VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 16, 2016

# 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 16, 2016**

**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- .

**Vodafone announces results for the six months ended 30 September 2016**

15 November 2016

**Highlights**

- H1 Group organic service revenue up 2.3%*; H1 Group revenue down 3.9% to 27.1 billion
- Q2 organic service revenue growth of 2.4%*, led by improvement in Europe to 1.0%*; AMAP grew 7.1%*
- H1 Group organic EBITDA growth of 4.3%* to 7.9 billion, supported by strong cost control
- Breakeven free cash flow ( FCF ), reflecting lower capital additions and seasonal working capital outflows
- Non-cash impairment in India of 5.0 billion, net of tax, due to increased competition
- Full year guidance narrowed: EBITDA now 15.7- 16.1 billion (3-6% organic growth), FCF at least 4.0 billion
- Interim dividend per share of 4.74 eurocents, up 1.9% based on the 31 March 2016 year-end conversion rate

| | Six months ended 30 September | | Growth | |
|---|---|---|---|---|
| | | Restated1 | | |
| | 2016 | 2015 | Reported | Organic* |
| | m | m | % | % |
| **Group revenue1** | **27,054** | **28,151** | **(3.9)** | |
| **Regional revenue** | | | | |
| Europe | 17,543 | 18,240 | (3.8) | |
| Africa, Middle East and Asia Pacific ( AMAP ) | 8,896 | 9,184 | (3.1) | |
| **Operating (loss)/profit2** | **(4,702)** | **1,115** | **n/a** | |
| **Loss for the financial period2** | **(5,003)** | **(2,344)** | **n/a** | |
| **Basic loss per share2** | **(18.38)c** | **(9.43)c** | **n/a** | |
| **Interim dividend per share3** | **4.74c** | **4.65c** | **+1.9** | |
| | | | | |
| **Alternative performance measures4** | | | | |
| | | | | |
| **Group service revenue** | **24,805** | **25,601** | **(3.1)** | **+2.3** |
| Europe | 16,319 | 16,813 | (2.9) | +0.6 |
| AMAP | 7,991 | 8,181 | (2.3) | +7.4 |
| **EBITDA** | **7,906** | **8,039** | **(1.7)** | **+4.3** |
| **Adjusted operating profit** | **2,283** | **2,281** | **+0.1** | **+11.4** |
| **Adjusted earnings per share** | **3.08c** | **3.50c** | **(12.0)** | |

| | | | |
|---|---|---|---|
| **Free cash flow** | **15** | **(756)** | **n/a** |

- Good momentum in strategic growth areas:

- Data traffic growth remains robust at 61% across the Group. European mobile contract ARPU stabilising following successful more-for-more propositions, supporting an improvement in consumer mobile

- Unified Communications: 675,000 broadband net additions during the half year, fastest growing broadband provider in Europe across a footprint of 82.1 million homes (30.7 million on-net)

- Enterprise outperformance continues, 3.3%* service revenue growth in Q2

- Consumer net promoter score (NPS) improvement in 11 markets year-on-year; leader or co-leader in 18 out of the 21 markets that we track, with an average 13 point gap over third-placed operators (up 1 point year-on-year)

- EBITDA growing faster than revenue in 19 out of 26 markets as cost efficiencies boost operational leverage

- 100% of targeted cost and capex synergy run rate achieved at Kabel Deutschland, six months ahead of schedule

- On track to complete the JV with Ziggo in the Netherlands around the end of 2016

**Vittorio Colao, Group Chief Executive, commented:**

We have further improved our performance during the first half of the financial year with Europe modestly ahead of our expectations - led by Germany and Italy - and good execution in AMAP. Our substantial network investments and more-for-more propositions have allowed us to capture opportunities from strong data demand, supporting European mobile contract ARPU and continued growth in emerging markets. As Europe s fastest-growing broadband operator, we are driving rapid uptake of our consumer fixed and TV services while our wholly converged Enterprise business continues to outperform its peers. We are now translating faster revenue growth into margin expansion, supported by our focus on cost efficiency.

Competition in India has increased in the year, reducing revenue growth and profitability. We have responded to this changing competitive environment by strengthening our data and voice commercial offers and by focusing our participation in the recent spectrum auction on acquiring frequencies in the more successful and profitable areas of the country.

Overall, we expect to sustain our underlying performance in the second half of the year and remain on track to meet our full-year objectives despite macroeconomic uncertainties. This performance allows for improved returns to our shareholders, as reflected by the growth in the interim dividend.

