VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 10, 2010

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 10 November, 2010

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___ü___ Form 40-F_______

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): ________

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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________ No___ü___

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 contains a news release issued by Vodafone Group Plc on 9 November 2010, entitled VODAFONE ANNOUNCES H1 2010/11 RESULTS AND STRATEGY UPDATE .

9 November 2010

VODAFONE ANNOUNCES H1 2010/11 RESULTS AND STRATEGY UPDATE

Strong results: Improved revenue growth, upgraded full year profit guidance

- Q2 Group organic service revenue growth of +2.3% with improved revenue trends in all regions
- H1 EBITDA margin 32.6% trend in line with expectations
- Strong performance at Verizon Wireless
- Full year guidance for adjusted operating profit increased to £11.8 billion to £12.2 billion
- Free cash flow guidance confirmed to be in excess of £6.5 billion
- Accelerated realisation of SoftBank interests for £3.1 billion

H1 financial highlights				Year on year
	Six months ended	Change year on year		Q2 vs. Q1
	30 September 2010	Reported	Organic	Organic
	£m	%	%	pps
Group revenue	**22,603**	**+3.9**	**+1.8**	
Group service revenue	**21,229**	**+3.7**	**+1.7**	**+1.2**
Europe	13,545	(4.3)	(1.3)	+0.9
Africa and Central Europe	4,165	+20.1	+4.8	+2.1
Asia Pacific and Middle East	3,572	+22.2	+11.4	+1.7
Adjusted operating profit	**6,069**	**+2.7**	**+0.7**	
Free cash flow	**3,489**	**(12.8)**		
EPS	**14.31p**	**+56.1**		

Adjusted EPS	**8.76p**	**+0.5**
Interim dividend per share	**2.85p**	**+7.1**

Strategy update: creating a more valuable Vodafone

- A regionally focused Group: Europe, Africa and India

- A winning growth strategy:

Mobile data: accelerate exploitation of mobile data growth opportunity

Enterprise: selective expansion in growth segments

Emerging markets: drive penetration and data across attractive footprint

Total Communications in Europe: continued capital efficient approach

New services: growth opportunities including machine-to-machine and financial services

Strategy update: creating a more valuable Vodafone (continued)

- Exploit scale to enhance efficiency and deliver cost benefits

- Generate free cash flow or liquidity from non-controlled assets building on the China Mobile and SoftBank disposals

- Rigorous application of capital discipline to enhance shareholder returns

Vittorio Colao, Group Chief Executive, commented:

I am pleased to report a further improvement in organic service revenue growth, together with upgraded guidance. We have also today announced an updated strategy, which positions Vodafone to realise further value from non-controlled assets, take full advantage of the most valuable telecommunications growth opportunities ahead and which will deliver sustainable revenue growth, stabilising margins and strong free cash flows.

CHIEF EXECUTIVE S STATEMENT

Operating review

Group revenue increased by 3.9% to £22.6 billion, with improved organic growth trends in all of the Group s regions. In Q2 Group organic service revenue increased by 2.3%(*), 1.2 percentage points(*) faster than Q1, with data revenue growth of 25.9%(*).

Group adjusted operating profit increased by 2.7% to £6.1 billion with an increased contribution from Africa and Central Europe, Asia Pacific and Middle East and Verizon Wireless offsetting lower profit in Europe.

Group EBITDA margin declined by 1.7 percentage points in H1, in line with our expectations, with increased commercial investment in Europe mostly funded by the Group s cost efficiency programmes.

Cash generation remained robust, with free cash flow of £3.5 billion, consistent with our full year guidance. Capital expenditure of £2.4 billion was at a lower level than in the same period last year reflecting delayed infrastructure investment in India due to import restrictions.

In Europe service revenue declined by 1.3%(*) with improvement in trends in Q2 where service revenue declined only 0.8%(*), reflecting continued growth in Germany and the UK, an improved trend in Italy and continuing weakness in Spain. Data revenue growth was 23.2%(*) and fixed line growth was 4.4%(*). Operating costs in Europe including Common Functions declined by 3.4%(*), enabling further commercial investment. EBITDA margin declined 1.6 percentage points.

In Africa and Central Europe service revenue increased by 20.1%, reflecting favourable foreign exchange rate movements and the impact of the acquisition of a controlling stake in Vodacom in the prior year. On an organic basis service revenue increased by 4.8%(*), with continued growth in Turkey and Vodacom and stable trends in most Central European operations. EBITDA margins were stable.

In Asia Pacific and Middle East service revenue increased by 22.2% reflecting a strong contribution from India where service revenue grew by 14.7%(*) and where we added 14.7 million customers during the period. The regional EBITDA margin increased by nearly 2 percentage points reflecting better margins in India as we begin to gain the benefits of scale.

At Verizon Wireless underlying service revenue growth was 6.2%(*), the EBITDA margin was 40.0% and data revenue continued to grow rapidly. Free cash flow generation remained strong and net debt had reduced to US$14.3 billion by 30 September.

In September we sold the Group s 3.2% interest in China Mobile Limited realising £4.3 billion before tax and we have committed £2.8 billion of this to a share buy back programme of which £0.1 billion had been completed by 30 September. We have today announced an agreement to accelerate the realisation of our interests in SoftBank for proceeds of approximately £3.1 billion which will be received in two broadly equal instalments in December 2010 and April 2012.

Reported earnings per share was 14.31 pence, our highest ever reported earnings per share in a half-year period, benefiting from a £2.4 billion gain on the sale of our interest in China Mobile and the resolution of certain long standing tax issues offset in part by an impairment charge of £0.8 billion in respect of Greece. Adjusted earnings per share was 8.76 pence broadly in line with last year and the dividend per share has increased by 7.1% to 2.85 pence consistent with the Group s medium-term dividend growth policy communicated in May 2010.

Strategy update

In November 2008 we implemented a strategy to strengthen Vodafone in a sharply deteriorating economic climate. Since then Vodafone has returned to organic revenue growth and gained revenue market share in the majority of our markets. On an annualised basis the Group s mobile data business has

CHIEF EXECUTIVE S STATEMENT

grown to nearly £5 billion and fixed line revenue, primarily broadband, has grown to over £3 billion. Revenue generated from enterprise customers has also returned to growth. In emerging markets India gained the number two market position by revenue, South Africa has retained its number one position and Turkey is now generating profitable double digit revenue growth. The Group has generated free cash flow well ahead of the £5 billion to £6 billion target established in 2008, allowing the Board to establish a three year 7% dividend per share growth policy.

Since November 2008 we have seen tangible evidence of accelerating mobile data adoption where consumers and business customers are seizing the benefits of fast, reliable mobile data networks using smartphones and other mobile data devices such as tablets. We are also seeing increased interest in broader data-based services like payments via handsets and an initial wave of mobile devices for homes and cars. In emerging economies, where revenue growth is still being driven by increasing penetration of mobile devices, data penetration is low but demand for access to the internet is high and to a large extent can only be satisfied by mobile networks.

The execution of our updated strategy, announced today, will create a more valuable business, establish Vodafone as the leading operator in mobile data in Europe, India and Africa and further develop our market position in total communications.

We will pursue a growth strategy focused particularly on Europe, Africa and India

1. Mobile data: we will capitalise on the rapid increase in demand for ubiquitous mobile data services and accelerate the rate of adoption by customers in underpenetrated markets by:

- serving our customers demand for networks with wide and deep coverage, high speed capability and reliability, by continuing to invest in our already leading European networks and further developing our data networks in our Indian and African markets;

- transitioning our data pricing plans to tiered plans and differentiated service levels, to encourage data adoption and adjust pricing to usage, thereby giving customers more control and driving better returns on our investment;

- enhancing our customer care, retail presence, online services and support, to ensure that customers get the best data experience with Vodafone; and

- carrying a balanced portfolio of smartphones and connected devices, with all leading brands, and supplementing our range with attractively priced Vodafone-branded smartphones to accelerate further smartphone penetration across our customer base.

2. **Enterprise:** we will further grow enterprise revenue through the introduction of new services for the SME, SoHo and Corporate segments, increasing our addressable market and building on the momentum of Vodafone Global Enterprise and Vodafone One Net.

3. **Emerging markets:** we will continue to generate revenue growth from driving penetration of mobile voice and SMS and accelerating the adoption of affordable data into our attractive markets across India and Africa.

4. **Total Communications:** in Europe, where we see early signs of convergence, we will build on our recent success in fixed broadband and continue to secure over time access to fast broadband to allow us to service the enterprise and consumer markets in a capital efficient manner.

