentage point change in adjusted EBITDA margin	H1	(1.8)	(0.3)		(2.1)
Europe - Percentage point change in adjusted EBITDA margin	H1	0.2	0.7	(0.2)	0.7
Mobile in-bundle revenue	Q2	2.4	0.4	(7.7)	(4.9)
Mobile out-of-bundle revenue	Q2	(14.9)	(0.6)	(6.1)	(21.6)
Mobile incoming revenue	Q2	(5.4)	0.2	(7.0)	(12.2)
Fixed line revenue	Q2	3.1	10.4	(8.4)	5.1
Other revenue	Q2	9.0	(1.8)	(7.5)	(0.3)
Service revenue	Q2	(1.0)	2.4	(7.6)	(6.2)
Mobile service revenue	Q2	(2.3)	0.0	(7.2)	(9.6)
Fixed line revenue	Q2	3.1	10.4	(8.4)	5.1
Germany - Service revenue	Q2	(1.8)		(9.4)	(11.2)

Italy - Service revenue	Q2	(2.0)		(9.4)	(11.4)
UK - Service revenue	Q2	(0.5)	5.2		4.7
Spain - Service revenue	Q2	(2.0)	5.7	(9.6)	(5.9)
Other Europe - Service revenue	Q2	1.5	2.7	(9.7)	(5.5)
Service revenue	Q1	(1.5)	4.4	(9.1)	(6.2)
Mobile service revenue	Q1	(2.5)	0.9	(8.7)	(10.4)
Fixed line revenue	Q1	1.7	17.2	(10.3)	8.6
Germany - Service revenue	Q1	(1.2)		(11.2)	(12.4)
Italy - Service revenue	Q1	(2.0)		(11.1)	(13.1)
UK - Service revenue	Q1	0.2	(0.5)		(0.3)
Spain - Service revenue	Q1	(5.5)	36.0	(15.0)	15.5
Other Europe - Service revenue	Q1	0.6	3.0	(11.8)	(8.2)

USE OF NON-GAAP FINANCIAL INFORMATION

		Organic %	M&A and other activity pps	Foreign exchange pps	Reported %
AMAP					
India - Service revenue excluding the impact of MTR cuts and other	H1	11.2		2.0	13.2
South Africa - Service revenue	H1	2.9		(7.8)	(4.9)
South Africa - Data revenue	H1	33.3		(15.5)	17.8
Vodacom s international operations - Service revenue	H1	9.5		(6.6)	2.9
Turkey - Service revenue	H1	17.6		(18.5)	(0.9)
Egypt - Service revenue	H1	8.4		0.2	8.6
India - Percentage point change in adjusted EBITDA margin	H1	0.1			0.1
Vodacom - Percentage point change in adjusted EBITDA margin	H1	2.4		(0.3)	2.1
AMAP - Percentage point change in adjusted EBITDA margin	H1	0.1	0.1	0.1	0.3
Mobile in-bundle revenue	Q2	21.5		(11.0)	10.5
Mobile out-of-bundle revenue	Q2	(1.5)		(4.7)	(6.2)
Mobile incoming revenue	Q2	(8.5)		(4.7)	(13.2)
Fixed line revenue	Q2	12.5	21.1	(15.6)	18.0
Other revenue	Q2	46.4	(37.8)	(9.4)	(0.8)
Service revenue	Q2	6.7		(7.1)	(0.4)
India - Service revenue	Q2	5.6		0.4	6.0
Vodacom - Service revenue	Q2	3.9		(10.4)	(6.5)
South Africa - Service revenue	Q2	3.0		(11.1)	(8.1)
Other AMAP - Service revenue	Q2	10.8		(12.0)	(1.2)
Service revenue	Q1	6.1		(2.1)	4.0
India - Service revenue	Q1	6.9		3.7	10.6
Vodacom - Service revenue	Q1	4.5		(3.7)	0.8
South Africa - Service revenue	Q1	2.8		(4.4)	(1.6)
Other AMAP - Service revenue	Q1	6.8		(6.4)	0.4