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Notes:

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1. With effect from 1 April 2016, the Group s presentation currency was changed from pounds sterling to the euro to better align with the geographic split of the Group s operations. The results for the half year ended 30 September 2015 have been restated into euros. Group revenue includes the regional results of Europe, AMAP, Other (which includes the results of partner market activities) and eliminations.

2. Six months ended 30 September 2016 includes a gross impairment charge of 6,375 million (2015: nil) recorded in respect of the Group s investment in India, which together with the recognition of an associated 1,375 million deferred tax asset, led to an overall 5.0 billion reduction in the carrying value of Vodafone India. See Note 3 Impairment review for further details.

3. The interim dividend for the six months ended 30 September 2015 has been restated to eurocents using the 31 March 2016 rate of £1: 1.2647. See page 20 Dividends for further details.

4. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in

isolation or as an alternative to the equivalent GAAP measure. See Alternative performance measures on page 39 for reconciliations to the closest respective equivalent GAAP measure and Definition of terms on page 50 for further details.

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**CHIEF EXECUTIVE S STATEMENT**

**Financial review of the half year**

***Group***

Group revenue for the first half of the year fell 3.9% to 27.1 billion primarily due to foreign exchange movements, with Group organic service revenue growing 2.3%* to 24.8 billion (or 2.5%* excluding the impact of regulated mobile termination rate ( MTR ) cuts. Quarterly service revenue trends continued to improve driven by an acceleration in Europe (Q1: 0.3%*, Q2: 1.0%*) and sustained growth in AMAP (Q1: 7.7%*, Q2: 7.1%*).

Group EBITDA declined 1.7% to 7.9 billion primarily due to foreign exchange rate movements, with organic EBITDA growing at 4.3%*, a faster pace than revenue. This was supported by strong cost control despite incremental drags from roaming, increased content costs and a higher operating cost base post-Project Spring. The Group EBITDA margin improved by 0.6 percentage points to 29.2%, and grew 0.7* percentage points on an organic basis. Both Europe and AMAP delivered margin improvements, supported by better top line trends and strong cost control.

Adjusted operating profit grew 0.1%, with organic adjusted operating profit increasing by 11.4%*, driven by organic EBITDA growth, lower depreciation and amortisation charges (reflecting the treatment of the Netherlands as an asset held for sale during the period), and an increased contribution from joint ventures.

We recorded a non-cash impairment of 5.0 billion, net of tax, in the period relating to our Indian business. This was driven by lower projected cash flows within our business plan as a result of increased competition in the market.

The Group s adjusted effective tax rate for the first half of the year was 27.5% compared to 30.5% for the same period last year. The lower rate is primarily due to the re-organisation of our Indian business which took place last year.

Adjusted earnings per share of 3.08 eurocents fell 12.0% year-on-year, as lower taxation was offset by higher adjusted financing costs and a higher number of shares following last year s mandatory convertible bonds issue which is classified as equity after taking into account the cost of future coupon payments.

Breakeven free cash flow (2015: - 0.8 billion) reflected lower capital additions, seasonal working capital outflows, and a year-on-year capital creditor outflow of 0.7 billion mainly relating to the final payments for Project Spring.

Net debt as at 30 September 2016 rose to 40.7 billion compared to 36.9 billion as at 31 March 2016, primarily reflecting payment of the final dividend. Net debt includes liabilities of 5.5 billion (2015: 5.1 billion) relating to acquisitions or renewals of spectrum in India and 1.9 billion (2015: 1.8 billion) of liabilities relating to minority holdings in KDG. It does not include the 2.7 billion of Indian spectrum purchased in October 2016, which will be fully recognised in the second half of the financial year.

Net debt excludes £2.8 billion of mandatory convertible bonds issued in February 2016, which are classified as equity after taking into account the cost of future coupon payments. The Group also holds $5.0 billion of Verizon loan notes (also not included within net debt), and has the potential to utilise the proceeds from these notes to repurchase the shares issued to satisfy the mandatory convertible bonds.

The Board is recommending an interim dividend per share of 4.74 eurocents, up 1.9% year-on-year (based on the 31 March 2016 year-end £: conversion rate of 1.2647), consistent with the Board s intention to grow the full year dividend per share annually.

***Europe***

Organic service revenue in Europe grew 0.6%* with an acceleration in quarterly performance (Q1: 0.3%*, Q2: 1.0%*). This was driven by improving trends in both Consumer and Enterprise segments, despite an incremental drag from EU roaming regulation. Excluding MTR cuts Europe grew 0.8%*.