5. **New services:** we will selectively expand into a number of new growth segments including machine-to-machine services and financial mobile services.

CHIEF EXECUTIVE S STATEMENT

We will continue to drive benefits from the Group s scale advantage and cost focus

The current composition of the Group has increased efficiency and enabled us to achieve favourable comparative cost positions in many markets. We will continue to generate significant savings from technology standardisation, off-shoring, outsourcing and platform sharing. Our supply chain management programmes will enable us to continue to reduce our cost to carry in an increasingly data driven environment. The Group s second £1 billion cost efficiency programme is on track and we continue to identify further ways to simplify and standardise our business to increase efficiency.

We will seek to generate free cash flow or liquidity from non-controlled assets and investments

Non-controlled assets (primarily Verizon Wireless and SFR) constitute a significant proportion of the Group s assets but only generate a small proportion of reported free cash flow. We will seek to maximise the value of non-controlled assets in a tax efficient manner either through generating liquidity or increased regular free cash flow in order to fund profitable investment and enhance shareholder returns.

Verizon Wireless, the Group s largest non-controlled asset, is the market leader in an attractive market and is performing strongly. SFR is well positioned as a converged operator in the French market. Vodafone s proportionate share of free cash flow from Verizon Wireless and SFR was around £5 billion last year. However, the net cash flow from these two assets was only around £1 billion in the 2010 financial year. The opportunity for incremental value creation is, therefore, substantial.

In addition, we will actively manage our investment portfolio and seek out value enhancing opportunities wherever possible as we have done with the sale of the Group s investment in China Mobile and in SoftBank which was announced today.

We will continue to apply capital discipline to our approach to investment

We continue to apply capital discipline to our investment decisions. We apply rigorous commercial analysis and demanding hurdle rates, including our existing M&A criteria, to ensure that any investment and corporate activity will enhance shareholder returns. Adhering to our target credit rating of low single A continues to provide the Group with a low cost of debt and good access to liquidity. We will continue to undertake regular reviews of Vodafone s entire portfolio to ensure that we optimise value for shareholders.

Improved guidance for the 2011 financial year and medium-term targets

For the current year we have updated our guidance and increased our expectations for adjusted operating profit, reflecting the higher than expected revenue growth in each of the Group s regions and the current strong performance at Verizon Wireless. We continue to expect free cash flow to be in excess of £6.5 billion.

As we implement our updated strategy in the three financial years to FY 2014, we expect to generate organic revenue growth in the range of 1% to 4% per annum, stabilising Group EBITDA margins and free cash flow generation of between £6 billion and £7 billion per annum from the Group s existing operations.

Summary

The focused execution of our November 2008 strategy in a challenging economic environment has enabled the Group to return to organic revenue growth and delivered sustainable high cash flows whilst maintaining investment in technology and customer experience.

Our updated strategy, announced today, will position Vodafone to take full advantage of the most valuable telecommunications growth opportunities ahead, deliver sustainable revenue growth and stabilising EBITDA margins. This, together with our pursuit of liquidity and value from the Group s non-controlled investments, will drive enhanced free cash flow and returns for shareholders.

Note:

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

GROUP FINANCIAL HIGHLIGHTS

	Page	2010 £m	2009 £m	% change Reported	% change Organic
Financial information(1)					
Revenue	26	22,603	21,761	3.9	1.8
Operating profit	26	5,213	6,068	(14.1)	
Profit before taxation	26	8,240	5,747	43.4	
Profit for the period	26	7,504	4,795	56.5	
Basic earnings per share (pence)	26	14.31p	9.17p	56.1	
Capital expenditure(2)	38	2,435	2,602	(6.4)	
Cash generated by operations	21	7,331	7,577	(3.2)	

Performance reporting(1)(2)					
Group EBITDA	9	7,363	7,455	(1.2)	(2.8)
Adjusted operating profit	9, 40	6,069	5,911	2.7	0.7
Adjusted profit before tax	11, 40	5,629	5,481	2.7	
Adjusted effective tax rate	11	22.9%	21.5%		
Adjusted profit attributable to equity shareholders	12, 40	4,616	4,582	0.7	
Adjusted earnings per share (pence)	12, 40	8.76p	8.72p	0.5	
Free cash flow(3)	21	3,489	4,003	(12.8)	
Net debt	21, 22	30,457	34,001	(10.4)	

Notes:

(1) Amounts presented at 30 September or for the six month period then ended.

(2) See page 37 for Use of non-GAAP financial information and page 42 for Definition of terms .

(3) All references to free cash flow are to amounts before licence and spectrum payments.

UPDATED GUIDANCE

Please see page 37 for Use of non-GAAP financial information , page 42 for Definition of terms and page 43 for Forward-looking statements .

2011 financial year guidance	Original guidance 2011 financial year £bn	Updated guidance 2011 financial year £bn
Adjusted operating profit	11.2 12.0	11.8 12.2
Free cash flow	In excess of 6.5	In excess of 6.5

As the result of strong revenue performance in each of the Group s three regions and good results at Verizon Wireless we now expect that adjusted operating profit for the 2011 financial year will be in the range of £11.8 billion to £12.2 billion.

Expectations for EBITDA margins and depreciation and amortisation remain unchanged. We expect EBITDA margins to decline but at a significantly lower rate than that experienced in the previous financial year. Total depreciation and amortisation charges are expected to be at a similar level to the prior financial year, before the impact of licence and spectrum purchases.

Free cash flow is still expected to be in excess of £6.5 billion, based on £3.5 billion in the first half of the financial year and a slightly higher level of capital investment in the second half. We intend to maintain capital expenditure at a similar level to the 2010 financial year, adjusted for foreign exchange rate movements, continuing to invest in high speed data networks to increase the attractiveness of the Group s data services.

The adjusted effective tax rate for the 2011 financial year is expected to be in the mid 20s with the Group targeting a similar level in the medium-term.

Medium-term guidance	Medium-term guidance for the three financial years ending 31 March 2014
Organic service revenue growth	1% to 4% per annum
Group EBITDA margins	Stabilising
Free cash flow	Between £6 and £7 billion per annum

The execution of the updated strategy is targeted to achieve annual growth in organic service revenue of between 1% and 4% in the period to 31 March 2014. Over the same period we expect that EBITDA margins will stabilise, as we benefit from continued cost efficiency, regional scale and improving margins in a number of markets including India.

We continue to expect that free cash flow generation will remain in the £6.0 billion to £7.0 billion range for the same period underpinning the three year 7% per annum dividend per share growth policy issued in May 2010. We continue to expect that total dividends per share will be no less than 10.18 pence for the 2013 financial year.

The free cash flow target range excludes any incremental benefit that we derive from our strategy to generate liquidity or incremental cash flow from non-controlled assets of the Group such as Verizon Wireless and SFR.

Assumptions

Annual and medium-term guidance is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1: 1.15 and £1:US$1.50. It excludes the impact of licence and spectrum purchases, material one-off tax related payments and restructuring costs and assumes no material change to the current structure of the Group. In addition, the 2011 financial year guidance excludes the impact of the one-off revenue adjustment in Verizon Wireless announced by Verizon Communications in conjunction with its June 2010 results, additional Alltel integration costs and the benefit of the later than expected disposal of certain Alltel divest properties which, in aggregate, reduced Vodafone s adjusted operating profit by £0.1 billion.

UPDATED GUIDANCE

With respect to the 7% per annum dividend per share growth policy, as the Group s free cash flow is predominantly generated by companies operating within the euro currency zone, we have assumed that the euro to sterling exchange rate remains within 10% of the above guidance exchange rate.

Actual exchange rates may vary from the exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by approximately £70 million and free cash flow by approximately £60 million and a 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £45 million. The assumed exchange rates quoted above are those used in conjunction with the guidance set out in May 2010, and have no implication for Vodafone s view of future exchange rate movements.