ADDITIONAL INFORMATION

Regional results for the six months ended 30 September[1]

	Revenue		**Adjusted EBITDA**		**Capital expenditure**		**Operating free[2] cash flow**	
	2015 £m	**2014 £m**	**2015 £m**	**2014 £m**	**2015 £m**	**2014 £m**	**2015 £m**	**2014 £m**
Europe								
Germany	3,822	4,290	1,250	1,382	835	1,032	112	456
Italy	2,112	2,332	720	786	445	423	124	205
UK	3,086	3,006	669	638	374	382	11	131
Spain[3]	1,792	1,674	474	307	330	274	(95)	10
Other Europe								
Netherlands	693	751	242	269	108	149	31	142
Portugal	354	402	128	157	109	117	(23)	54
Romania	267	277	77	97	47	58	9	31
Greece	311	275	82	76	44	29	15	35
Other	759	826	205	233	138	139	(1)	47
Eliminations	(5)	(2)						
Other Europe	**2,379**	**2,529**	**734**	**832**	**446**	**492**	**31**	**309**
Eliminations	(60)	(40)						
Europe	**13,131**	**13,791**	**3,847**	**3,945**	**2,430**	**2,603**	**183**	**1,111**
AMAP								
India	2,221	2,053	660	607	364	348	295	85
Vodacom	2,071	2,102	769	735	318	329	288	251
Other AMAP								
Turkey	1,041	968	199	182	138	145	(377)	(149)
Egypt	589	544	249	245	139	115	163	141
Other	697	752	149	176	96	119	60	(8)
Eliminations	(1)							
Other AMAP	**2,326**	**2,264**	**597**	**603**	**373**	**379**	**(154)**	**(16)**
Eliminations	(7)							
AMAP	**6,611**	**6,419**	**2,026**	**1,945**	**1,055**	**1,056**	**429**	**320**
Other	569	562	(87)	(6)	223	242	(228)	(419)
Eliminations	(45)	(20)						
Group	**20,266**	**20,752**	**5,786**	**5,884**	**3,708**	**3,901**	**384**	**1,012**

Notes:

1. The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within common functions rather than within the results disclosed for each country and region. The results presented for the six months ended 30 September 2014 have been restated onto a comparable basis. There is no impact on total Group revenue and cost.

2. Operating free cash flow for the six months ended 30 September 2015 excludes £70 million of restructuring costs (2014: £167 million), £nil (2014: £365 million) UK pensions contribution payment and £nil (2014: £116 million) of KDG incentive scheme payments that vested upon acquisition.

3. On 23 July 2014 the Group acquired 100% of the share capital of Ono and the results of Ono have been fully consolidated into the results of Spain from that date.

ADDITIONAL INFORMATION

Service revenue quarter ended 30 September[1]

Group and Regions

	Group		Europe		AMAP	
				Restated		Restated
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Mobile in-bundle	3,901	3,971	2,904	3,054	960	869
Mobile out-of-bundle	2,387	2,767	1,035	1,320	1,350	1,439
Mobile incoming	586	671	309	352	277	319
Fixed line	1,931	1,856	1,595	1,518	197	167
Other	456	428	288	289	119	120
Service revenue	**9,261**	**9,693**	**6,131**	**6,533**	**2,903**	**2,914**

	Change					
	Group		Europe		AMAP	
	Reported	Organic*	Reported	Organic*	Reported	Organic*
	%	%	%	%	%	%
Mobile in-bundle	(1.8)	6.3	(4.9)	2.4	10.5	21.5
Mobile out-of-bundle	(13.7)	(8.3)	(21.6)	(14.9)	(6.2)	(1.5)
Mobile incoming	(12.7)	(6.9)	(12.2)	(5.4)	(13.2)	(8.5)
Fixed line	4.0	3.3	5.1	3.1	18.0	12.5
Other	6.5	21.6	(0.3)	9.0	(0.8)	46.4
Service revenue	**(4.5)**	**1.2**	**(6.2)**	**(1.0)**	**(0.4)**	**6.7**

Operating Companies