Consumer service revenue grew 0.9%*, a 2.6 percentage point improvement year-on-year. In mobile, this was supported by stabilising ARPU with the introduction of more-for-more mobile propositions and continued growth in our contract customer base. In fixed line, we continued to achieve strong broadband customer growth, particularly in fibre and cable services.

Enterprise service revenue growth was flat at 0.0%* in the first half of the year (returning to growth in Q2: 0.6%*), reflecting healthy mobile customer base growth and a moderating pace of ARPU decline. Fixed line service revenue continued to grow strongly led by ongoing demand for unified communications solutions, and we maintained our leading market position in the fast growing Internet of Things ( IoT ) segment.

In total, our 4G customer base is now 39.3 million (an increase of 15.0 million year-on-year) and broadband net additions for the first half of the year were 0.5 million, taking the European base to 12.9 million (of which 7.0 million are NGN customers).

Organic EBITDA grew 3.1%* and EBITDA margins improved by 0.9 percentage points to 30.2%, reflecting revenue growth and strong cost control.

**CHIEF EXECUTIVE S STATEMENT**

***AMAP***

Organic service revenue in AMAP grew 7.4%* (Q1: 7.7%*, Q2: 7.1%*), driven by growth in all of our major markets. Our Consumer and Enterprise segments grew service revenue by 7.9%* and 13.1%* respectively.

The region continues to see strong mobile customer growth, with 7.2 million more customers added in the first half of this financial year. An increasing number of our customers are now using data, with 6.2 million active data users added. Customer usage continues to grow throughout the region, with voice and data volumes up 6.3% and 61% respectively. Fixed line customer growth remains strong, with 150,000 broadband net additions during the first half of the year, taking the regional base to 1.2 million.

Organic EBITDA grew 9.2%*, and EBITDA margins improved 0.7 percentage points reflecting strong revenue growth and good cost discipline.

**Strategic progress**

Customer eXperience eXcellence ( CXX )

The Group s customer experience excellence programme is our core marketing strategy for brand and service differentiation. With CXX we aim to deliver an outstanding and differentiated experience for our customers, building on the significantly improved network quality delivered by Project Spring. Given the strategic importance of the programme, CXX performance indicators (primarily Net Promoter Scores and brand consideration) represent up to 40% of the annual bonus award for employees across the Group.

The programme focuses on four key aspects of our customers experience with Vodafone, summarised by the acronym CARE . As the initiatives described below illustrate, we made progress in each of these areas during the first half of the financial year:

- Connectivity that is reliable and secure : We now have Network guarantee pledges in 17 markets, promising customers their money back if the network fails to live up to their expectations (typically, during the first 30 days for new customers). Our 4G roaming footprint now covers over 100 countries, twice as many as our best local competitor in the majority of our markets.

- Always in control : More than half of our European mobile customers (and almost two-thirds of our contract customers) take advantage of our European worry-free roaming offers, with roaming either included in their tariff or available at a modest daily rate. Penetration of the My Vodafone app on smartphones reached 39% across the Group, and is as high as 65% in Italy. The app is now available across 21 markets, with customers able to monitor their usage in real time in 13 of these markets.

- Reward Loyalty : 17 markets have now implemented tailored reward programmes for specific customer segments, aiming to delight and surprise loyal customers. This has contributed to a 1.2 percentage points year-on-year improvement in overall consumer contract churn to 17.0% by the end of the period.

- Easy Access : We now provide convenient support to our customers through a 24/7 Live chat platform in 14 markets. The first contact resolution rate in several of these markets is now over 80%, compared to 66% for the overall Group.

The success of the variety of CXX initiatives is apparent with 18 out of 21 operating companies achieving a market leading or co-leading position in consumer NPS and an average gap to the third placed operator of 13 points, representing a 1 point improvement year-on-year. Our NPS performance was impacted by price plan changes in several markets during the first half of the year combined with customer service challenges in the UK arising from a billing system migration. We have implemented a variety of new initiatives which are expected to drive improvement during the second half. Our Enterprise position is even stronger, reflected in an average gap to our nearest competitor of 9 points as at the end of the period.

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 increasing size and quality of smartphone screens and the continued deflation in unitary data pricing.