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FINANCIAL RESULTS

Group(1)(2)

	Europe	Africa and Central Europe	Asia Pacific and Middle East	Verizon Wireless	Common Functions(3)	Eliminations	Six months ended 30 September 2010	2009	% change	
	£m	£m	£m	£m	£m	£m	£m	£m	£	Organic(4)
Voice revenue	8,011	3,093	2,685			(1)	13,788	13,980		
Messaging revenue	1,818	365	298		1		2,482	2,313		
Data revenue	1,744	371	296				2,411	1,880		
Fixed line revenue	1,426	165	55				1,646	1,583		
Other service revenue	546	171	238		2	(55)	902	717		
Service revenue	**13,545**	**4,165**	**3,572**		**3**	**(56)**	**21,229**	**20,473**	**3.7**	**1.7**
Other revenue	753	360	165		111	(15)	1,374	1,288		
Revenue	**14,298**	**4,525**	**3,737**		**114**	**(71)**	**22,603**	**21,761**	**3.9**	**1.8**
Direct costs	(3,432)	(1,197)	(1,076)		(32)	56	(5,681)	(5,303)		
Customer costs	(4,162)	(1,225)	(738)		(135)		(6,260)	(5,795)		
Operating expenses	(1,563)	(751)	(845)		(155)	15	(3,299)	(3,208)		
EBITDA	**5,141**	**1,352**	**1,078**		**(208)**		**7,363**	**7,455**	**(1.2)**	**(2.8)**
Depreciation and amortisation:										
Acquired intangibles	(2)	(371)	(204)				(577)	(592)		
Purchased licences	(484)	(20)	(59)				(563)	(547)		
Other	(1,669)	(542)	(581)		(16)		(2,808)	(2,727)		
Share of result in associates	282	24	5	2,344	(1)		2,654	2,322		
Adjusted operating profit	**3,268**	**443**	**239**	**2,344**	**(225)**		**6,069**	**5,911**	**2.7**	**0.7**
Impairment loss							(800)			
Other income and expense(5)							(56)	157		
Operating profit							**5,213**	**6,068**		
Non-operating income and expense							2,389	(7)		
Net investment income/(financing costs)							638	(314)		
Income tax expense							(736)	(952)		

Profit for the period	**7,504**	**4,795**

Notes:

(1) The Group announced a new organisational structure on 9 September 2010, effective on 1 October 2010. The results presented are in line with the structure as at 30 September 2010.

(2) Current period results reflect average exchange rates of £1: 1.19 and £1:US$1.52.

(3) Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs and excludes income from intercompany royalty fees.

(4) Organic growth includes Vodacom at the current level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

(5) The £56 million loss for the six months ended 30 September 2010 represents the net loss on disposal of certain Alltel investments by Verizon Wireless and is included within the line item Share of results in associates on the condensed consolidated income statement.

FINANCIAL RESULTS

Revenue

Group revenue increased by 3.9% to £22,603 million and Group service revenue increased by 3.7% to £21,229 million, both benefiting from exchange rate movements. On an organic basis Group service revenue increased by 1.7%(*), with a 1.2 percentage point improvement between the first and second quarter as each of the regions delivered improved quarterly service revenue trends.

In Europe service revenue fell by 1.3%(*). However, there was an improving trend as the decline of 0.8%(*) in the second quarter represented a 0.9 percentage point improvement on the first quarter. This was driven by the growth in our northern european businesses which was partially offset by challenging conditions in Spain and Italy.

Both Germany and the UK have built on the positive organic service revenue growth trends in the first quarter, delivering half-year growth of 1.1%(*) and 2.9%(*) respectively. Spain continued to experience intense competitive and economic pressure leading to a 7.1%(*) decline in service revenue. Organic service revenue also declined in Italy where we have responded to significant price competition with tactical promotional investments. European enterprise revenue increased by 0.2%(*) with improved roaming activity and customer wins by Vodafone Global Enterprise. Organic enterprise revenue increased in Germany, Italy and the UK in the second quarter, partially offset by a decline in Spain due to the economic climate.

In Africa and Central Europe service revenue grew by 4.8%(*). The turnaround plan in Turkey has driven half-year service revenue growth of 26.8%(*), with a 5.8 percentage point(*) improvement between the first and second quarters. Vodacom continued to perform well, with strong data revenue growth offsetting weaker voice revenue which was impacted by a termination rate cut. Challenging economic and competitive conditions continued in our Central European businesses, where service revenue growth was also impacted by mobile termination rate cuts.

In Asia Pacific and Middle East service revenue increased by 11.4%(*), driven by an increase in the mobile customer base in India and growth in Qatar, where our mobile customer base is now over 601,000. Our Australian joint venture continued to perform well with service revenue growth of 12.4%(*) in the second quarter.

Operating profit

EBITDA decreased by 1.2% to £7,363 million with a 1.7 percentage point decline in the reported EBITDA margin and a 1.5 percentage point(*) reduction on an organic basis.

In Europe EBITDA decreased by 5.1%(*), with a decline in the reported EBITDA margin of 1.6 percentage points, primarily driven by higher investment in acquisition and retention costs partially offset by operating cost efficiencies.

Africa and Central Europe s EBITDA increased by 6.7%(*), whilst the reported EBITDA margin remained stable, as growth in Vodacom and improvements in Turkey more than offset weakness in Romania.

In Asia Pacific and Middle East EBITDA increased by 11.5%(*), with the reported EBITDA margin increasing by 1.8 percentage points, driven by growth in India and Qatar which was partially offset by weakness in Egypt following competitive pressure on pricing.

Operating profit declined by 14.1% as the increase in the Group s share of results of Verizon Wireless was more than offset by an impairment loss of £800 million in relation to Vodafone Greece, primarily resulting from significant increases in discount rates, and the decline in Group EBITDA. Our share of results in Verizon Wireless, the Group s associate in the United States, increased by 12.6%(*) primarily due to the expanding customer base, robust data revenue and lower acquisition costs partially offset by higher customer retention costs.

Profit for the period increased by 56.5% primarily due to the £2,388 million profit arising on the sale of the Group s 3.2% interest in China Mobile Limited and the impact of the settlement of the UK controlled foreign companies (CFC) tax claim.

FINANCIAL RESULTS

Net investment income/(financing costs)

	Six months ended 30 September 2010 £m	2009 £m
Investment income	1,402	634
Financing costs	(764)	(948)
Net investment income/(financing costs)	**638**	**(314)**
Analysed as:		
Net financing costs before income from investments	(594)	(559)
Potential interest charges arising on settlement of outstanding tax issues(1)	(47)	(108)
Income from investments	201	237
	(440)	**(430)**
Foreign exchange(2)	228	(115)
Equity put rights and similar arrangements(3)	(22)	231
Interest on the CFC settlement(4)	872	
	638	**(314)**

Notes:

(1) Excluding interest credits related to the CFC settlement.

(2) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration on the disposal of Vodafone Japan to SoftBank in April 2006.

(3) Includes foreign exchange movements, accretion expense and fair value charges. Further details of these options are provided on page 23.

(4) See note 4 to the condensed consolidated financial statements for further details.

Net financing costs before income from investments increased from £559 million to £594 million primarily due to a change in the currency mix, with an increased share of net debt denominated in currencies other than euros and US dollars. This was partially offset by a reduction in average interest rates for debt denominated in euros and US dollars. At 30 September 2010 the provision for potential interest charges arising on settlement of outstanding tax issues was £477 million (31 March 2010: £1,312 million), with the reduction reflecting decreased tax provisions following settlement of the UK CFC tax case.

Taxation

	Six months ended 30 September 2010	2009

	£m	£m
Income tax expense	736	952
Tax on adjustments to derive adjusted profit before tax	(235)	(28)
Tax benefit related to settlement of UK CFC tax case	550	
Adjusted income tax expense	**1,051**	**924**
Share of associates tax	322	335
Adjusted income tax expense for purposes of calculating adjusted tax rate	**1,373**	**1,259**
Profit before tax	8,240	5,747
Adjustments to derive adjusted profit before tax(1)	(2,611)	(266)
Adjusted profit before tax	**5,629**	**5,481**
Add: Share of associates tax and non-controlling interest	366	375
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**5,995**	**5,856**
Adjusted effective tax rate	**22.9%**	**21.5%**

Note:

(1) See Earnings per share on page 12.

The adjusted effective tax rate for the year ending 31 March 2011 is expected to be in the mid 20s. This is in line with the adjusted effective tax rate for the year ended 31 March 2010 of 24.0%. The adjusted effective tax rate for the six months ended 30 September 2010 is lower than the expected full year adjusted effective tax rate as a result of the resolution of long standing tax issues in the first half of the year.

Tax on adjustments to derive adjusted profit before tax includes tax payable on the gain on the disposal of the Group s 3.2% interest in China Mobile Limited.

Income tax expense includes a credit of £550 million arising as a result of the settlement of the CFC tax case with the UK tax authorities in July 2010 and a related recognition of a deferred tax asset in relation to the expected use of losses in future years. See note 4 to the condensed consolidated financial statements for further details.

FINANCIAL RESULTS

Earnings per share

Adjusted earnings per share increased by 0.5% to 8.76 pence for the six months ended 30 September 2010 due to growth in adjusted earnings partially offset by a reduction in shares arising from the Group s share buy back programme. Basic earnings per share increased to 14.31 pence primarily due to the gain on disposal of the Group s 3.2% interest in China Mobile Limited and the settlement of the UK CFC tax case partially offset by a £800 million impairment charge in relation to Vodafone Greece.

	Six months ended 30 September	
	2010	2009
	£m	£m
Profit attributable to equity shareholders	**7,542**	**4,820**
Pre-tax adjustments:		
Impairment loss	800	
Other income and expense(1)	56	(157)
Non-operating income and expense	(2,389)	7
Investment income and financing costs(2)	(1,078)	(116)
	(2,611)	**(266)**
Taxation	(315)	28
Adjusted profit attributable to equity shareholders	**4,616**	**4,582**
	Million	Million
Weighted average number of shares outstanding basic	52,701	52,556
Weighted average number of shares outstanding diluted	52,984	52,760

Notes:

(1) The £56 million loss for the six months ended 30 September 2010 represents the net loss on disposal of certain Alltel investments by Verizon Wireless and is included within the line item Share of results in associates on the consolidated income statement.

(2) See notes 2, 3 and 4 in Net investment income/(financing costs) on page 11.

FINANCIAL RESULTS

Europe

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
30 September 2010									
Voice revenue	1,784	1,685	1,738	1,279	1,525		**8,011**		
Messaging revenue	382	414	177	555	290		**1,818**		
Data revenue	584	286	265	359	250		**1,744**		
Fixed line revenue	892	271	157	16	90		**1,426**		
Other service revenue	68	71	103	216	219	(131)	**546**		
Service revenue	**3,710**	**2,727**	**2,440**	**2,425**	**2,374**	**(131)**	**13,545**	**(4.3)**	**(1.3)**
Other revenue	149	125	174	168	139	(2)	**753**		
Revenue	**3,859**	**2,852**	**2,614**	**2,593**	**2,513**	**(133)**	**14,298**	**(4.1)**	**(1.0)**
Direct costs	(931)	(656)	(549)	(780)	(647)	131	**(3,432)**		
Customer costs	(1,052)	(533)	(930)	(949)	(700)	2	**(4,162)**		
Operating expenses	(405)	(307)	(267)	(265)	(319)		**(1,563)**		
EBITDA	**1,471**	**1,356**	**868**	**599**	**847**		**5,141**	**(8.3)**	**(5.1)**
Depreciation and amortisation:									
Acquired intangibles					(2)		**(2)**		
Purchased licences	(216)	(50)	(3)	(166)	(49)		**(484)**		
Other	(437)	(302)	(310)	(295)	(325)		**(1,669)**		
Share of result in associates				(1)	283		**282**		
Adjusted operating profit	**818**	**1,004**	**555**	**137**	**754**		**3,268**	**(10.5)**	**(7.1)**
EBITDA margin	**38.1%**	**47.5%**	**33.2%**	**23.1%**	**33.7%**		**36.0%**		
30 September 2009									
Voice revenue	1,964	1,876	1,994	1,398	1,767	(1)	**8,998**		
Messaging revenue	384	445	203	479	299		**1,810**		
Data revenue	470	243	239	282	226		**1,460**		
Fixed line revenue	923	255	157	15	69		**1,419**		
Other service revenue	69	69	134	182	174	(155)	**473**		
Service revenue	**3,810**	**2,888**	**2,727**	**2,356**	**2,535**	**(156)**	**14,160**		
Other revenue	132	100	221	157	142	(1)	**751**		
Revenue	**3,942**	**2,988**	**2,948**	**2,513**	**2,677**	**(157)**	**14,911**		
Direct costs	(863)	(684)	(591)	(786)	(663)	156	**(3,431)**		
Customer costs	(1,058)	(520)	(992)	(859)	(701)	1	**(4,129)**		
Operating expenses	(464)	(339)	(293)	(285)	(366)		**(1,747)**		
EBITDA	**1,557**	**1,445**	**1,072**	**583**	**947**		**5,604**		
Depreciation and amortisation:									
Acquired intangibles		(10)	(2)	(6)			**(18)**		
Purchased licences	(220)	(50)	(4)	(166)	(44)		**(484)**		
Other	(457)	(300)	(321)	(336)	(346)		**(1,760)**		
Share of result in associates					309		**309**		
Adjusted operating profit	**880**	**1,085**	**745**	**75**	**866**		**3,651**		
EBITDA margin	**39.5%**	**48.4%**	**36.4%**	**23.2%**	**35.4%**		**37.6%**		
Change at constant exchange rates	**%**	**%**	**%**	**%**	**%**				
Voice revenue	(5.7)	(6.7)	(9.4)	(8.5)	(10.4)				
Messaging revenue	3.3	(3.2)	(9.7)	15.9	0.7				
Data revenue	29.1	22.2	15.1	27.3	15.0				
Fixed line revenue	0.4	10.0	3.9	6.7	37.5				
Other service revenue	1.7	7.3	(20.6)	18.7	30.9				
Service revenue	**1.1**	**(1.9)**	**(7.1)**	**2.9**	**(2.7)**				
Other revenue	17.4	28.1	(18.7)	7.0	3.3				
Revenue	**1.7**	**(0.9)**	**(7.9)**	**3.2**	**(2.4)**				
Direct costs	11.8	(0.3)	(3.5)	(0.8)	1.6				
Customer costs	3.4	6.2	(2.7)	10.5	3.4				

Operating expenses	(9.0)	(6.1)	(5.7)	(7.0)	(9.0)
EBITDA	**(2.0)**	**(2.6)**	**(15.9)**	**2.7**	**(6.9)**
Depreciation and amortisation:					
Acquired intangibles(1)		N.M	N.M	N.M	N.M
Purchased licences	2.4	4.2	(25.0)		14.0
Other	(0.5)	4.1	0.3	(12.2)	(2.1)
Share of result in associates					(5.3)
Adjusted operating profit	**(3.7)**	**(3.9)**	**(22.7)**	**84.1**	**(9.4)**
EBITDA margin movement (pps)	**(1.4)**	**(0.9)**	**(3.2)**	**(0.1)**	**(1.7)**

Note:

(1) Percentage change not meaningful (N.M.).

FINANCIAL RESULTS

Revenue decreased by 4.1% including a 3.1% impact from unfavourable exchange rate movements. On an organic basis service revenue declined by 1.3%(*) reflecting reductions in the Group s southern european markets partially offset by growth in Germany, the UK and the Netherlands. The decline was primarily driven by lower voice revenue resulting from continued market and regulatory pressure on pricing and the continuing challenging economic climate, partially offset by growth in data and fixed line revenue.

EBITDA decreased by 8.3% including a 3.2% impact from unfavourable exchange rate movements. On an organic basis EBITDA decreased by 5.1%(*), with a 1.6 percentage point decline in the reported EBITDA margin, resulting from a reduction in service revenue in most markets and higher customer investment partially offset by operating cost savings.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue - Europe	**(1.0)**		**(3.1)**	**(4.1)**
Service revenue				
Germany	1.1		(3.7)	(2.6)
Italy	(1.9)		(3.7)	(5.6)
Spain	(7.1)		(3.4)	(10.5)
UK	2.9			2.9
Other Europe	(2.7)		(3.7)	(6.4)
Europe	**(1.3)**		**(3.0)**	**(4.3)**
EBITDA				
Germany	(2.0)		(3.5)	(5.5)
Italy	(2.6)		(3.6)	(6.2)
Spain	(15.9)		(3.1)	(19.0)
UK	2.7			2.7
Other Europe	(6.9)		(3.7)	(10.6)
Europe	**(5.1)**		**(3.2)**	**(8.3)**
Adjusted operating profit				
Germany	(3.7)		(3.3)	(7.0)
Italy	(3.9)		(3.6)	(7.5)
Spain	(22.7)		(2.8)	(25.5)
UK	84.1			84.1
Other Europe	(9.4)		(3.5)	(12.9)
Europe	**(7.1)**		**(3.4)**	**(10.5)**

Germany

Service revenue increased by 1.1%(*), with 2.1%(*) growth in the second quarter from improved voice and messaging trends supported by increased penetration of higher value customers and the economic recovery. Data growth continued to be strong, driven by higher penetration of smartphones and the Superflat Internet tariff. Fixed line revenue, whilst impacted by competitive pressures, remained stable(*).

EBITDA declined by 2.0%(*), with a 1.4 percentage point reduction in the EBITDA margin, driven by investment in customer acquisition and retention which contributed to the improved revenue trend, partially offset by operating cost efficiencies.