Data traffic in the first half of the financial year grew strongly at 61% (Europe: +62%, AMAP: +61%). We continued to grow our 4G customer base year-on-year to 58.9 million across the 22 countries where we offer 4G, with 12 million customers added in the period. Although take-up continues to be rapid, only 32% 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; average usage per smartphone customer in Europe is up 48% year-on-year to 1.4GB per month, and over half of the data traffic in Europe is now on 4G. This growth in data, combined with more-for-more propositions, has helped drive a stabilisation in mobile ARPU trends across Europe.

**CHIEF EXECUTIVE S STATEMENT**

In our emerging markets, data adoption is also rapid, supported by our significant network investment and the relative scarcity of fixed line internet access. The 3G/4G mobile data customer base is 112 million, up 56% year-on-year. The potential for future data growth is also substantial with only 34% of AMAP customers on 2G/3G and 4% on 4G. In South Africa we have grown our market leading 4G network outdoor population coverage to 69% (up 22 percentage points year-on-year). In India, following the Indian spectrum auction in October in which we increased our total spectrum holding by 62%, we now have a strong position to support our future 4G needs. We plan to extend our 4G footprint from 9 to 17 circles by the end of the current financial year, covering around 91% of service revenues and 94% of our data revenues.

Unified communications

We are becoming an integrated operator for both households and businesses in our main markets. We market high speed broadband services to 82 million households across Europe, and through organic investment and acquisition, 31 million of these households are on-net serviced by our own fibre or cable infrastructure.

We continue to achieve strong customer growth across our footprint. We now have 14.0 million broadband customers, with 675,000 new broadband customers added in the first half. In Europe, we added 525,000 new broadband customers of which 78% were on-net. This brings the total European on-net customer base to 5.9 million, representing on-net penetration of just 19% which leaves significant opportunity for future profitable growth. In TV, we have grown our customer base by 0.2 million in the first half of the financial year to 9.8 million customers.

28% of our broadband customer base are now on converged offers. Churn rates for converged customers are typically half that of customers who purchase a single product.

Enterprise

Services to business customers comprised 28% of our Group service revenue, and 32% in Europe during the first half of this financial year. Our relationships with business customers are expanding from traditional mobile voice and data services to embrace total communications, IoT, Cloud & Hosting and IP-VPN provision. These new areas offer both market growth and market share opportunities for us.

Overall, Enterprise maintained its strong momentum during the first half of the financial year with service revenue growth of 2.9%*, with an improved quarterly trend (Q1: 2.5%*, Q2: 3.3%*). This was driven by growth in both mobile (2.3%*) and fixed line (4.6%*). Vodafone Global Enterprise ( VGE ), which provides services to our biggest international customers, achieved revenue growth of 4.3%*, driven by our unmatched geographical presence and the increasing trend among multinational corporations to retain a single provider of services across borders. Our total IoT connections increased by 39% year-on-year to 45.4 million, with revenue growing 17.2%*. In September 2016, we successfully completed the first ever narrowband IoT trial on a live network, paving the way for billions of devices to be connected at low cost with extremely low power requirements.

Fit for Growth

In order to enhance operational leverage and drive margin expansion across the Group we launched our Fit for Growth programme in September 2014. Fit for Growth is a comprehensive cost efficiency programme, with several Group-wide initiatives and a broad list of local market initiatives. The initiatives are monitored centrally in order to share best practice between operating companies.

During the first half of this financial year we have continued to make good progress, with areas of significant cost saving including procurement, improved sales channel efficiency and standardised network design. This cost focus is reflected in our improved margin performance across both Europe and AMAP, with 19 markets out of 26 growing EBITDA faster than revenue, driving a 0.7* percentage point improvement in organic Group EBITDA margin.

The Group recently conducted an external benchmarking analysis of its cost structure. This validated the progress that has been made, while still indicating continued scope for future savings. The Fit for Growth programme has subsequently been refreshed and new internal three-year margin targets have been set across the Group.

**Outlook and guidance**[1]

The overall performance of the Group in the first half of the current financial year has been modestly ahead of our expectations. Europe is performing ahead of plan, however competitive intensity in India has increased.

We now expect organic EBITDA growth of 3-6%, equivalent to 15.7 - 16.1 billion of EBITDA at guidance foreign exchange rates, slightly narrower than the 15.7 - 16.2 billion range originally envisaged. We continue to expect free cash flow at guidance foreign exchange rates of at least 4.0 billion, after all capex, before M&A, spectrum payments and restructuring costs.

Notes:

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1. See Guidance on page 7.