Italy

Service revenue declined by 1.9%(*) primarily driven by a more challenging economic and competitive environment as well the impact of a termination rate cut effective from 1 July 2009. Growth in the second quarter improved by 1.2 percentage points(*) in comparison to the previous quarter, benefiting from higher messaging, mobile data and enterprise revenue. Mobile data revenue grew strongly, driven by higher penetration of smartphones and PC connectivity devices. Fixed line revenue continued to grow due to a rise in the broadband customer base partially offset by decreasing fixed voice usage.

EBITDA decreased by 2.6%(*), with a fall in the EBITDA margin of 0.9 percentage points, as a result of the decline in revenue and commercial investments in acquisition and retention costs of mobile contract and fixed line customers, partially offset by continuing operating cost efficiencies.

FINANCIAL RESULTS

Spain

Service revenue declined by 7.1%(*) impacted by a termination rate cut effective from October 2009 as well as continued intense competition and economic weakness, including high unemployment. Despite this the average contract customer base grew by 4.8% with strong data revenue growth driven by mobile internet and an increase in smartphones sold with data bundles. Fixed line revenue continued to grow, with a 34.3% increase in the broadband customer base compared to 30 September 2009.

EBITDA declined 15.9%(*), with a 3.2 percentage point fall in the EBITDA margin, due to lower service revenue, the dilutive effect of lower margin fixed line services and a positive legal settlement in the previous year, which combined more than offset the reduction in overhead costs.

UK

Service revenue increased by 2.9%(*), with 5.2%(*) growth in the second quarter, supported by contract customer base growth, better churn management, improved ARPU and expanded indirect distribution channels. Growth was also supported by the timing of prior year termination rate reductions and roaming promotions. Data revenue growth remained strong with increasing penetration of smartphones and mobile internet bundles. These more than offset continued intense competition and weaker prepaid revenue.

EBITDA increased by 2.7%(*), while the margin remained stable, as the increased investment in customer acquisition and retention costs was offset by the higher revenue and operating cost efficiencies.

Other Europe

Service revenue decreased by 2.7%(*) with declines in all countries except the Netherlands as all markets were impacted by the economic downturn. In the Netherlands service revenue increased by 6.2%(*) due to strong customer base development, supported by messaging and wholesale growth.

EBITDA declined by 6.9%(*) and the margin fell by 1.7 percentage points, with declines in all markets except the Netherlands as the lower service revenue and investment in customer acquisition and retention was partially offset by operating cost efficiencies.

FINANCIAL RESULTS

Africa and Central Europe

	Vodacom £m	Other Africa and Central Europe £m	Africa and Central Europe £m	% change £	Organic(1)
30 September 2010					
Voice revenue	1,706	1,387	**3,093**		
Messaging revenue	150	215	**365**		
Data revenue	254	117	**371**		
Fixed line revenue	101	64	**165**		
Other service revenue	99	72	**171**		
Service revenue	**2,310**	**1,855**	**4,165**	**20.1**	**4.8**
Other revenue	302	58	**360**		
Revenue	**2,612**	**1,913**	**4,525**	**21.0**	**5.0**
Direct costs	(567)	(630)	**(1,197)**		
Customer costs	(773)	(452)	**(1,225)**		
Operating expenses	(406)	(345)	**(751)**		
EBITDA	**866**	**486**	**1,352**	**21.7**	**6.7**
Depreciation and amortisation:					
Acquired intangibles	(291)	(80)	**(371)**		
Purchased licences		(20)	**(20)**		
Other	(231)	(311)	**(542)**		
Share of result in associates	(1)	25	**24**		
Adjusted operating profit	**343**	**100**	**443**	**69.1**	**12.6**
EBITDA margin	**33.2%**	**25.4%**	**29.9%**		
30 September 2009					
Voice revenue	1,352	1,344	**2,696**		
Messaging revenue	103	171	**274**		
Data revenue	137	88	**225**		
Fixed line revenue	83	43	**126**		
Other service revenue	63	85	**148**		
Service revenue	**1,738**	**1,731**	**3,469**		
Other revenue	210	60	**270**		
Revenue	**1,948**	**1,791**	**3,739**		
Direct costs	(468)	(574)	**(1,042)**		
Customer costs	(473)	(401)	**(874)**		
Operating expenses	(356)	(356)	**(712)**		
EBITDA	**651**	**460**	**1,111**		
Depreciation and amortisation:					
Acquired intangibles	(278)	(104)	**(382)**		
Purchased licences		(15)	**(15)**		
Other	(176)	(297)	**(473)**		
Share of result in associates	(1)	22	**21**		
Adjusted operating profit	**196**	**66**	**262**		
EBITDA margin	**33.4%**	**25.7%**	**29.7%**		
Change at constant exchange rates	%	%			
Voice revenue	12.9	2.5			
Messaging revenue	29.3	24.3			
Data revenue	64.1	33.2			
Fixed line revenue	17.4	40.8			
Other service revenue	46.8	(17.0)			
Service revenue	**19.3**	**6.2**			
Other revenue	26.8	(5.4)			
Revenue	**20.1**	**5.8**			
Direct costs	10.0	7.8			

Customer costs	44.9	11.2
Operating expenses	4.1	(5.7)
EBITDA	**17.8**	**7.7**
Depreciation and amortisation:		
Acquired intangibles	(8.5)	(21.6)
Purchased licences		33.3
Other	19.7	4.0
Share of result in associates	(10.9)	15.9
Adjusted operating profit	**53.7**	**75.8**
EBITDA margin movement (pps)	**(0.6)**	**0.4**

Note:

(1) Organic growth includes Vodacom at the current level of ownership.

FINANCIAL RESULTS

Revenue grew by 21.0% benefiting from the treatment of Vodacom as a subsidiary and the full consolidation of its results from 18 May 2009 combined with a benefit from foreign exchange rate movements. On an organic basis service revenue grew by 4.8%(*) as the growth in Vodacom and Turkey more than offset declines in the rest of the region which were impacted by difficult economic environments and mobile termination rate cuts.

EBITDA increased by 21.7% also benefiting from the full consolidation of Vodacom and positive foreign exchange rate movements. On an organic basis EBITDA increased by 6.7%(*) due to growth in Vodacom and improvements in Turkey more than offsetting weakness in Romania.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue Africa and Central Europe	**5.0**	**8.6**	**7.4**	**21.0**
Service revenue				
Vodacom	4.5	14.8	13.6	32.9
Other Africa and Central Europe	5.1	1.1	1.0	7.2
Africa and Central Europe	**4.8**	**8.3**	**7.0**	**20.1**
EBITDA				
Vodacom	6.4	11.4	15.2	33.0
Other Africa and Central Europe	7.2	0.5	(2.0)	5.7
Africa and Central Europe	**6.7**	**7.3**	**7.7**	**21.7**
Adjusted operating profit				
Vodacom	6.7	47.0	21.3	75.0
Other Africa and Central Europe	73.4	2.4	(24.3)	51.5
Africa and Central Europe	**12.6**	**45.5**	**11.0**	**69.1**

Vodacom

Service revenue grew by 4.5%(*) driven by South Africa where growth in data revenue partially offset a decline in voice revenue caused by a termination rate cut effective from 1 March 2010. Voice usage improved due to successful promotions particularly in off-peak periods.

EBITDA grew by 6.4%(*) driven by the increase in service revenue, strong handset sales and lower interconnection costs.

Other Africa and Central Europe

Service revenue grew by 5.1%(*) primarily driven by strong growth in Turkey which was partially offset by the continued impact of weak economic conditions throughout Central Europe and termination rate cuts. Service revenue in Turkey grew by 26.8%(*) despite a 52% cut in termination rates effective from 1 April 2010. The increase was driven by strong growth in the contract customer base and ARPU enhancement. In Romania service revenue declined by 13.0%(*) impacted by continued pricing competition and challenging economic conditions.

EBITDA increased by 7.2%(*) as growth in Turkey (which increased its EBITDA margin by 8.7 percentage points) more than offset the impact of the revenue decline in Romania. EBITDA margin for the rest of the region remained broadly stable as cost reductions offset the revenue declines.