**GROUP FINANCIAL HIGHLIGHTS**

| | | Six months ended 30 September | | Growth | |
|---|---|---|---|---|---|
| | | | Restated | | |
| | | 2016 | 2015 | Reported | Organic* |
| | Page | m | m | % | % |
| Group revenue | 23 | 27,054 | 28,151 | (3.9) | |
| Operating (loss)/profit[1] | 23 | (4,702) | 1,115 | n/a | |
| (Loss)/profit before taxation[1] | 23 | (5,387) | 149 | n/a | |
| Loss for the financial period[1] | 23 | (5,003) | (2,344) | n/a | |
| Basic loss per share[1] | 23 | (18.38)c | (9.43)c | n/a | |
| Net cash flow from operating activities | 26, 32 | 5,820 | 5,735 | 1.5 | |
| Net debt | 19, 20 | (40,668) | (39,143) | 3.9 | |
| **Alternative performance measures[2]** | | | | | |
| Group service revenue | 8 | 24,805 | 25,601 | (3.1) | 2.3 |
| EBITDA | 8 | 7,906 | 8,039 | (1.7) | 4.3 |
| EBITDA margin | 8 | 29.2% | 28.6% | 0.6pp | 0.7pp |
| Adjusted operating profit | 8 | 2,283 | 2,281 | 0.1 | 11.4 |
| Adjusted profit before tax | 10 | 1,270 | 1,517 | (16.3) | |
| Adjusted effective tax rate | 10 | 27.5% | 30.5% | n/a | |
| Adjusted profit attributable to owners of the parent | 11, 47 | 859 | 928 | (7.4) | |
| Adjusted earnings per share | 11, 47 | 3.08c | 3.50c | (12.0) | |
| Capital additions[3] | 19 | 3,973 | 5,149 | (22.8) | |
| Free cash flow | 19 | 15 | (756) | n/a | |

Notes:

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1. Six months ended 30 September 2016 includes a gross impairment charge of 6,375 million (2015: nil) recorded in respect of the Group s investment in India which, together with the recognition of an associated 1,375 million deferred tax asset, led to an overall 5.0 billion reduction in the carrying value of Vodafone India. See Note 3 Impairment review for further details.

2. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See Alternative performance measures on page 39 for reconciliations to the closest respective equivalent GAAP measure and Definition of terms on page 50 for further details.

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

**GUIDANCE**

Please see page 39 for Alternative performance measures , page 50 for Definition of terms and page 52 for Forward-looking statements .

**2017 financial year guidance**

| | EBITDA1 bn | Free cash flow1 bn |
|---|---|---|
| Original guidance | Organic growth of 3-6% , (implying 15.7 - 16.2 billion) | At least 4.0 billion |
| Updated guidance | Organic growth of 3-6% , (implying 15.7 - 16.1 billion) | At least 4.0 billion |

We now expect EBITDA to grow organically by 3-6%; this implies a range of 15.7 billion to 16.1 billion at guidance exchange rates. We continue to expect free cash flow of at least 4.0 billion, before the impact of M&A, spectrum payments and restructuring costs.

**Assumptions**

We have based guidance for the financial year ending 31 March 2017 on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of 1:INR 76.4, 1:ZAR 16.5, 1:£0.79, 1:TRY 3.2 and 1:EGP 9.8. Guidance excludes the impact of licence and spectrum payments, 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, and has not been adjusted for the potential de-consolidation of Vodafone Netherlands following the announced intention to create a 50:50 Joint Venture with Ziggo.

We have also excluded from guidance an expected one-off impact on EBITDA arising from foreign exchange losses on foreign currency denominated liabilities of Vodafone Egypt following the devaluation of the Egyptian pound; given ongoing exchange rate volatility, it is not yet possible to quantify this impact, which has no impact on Group free cash flow.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the rupee to euro exchange rate would impact EBITDA by approximately 20 million and would have a c. 5 million impact on free cash flow. A 1% change in the South African rand to euro exchange rate would impact EBITDA by approximately 15 million and free cash flow by c. 5 million. A 1% change in the pounds sterling to euro exchange rate would impact EBITDA by approximately 20 million and free cash flow by 10 million. A 1% change in either the Turkish lira to euro or the Egyptian pound to euro exchange rates would impact EBITDA by approximately 5 million and free cash flow by 2 million.

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Note:

1. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. The EBITDA and free cash flow measures included above are forward-looking alternative performance measures which at this time cannot be quantitatively reconciled to comparative GAAP financial information. See Alternative performance measures on page 39 and Definition of terms on page 50 for further details.