FINANCIAL RESULTS

Asia Pacific and Middle East

	India £m	Other Asia Pacific and Middle East £m	Eliminations £m	Asia Pacific and Middle East £m	% change £	% change Organic(1)
30 September 2010						
Voice revenue	1,499	1,186		**2,685**		
Messaging revenue	79	219		**298**		
Data revenue	111	185		**296**		
Fixed line revenue	3	52		**55**		
Other service revenue	161	77		**238**		
Service revenue	**1,853**	**1,719**		**3,572**	**22.2**	**11.4**
Other revenue	21	144		**165**		
Revenue	**1,874**	**1,863**		**3,737**	**21.4**	**10.9**
Direct costs	(531)	(545)		**(1,076)**		
Customer costs	(251)	(487)		**(738)**		
Operating expenses	(604)	(241)		**(845)**		
EBITDA	**488**	**590**		**1,078**	**29.6**	**11.5**
Depreciation and amortisation:						
Acquired intangibles	(180)	(24)		**(204)**		
Purchased licences		(59)		**(59)**		
Other	(302)	(279)		**(581)**		
Share of result in associates		5		**5**		
Adjusted operating profit	**6**	**233**		**239**	**81.1**	**30.3**
EBITDA margin	**26.0%**	**31.7%**		**28.8%**		
30 September 2009						
Voice revenue	1,225	1,063		**2,288**		
Messaging revenue	45	183		**228**		
Data revenue	83	112		**195**		
Fixed line revenue	1	37		**38**		
Other service revenue	105	70	(1)	**174**		
Service revenue	**1,459**	**1,465**	**(1)**	**2,923**		
Other revenue	26	130		**156**		
Revenue	**1,485**	**1,595**	**(1)**	**3,079**		
Direct costs	(427)	(457)	1	**(883)**		
Customer costs	(210)	(423)		**(633)**		
Operating expenses	(491)	(240)		**(731)**		
EBITDA	**357**	**475**		**832**		
Depreciation and amortisation:						
Acquired intangibles	(168)	(24)		**(192)**		
Purchased licences		(48)		**(48)**		
Other	(232)	(232)		**(464)**		
Share of result in associates		4		**4**		
Adjusted operating profit	**(43)**	**175**		**132**		
EBITDA margin	**24.0%**	**29.8%**		**27.0%**		
Change at constant exchange rates	%	%				
Voice revenue	10.4	1.2				
Messaging revenue	57.9	4.0				
Data revenue	20.3	46.6				
Fixed line revenue	253.9	24.2				
Other service revenue	39.2	(0.5)				
Service revenue	**14.7**	**5.6**				
Other revenue	(26.7)	(3.0)				
Revenue	**13.9**	**4.9**				

Direct costs	11.9	7.0
Customer costs	8.5	0.6
Operating expenses	11.0	(10.3)
EBITDA	**23.5**	**14.7**
Depreciation and amortisation:		
Acquired intangibles	(3.2)	(11.1)
Purchased licences		156.5
Other	17.5	(2.4)
Share of result in associates		32.3
Adjusted operating profit	**(111.6)**	**28.3**
EBITDA margin movement (pps)	**2.0**	**2.8**

Note:

(1) Organic growth excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

FINANCIAL RESULTS

Revenue increased by 21.4% including a benefit from foreign exchange rate movements offset in part by the impact of the creation of a joint venture in June 2009 between Vodafone Australia and Hutchison 3G Australia which is presented under the M&A activity column in the table below. On an organic basis service revenue grew by 11.4%(*) driven by the 38.8%(*) rise in the average customer base and strong data revenue growth.

EBITDA grew by 29.6% with favourable foreign exchange rate movements contributing 11.1 percentage points of growth plus a strong contribution from the creation of the joint venture in Australia. On an organic basis EBITDA grew by 11.5%(*) driven primarily by growth in India, which together with improvements in Qatar and New Zealand, were partially offset by a decline in Egypt following competitive pressure on pricing.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue Asia Pacific and Middle East	**10.9**	**(1.7)**	**12.2**	**21.4**
Service revenue				
India	14.7		12.3	27.0
Other Asia Pacific and Middle East	6.1	(0.5)	11.7	17.3
Asia Pacific and Middle East	**11.4**	**(1.3)**	**12.1**	**22.2**
EBITDA				
India	23.5		13.2	36.7
Other Asia Pacific and Middle East	1.1	13.6	9.5	24.2
Asia Pacific and Middle East	**11.5**	**7.0**	**11.1**	**29.6**
Adjusted operating profit				
India(1)	111.6		2.4	114.0
Other Asia Pacific and Middle East	0.6	27.7	4.8	33.1
Asia Pacific and Middle East	**30.3**	**48.5**	**2.3**	**81.1**

Note:

(1) The absolute number has changed from an operating loss to an operating profit.

India

Service revenue grew by 14.7%(*) including a 2.3 percentage point(*) benefit from Indus Towers, the Group s network sharing joint venture. Growth was driven by a 42.7% increase in the average mobile customer base and strong usage per customer partially offset by a fall in the effective rate per minute due to an increase in the penetration of lower priced tariffs into the customer base.

EBITDA increased by 23.5%(*) driven by the increase in the customer base, efficiencies in the mobile business, which absorbed pricing and cost pressures, and an increased contribution from Indus Towers.

Other Asia Pacific and Middle East

Service revenue grew by 6.1%(*) driven by growth in Qatar, where the customer base reached 601,000 at 30 September 2010. In Egypt service revenue declined by 0.8%(*) as termination rate cuts introduced in the fourth quarter of the previous financial year combined with competitive pressures on voice pricing offset an increase in the average customer base and strong data revenue growth driven by higher mobile internet usage.

EBITDA increased by 1.1%(*) driven by the growth of commercial services in Qatar partially offset by a decline in Egypt resulting primarily from a lower effective price per minute.

Vodafone Hutchison Australia (VHA) continued to perform well with service revenue growth for the quarter ended 30 September 2010 of 12.4%(*) driven by strong data revenue and customer growth. Integration remains on track to achieve planned synergies, with significant progress made against key milestones during the period. On 21 October 2010 VHA announced it had agreed to conclude its joint venture radio access network agreement with Telstra by August 2012. The Vodafone and 3 networks will be merged to make full use of VHA s base stations, core network and spectrum assets.

FINANCIAL RESULTS

Verizon Wireless(1)(2)

	Six months ended 30 September			
	2010	2009	% change	
	£m	£m	£	Organic(3)
Service revenue	8,692	7,872	10.4	5.2
Revenue	9,372	8,583	9.2	4.2
EBITDA	3,753	3,349	12.1	7.8
Interest	(134)	(182)	(26.4)	
Tax(2)	(146)	(149)	(2.0)	
Group s share of result in Verizon Wireless	2,344	1,988	17.9	12.6
KPIs (100% basis)				
Customers (000)	93,170	89,013		
Average monthly ARPU (US$)	53.4	54.6		
Churn	15.8%	17.2%		
Messaging and data as a percentage of service revenue	31.5%	27.9%		

Notes:

(1) All amounts represent the Group s share unless otherwise stated.

(2) The Group s share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group s share of the partnership s pre-tax profit is included within the Group tax charge.

(3) Organic growth rates include the impact of a non-cash revenue adjustment which was recorded to defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent organic growth rates for service revenue, revenue, EBITDA and the Group s share of result in Verizon Wireless would have been 6.2%, 5.2%, 10.3% and 16.5% respectively.

In the United States Verizon Wireless reported 2.4 million net mobile customer additions bringing its closing mobile customer base to 93.2 million, up 4.7%. Customer growth reflected recent market trends towards the prepaid segment alongside market leading customer churn.

Service revenue growth of 5.2%(*) was driven by the expanding customer base and robust data revenue primarily derived from growth in the penetration of smartphones.

The EBITDA margin remained strong despite the competitive challenges and economic environment. Efficiencies in operating expenses and lower acquisition costs resulting from lower volumes have been partly offset by a higher level of customer retention costs reflecting the increased demand for smartphones.

As part of the regulatory approval for the Alltel acquisition, Verizon Wireless was required to divest overlapping properties in 105 markets. On 26 April 2010 Verizon Wireless completed the sale of network and licence assets in 26 markets, corresponding to 0.9 million customers, to Atlantic Tele-Network for US$0.2 billion. On 22 June 2010 Verizon Wireless completed the sale of network assets and mobile licences in the remaining 79 markets to AT&T Mobility for US$2.4 billion. As a result the Verizon Wireless customer base reduced by approximately 2.1 million net customers on a 100% basis, partially offset by certain adjustments in relation to the Alltel acquisition.

On 23 August 2010 Verizon Wireless acquired a spectrum licence, network assets and related customers in southwest Mississippi and in Louisiana, formerly owned by Centennial Communications Corporation, from AT&T Inc. for cash consideration of US$0.2 billion. This acquisition was made to enhance Verizon Wireless network coverage in these two locations.