**CONTENTS**



**FINANCIAL RESULTS**

**Group1, 2**

| | | | | | Six months ended 30 September | | Growth | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Restated | | |
| | Europe | AMAP | Other3 | Eliminations | 2016 | 2015 | Reported | Organic* |
| | m | m | m | m | m | m | % | % |
| Mobile in-bundle revenue | 8,112 | 2,871 | | (4) | 10,979 | 10,771 | | |
| Mobile out-of-bundle revenue | 2,352 | 3,484 | 8 | | 5,844 | 6,724 | | |
| Mobile incoming revenue | 816 | 751 | | (2) | 1,565 | 1,654 | | |
| Fixed line revenue | 4,267 | 602 | 325 | (37) | 5,157 | 5,290 | | |
| Other service revenue | 772 | 283 | 216 | (11) | 1,260 | 1,162 | | |
| **Service revenue** | **16,319** | **7,991** | **549** | **(54)** | **24,805** | **25,601** | **(3.1)** | **2.3** |
| Other revenue | 1,224 | 905 | 120 | | 2,249 | 2,550 | | |
| **Revenue** | **17,543** | **8,896** | **669** | **(54)** | **27,054** | **28,151** | **(3.9)** | **1.8** |
| Direct costs | (3,898) | (2,236) | (535) | 50 | (6,619) | (6,996) | | |
| Customer costs | (3,803) | (1,334) | 9 | | (5,128) | (5,481) | | |
| Operating expenses | (4,544) | (2,542) | (319) | 4 | (7,401) | (7,635) | | |
| **EBITDA** | **5,298** | **2,784** | **(176)** | | **7,906** | **8,039** | **(1.7)** | **4.3** |
| Depreciation and amortisation: | | | | | | | | |
| Acquired intangibles | (63) | (96) | (1) | | (160) | (234) | | |
| Purchased licences | (662) | (322) | | | (984) | (948) | | |
| Other | (3,356) | (1,161) | (35) | | (4,552) | (4,571) | | |
| Share of result in associates and joint ventures | (5) | 78 | | | 73 | (5) | | |
| **Adjusted operating profit** | **1,212** | **1,283** | **(212)** | | **2,283** | **2,281** | **0.1** | **11.4** |
| Impairment loss | | | | | (6,375) | | | |
| Restructuring costs | | | | | (37) | (156) | | |
| Amortisation of acquired customer base and brand intangible assets | | | | | (515) | (724) | | |

| | | |
|---|---|---|
| Other income and expense | (58) | (286) |
| **Operating (loss)/profit** | **(4,702)** | **1,115** |
| Non-operating income and expense | | (2) |
| Net financing costs | (685) | (964) |
| Income tax4 | 384 | (2,493) |
| **Loss for the financial period** | **(5,003)** | **(2,344)** |

Notes:

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1. Current period reflects average foreign exchange rates of 1:£0.82, 1:INR 75.1, 1:ZAR 16.3, 1:TKL 3.29 and 1: EGP 9.97.

2. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See Alternative performance measures on page 39 for reconciliations to the closest respective equivalent GAAP measure and Definition of terms on page 50 for further details.

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 3.9% to 27.1 billion and service revenue decreased by 3.1 % to 24.8 billion.

In Europe, organic service revenue increased 0.6%*, reflecting the benefit of stabilising ARPU following more-for more mobile propositions along with strong fixed line customer growth, with improving trends throughout the period. In AMAP, organic service revenue increased by 7.4%* continuing its sustained track record of strong organic growth.

**EBITDA and operating (loss)/profit**

Group EBITDA declined 1.7% to 7.9 billion, with organic growth in Europe and AMAP more than offset by foreign exchange movements. The Group s EBITDA margin improved by 0.6 percentage points to 29.2%. On an organic basis, EBITDA rose 4.3%* and the Group s EBITDA margin increased by 0.7* percentage points driven by organic margin improvements in both Europe and AMAP.

The Group s operating loss was 4.7 billion, compared to an operating profit of 1.1 billion in the prior period, due to the 6.4 billion gross impairment charge recorded in respect of the Group s investment in India and lower EBITDA, partly offset by lower depreciation and amortisation charges, reflecting the treatment of our Netherlands operation as an asset held for sale during the period, lower restructuring costs and the improved financial performance of our Australian joint venture.

**Net financing costs**

| | **Six months ended 30 September** | |
|---|---|---|
| | | **Restated** |
| | **2016** | **2015** |
| | **m** | **m** |
| Investment income | | |