Verizon Wireless net debt at 30 September 2010 totalled US$14.3 billion (31 March 2010: US$22.4 billion).

LIQUIDITY AND CAPITAL RESOURCES

Cash flows and funding

	Six months ended 30 September		
	2010	2009	
	£m	£m	%
Cash generated by operations	7,331	7,577	(3.2)
Cash capital expenditure(1)	(2,677)	(2,789)	
Disposal of intangible assets and property, plant and equipment	15	18	
Operating free cash flow	**4,669**	**4,806**	**(2.9)**
Taxation	(1,091)	(848)	
Dividends received from associates and investments(2)	784	725	
Dividends paid to non-controlling shareholders in subsidiaries	(234)	(3)	
Interest received and paid	(639)	(677)	
Free cash flow	**3,489**	**4,003**	**(12.8)**
Acquisitions and disposals(3)	(22)	(2,497)	
Licence and spectrum payments	(2,937)	(975)	
Contributions from non-controlling shareholders in subsidiaries(4)		613	
Equity dividends paid	(2,976)	(2,742)	
Purchase of treasury shares	(146)		
Foreign exchange	825	1,964	
Other(5)	4,626	(144)	
Net debt decrease	**2,859**	**222**	
Opening net debt	(33,316)	(34,223)	
Closing net debt	**(30,457)**	**(34,001)**	**(10.4)**

Notes:

(1) Cash paid for purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments.

(2) The six months ended 30 September 2010 includes £700 million (2009: £584 million) from the Group s interest in Verizon Wireless.

(3) The six months ended 30 September 2010 includes net cash and cash equivalents paid of £22 million (2009: £1,650 million) and assumed debt of £nil (2009: £847 million).

(4) The six months ended 30 September 2010 includes £nil (2009: £613 million) in relation to Qatar.

(5) The six months ended 30 September 2010 includes £4,269 million in relation to the disposal of the Group s 3.2% interest in China Mobile Limited.

Free cash flow decreased by 12.8% to £3,489 million due to lower cash generated from operations, higher payments for taxation and dividends to non-controlling interests in subsidiaries, partially offset by lower payments for capital expenditure and increased dividends received from Verizon Wireless.

Cash generated by operations decreased by 3.2% to £7,331 million primarily driven by the decline in EBITDA and an adverse change in working capital, with improvements in Africa and Central Europe and Asia Pacific and Middle East regions offset by a

decline in Europe. Cash capital expenditure decreased by £112 million primarily due to lower expenditure in India. The Group also invested £2,937 million in licences and spectrum including £1,725 million in respect of India and £1,210 million in respect of Germany.

Payments for taxation increased by 28.7% to £1,091 million primarily due to the absence of the one-time benefit of additional tax deductions which were available in Italy in the prior financial year.

Dividends received from associates and investments increased by 8.1% to £784 million mainly as a result of higher tax distributions from Verizon Wireless and the impact of foreign exchange rate movements.

Net interest payments decreased by 5.6% to £639 million primarily due to lower interest rates for debt denominated in euros and US dollars partially offset by a proportionate increase in the amount of ZAR and INR denominated debt.

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An analysis of net debt is as follows:

	30 September 2010 £m	31 March 2010 £m
Cash and cash equivalents(1)	**9,113**	**4,423**
Short-term borrowings		
Bonds	(624)	(1,174)
Commercial paper(2)	(2,201)	(2,563)
Put options over non-controlling interests	(3,179)	(3,274)
Bank loans	(4,331)	(3,460)
Other short-term borrowings(1)	(1,154)	(692)
	(11,489)	**(11,163)**
Long-term borrowings		
Put options over non-controlling interests	(79)	(131)
Bonds, loans and other long-term borrowings	(30,557)	(28,501)
	(30,636)	**(28,632)**
Other financial instruments(3)	2,555	2,056
Net debt	**(30,457)**	**(33,316)**

Notes:

(1) At 30 September 2010 the amount includes £1,154 million (31 March 2010: £604 million) in relation to cash received under collateral support agreements.

(2) At 30 September 2010 US$75 million was drawn under the US commercial paper programme and amounts of 2,386 million, £71 million and US$25 million were drawn under the euro commercial paper programme.

(3) Comprises i) mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (30 September 2010: £2,799 million; 31 March 2010: £2,128 million) and trade and other payables (30 September 2010: £783 million; 31 March 2010: £460 million); ii) short-term investments primarily in index linked government bonds included as a component of other investments (30 September 2010: £539 million; 31 March 2010: £388 million).

Net debt decreased by £2,859 million to £30,457 million primarily due to the £4,269 million proceeds from the disposal of the Group s 3.2% interest in China Mobile Limited and the impact of foreign exchange rate movements which decreased net debt by £834 million. Other key factors impacting net debt were the £2,976 million of dividend payments to shareholders and £2,937 million of licence and spectrum purchases, largely in India and Germany, partially offset by the £3,489 million of free cash flow generated during the period.

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

	Maturity	30 September 2010 £m
US$5.0 billion committed revolving credit facility provided by 28 banks(1)	June 2012	3,195
4 billion committed revolving credit facility provided by 30 banks(1)	July 2015	3,464
Other committed credit facilities	Various	1,687
Undrawn committed facilities		**8,346**

Note:

(1) Both facilities support US and euro commercial paper programmes of up to US$15 billion and £5 billion respectively.

The Group s £2,201 million of commercial paper maturing within one year is covered 3.8 times by the £8.3 billion of undrawn credit facilities. In addition, the Group has historically generated significant amounts of free cash flow which can be allocated to pay dividends, repay maturing borrowings and pay for discretionary spending. The Group currently expects to continue generating significant amounts of free cash flow.

The Group has a 30 billion euro medium-term note (EMTN) programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 30 September 2010 the total amounts in issue under these programmes split by currency were US$13.3 billion, £2.6 billion, 10.6 billion and other currencies £0.2 billion sterling equivalent.

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At 30 September 2010 the Group had bonds outstanding with a nominal value of £20,350 million (31 March 2010: £21,963 million). In the six months ended 30 September 2010 one bond was issued on 11 August 2010 for US$100 million (£64 million) under the Group s EMTN programme. The bond matures on 11 August 2011.

Information on the maturities of the Group s other outstanding bonds is included on pages 105 to 107 of the Group s 2010 annual report.

On 17 August 2010 the Group raised US$1.4 billion (£890 million) through a US private placement with a maturity of 17 August 2015.

Dividends

In May 2010 the directors issued a dividend per share growth policy of at least 7% per annum for each of the financial years in the period ending 31 March 2013.

Accordingly, the directors have announced an interim dividend of 2.85 pence per share representing a 7.1% increase over last year s interim dividend.

The ex-dividend date is 17 November 2010 for ordinary shareholders, the record date for the interim dividend is 19 November 2010 and the dividend is payable on 4 February 2011. Dividend payments on ordinary shares will be paid by direct credit into a nominated bank or building society account or, alternatively, into the Company s dividend reinvestment plan. The Company no longer pays dividends by cheque. Ordinary shareholders who have not already done so should provide appropriate bank account details to us. Please refer to www.vodafone.com/investor for further information.

Share buy back programme

Following the disposal of the Group s 3.2% interest in China Mobile Limited on 10 September 2010, the Group initiated a £2.8 billion share buy back programme. In addition to ordinary market purchases, the Group placed irrevocable purchase instructions with a number of banks prior to the start of the close period in relation to the publication of these half-year results so that the repurchases could continue during this period. Details of the shares purchased to date are:

Date of share purchase	Total number of shares purchased 000	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under publicly announced share buy back programme(1) 000	Maximum value of shares that may yet be purchased under the programme £m
September 2010	115,400	161.78	115,400	2,613
October 2010(2)	187,500	165.50	302,900	2,303
November 2010(2)	47,000	173.50	349,900	2,221
Total	349,900	165.35	349,900	2,221

Notes:

(1) No shares were purchased outside the publicly announced share buy back programme.

(2) Includes those shares purchased between 1 October 2010 and 8 November 2010 under irrevocable purchase instructions.

Option agreements and similar arrangements

The Group is party to a number of option agreements which could result in it being required to pay cash to maintain or increase its equity interests in its operations in India and the United States.

In relation to India, the Group granted put options exercisable between 8 May 2010 and 8 May 2011 to members of the Essar group of companies that, if exercised, would allow the Essar group to sell its 33% shareholding in Vodafone Essar to the Group for US$5 billion or to sell up to US$5 billion worth of Vodafone Essar shares to the Group at an independently appraised fair market value.

Vodafone agreed to adjust the payments that would be made under the fair market value put arrangements with the Essar group, in order to take account of the upfront cost of 3G licences, based on the total price of the licences

LIQUIDITY AND CAPITAL RESOURCES

secured. This amount has been calculated as INR 34 billion (£510 million) and is payable in the event that the Essar group exercises its put option to sell some or all of its Vodafone Essar Limited shares at fair market value provided that the maximum aggregate amount payable shall not exceed US$5 billion. This additional amount is not payable in the event that the Essar group decides to sell its 33% shareholding in Vodafone Essar Limited at the underwritten value of US$5 billion.

Details of other call and put option agreements, including those in relation to the United States, are available on page 44 of the Group s 2010 annual report.

OTHER SIGNIFICANT DEVELOPMENTS

Indian tax case

Vodafone International Holdings B.V. (VIHBV) believes that it has no liability for Indian withholding taxes on the Hutchison transaction in 2007 and continued to take actions to defend itself vigorously both during and after the six months ended 30 September 2010. On 22 October 2010 the Indian tax authorities issued a demand for payment of INR 112.2 billion (£1.6 billion) tax and interest and VIHBV has contested the amount of such demand both on the basis that no tax was due in any event and on the basis of the calculation. Further details are set out on page 35.

RISK FACTORS

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

- adverse macro economic conditions in the markets in which the Group operates;
- the continued volatility of worldwide financial markets may make it more difficult for the Group to raise capital externally;
- decisions and changes in the Group s fiscal and regulatory environment;
- increased competition may affect the Group s revenue and market share;
- delays in the development of handsets and network compatibility and components may hinder the deployment of new technologies;
- the Group may experience a decline in revenue or profitability notwithstanding its efforts to increase revenue from the introduction of new services;
- the non-achievement of expected benefits from cost reduction initiatives;
- the Group s global footprint may present exposure to unpredictable economic, political, regulatory and legal risks;
- the Group s strategic objectives may be impeded by the fact that it does not have a controlling interest in some of its ventures;
- expected benefits from investment in networks, licences and new technology may not be realised;
- the Group s business and its ability to retain customers and attract new customers may be impaired by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment; and
- the Group s business may be adversely affected by the non-supply of equipment and support services by a major supplier.

In addition to the above the Group is exposed to financial risks arising from external factors including unfavourable movements in foreign exchange rates, interest rates and other factors such as long-term economic growth rates, all of which may impact the Group s financial performance. Other risks that could have a significant effect on the Group s financial performance for the six months ending 31 March 2011 and which are outside the Group s control include the willingness and ability of third parties, including regulators, tax authorities and commercial partners, to engage and reach agreement on open matters.

Any of the above and/or changes in assumptions underlying the carrying value of certain Group assets could result in asset impairments.

Further information in relation to these risk factors and uncertainties can be found on pages 38 to 39 of the Group s 2010 annual report which can be found on www.vodafone.com/investor ..

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ; and
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

Neither the Company nor the directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

By Order of the Board

Rosemary Martin

Group General Counsel and Company Secretary

9 November 2010

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

	Note	Six months ended 30 September 2010 £m	2009 £m
Revenue	2	**22,603**	**21,761**
Cost of sales		(15,062)	(14,115)
Gross profit		**7,541**	**7,646**
Selling and distribution expenses		(1,526)	(1,479)
Administrative expenses		(2,600)	(2,578)
Share of result in associates		2,598	2,322
Impairment loss	3	(800)	
Other income and expense			157
Operating profit	2	**5,213**	**6,068**
Non-operating income and expense	10	2,389	(7)
Investment income		1,402	634
Financing costs		(764)	(948)
Profit before taxation		**8,240**	**5,747**
Income tax expense	4	(736)	(952)
Profit for the period		**7,504**	**4,795**
Attributable to:			
Equity shareholders		7,542	4,820
Non-controlling interests		(38)	(25)
		7,504	**4,795**
Earnings per share			
Basic	5	14.31p	9.17p
Diluted	5	14.23p	9.14p

Consolidated statement of comprehensive income

	Note	Six months ended 30 September 2010 £m	2009 £m
Gains on revaluation of available-for-sale investments, net of tax		328	501
Foreign exchange translation differences, net of tax		(2,444)	(2,193)
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax		(116)	47
Revaluation gain			963
Foreign exchange gains transferred to the income statement			(84)
Fair value (gains)/losses transferred to the income statement	10	(2,196)	3
Other, net of tax		3	25
Other comprehensive loss		**(4,425)**	**(738)**
Profit for the period		7,504	4,795
Total comprehensive income for the period		**3,079**	**4,057**
Attributable to:			
Equity shareholders		3,114	4,113

Non-controlling interests	(35)	(56)
	3,079	**4,057**

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

	30 September 2010 £m	31 March 2010 £m
Non-current assets		
Goodwill	49,722	51,838
Other intangible assets	24,080	22,420
Property, plant and equipment	19,392	20,642
Investments in associates	36,969	36,377
Other investments	3,951	7,591
Deferred tax assets	1,532	1,033
Post employment benefits	37	34
Trade and other receivables	3,334	2,831
	139,017	**142,766**
Current assets		
Inventory	572	433
Taxation recoverable	202	191
Trade and other receivables	8,908	8,784
Other investments	539	388
Cash and cash equivalents	9,113	4,423
	19,334	**14,219**
Total assets	**158,351**	**156,985**
Equity		
Called up share capital	4,153	4,153
Additional paid-in capital	153,597	153,509
Treasury shares	(7,863)	(7,810)
Retained losses	(75,266)	(79,655)
Accumulated other comprehensive income	15,746	20,184
Total equity shareholders funds	**90,367**	**90,381**
Non-controlling interests	2,995	3,379
Put options over non-controlling interests	(2,819)	(2,950)
Total non-controlling interests	**176**	**429**
Total equity	**90,543**	**90,810**
Non-current liabilities		
Long-term borrowings	30,636	28,632
Taxation liabilities	350	
Deferred tax liabilities	5,514	7,377
Post employment benefits	351	237
Provisions	491	497
Trade and other payables	900	816
	38,242	**37,559**
Current liabilities		
Short-term borrowings	11,489	11,163
Taxation liabilities	4,055	2,874
Provisions	476	497
Trade and other payables	13,546	14,082
	29,566	**28,616**
Total equity and liabilities	**158,351**	**156,985**

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

	Share capital £m	Additional paid-in capital £m	Treasury shares £m	Accumulated comprehensive income £m	Equity shareholders funds £m	Non-controlling interests £m	Total equity £m
1 April 2009	4,153	153,348	(8,036)	(63,303)	**86,162**	(1,385)	**84,777**
Issue or reissue of shares			132	(101)	**31**		**31**
Share-based payment		76			**76**		**76**
Acquisition of subsidiaries						1,610	**1,610**
Comprehensive income				4,113	**4,113**	(56)	**4,057**
Dividends				(2,731)	**(2,731)**	(3)	**(2,734)**
Other			37	(92)	**(55)**		**(55)**
30 September 2009	**4,153**	**153,424**	**(7,867)**	**(62,114)**	**87,596**	**166**	**87,762**
1 April 2010	4,153	153,509	(7,810)	(59,471)	**90,381**	429	**90,810**
Issue or reissue of shares			134	(108)	**26**		**26**
Share-based payment		88			**88**		**88**
Repurchase of own shares			(187)		**(187)**		**(187)**
Transactions with non-controlling shareholders in subsidiaries				(107)	**(107)**	22	**(85)**
Comprehensive income				3,114	**3,114**	(35)	**3,079**
Dividends				(2,976)	**(2,976)**	(240)	**(3,216)**
Other				28	**28**		**28**
30 September 2010	4,153	153,597	(7,863)	(59,520)	**90,367**	176	**90,543**

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of cash flows

	Note	Six months ended 30 September 2010 £m	2009 £m
Net cash flow from operating activities	7	**6,240**	**6,729**
Cash flows from investing activities			
Purchase of interests in subsidiaries and joint ventures, net of cash acquired		(22)	(1,650)
Purchase of intangible assets		(3,455)	(1,430)
Purchase of property, plant and equipment		(2,159)	(2,334)
Purchase of investments		(28)	(138)
Disposal of property, plant and equipment		15	18
Disposal of investments		4,270	7
Dividends received from associates		700	584
Dividends received from investments		84	141
Interest received		120	118
Net cash flow from investing activities			