Operating results

This section presents our operating performance, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments within Europe, Africa, Middle East and Asia Pacific, and Non-Controlled Interests and Common Functions have developed in the last three years.

2012 financial year compared to the 2011 financial year

Group[1]

	Europe £m	Africa, Middle East and Asia Pacific £m	Non-Controlled Interests and Common Functions[2] £m	Eliminations £m	2012 £m	2011 £m	% change £	% change Organic
Revenue	32,181	13,868	423	(55)	46,417	45,884	1.2	2.2
Service revenue	29,914	12,751	272	(52)	42,885	42,738	0.3	1.5
EBITDA	10,445	4,115	(85)	–	14,475	14,670	(1.3)	(0.6)
Adjusted operating profit	5,260	1,472	4,800	–	11,532	11,818	(2.4)	2.5
Adjustments for:								
Impairment loss					(4,050)	(6,150)		
Other income/(expense)[3]					3,705	(72)		
Operating profit					**11,187**	**5,596**		
Non-operating (expense)/income[4]					(162)	3,022		
Net (financing costs)/investment income					(1,476)	880		
Profit before taxation					**9,549**	**9,498**		
Income tax expense					(2,546)	(1,628)		
Profit for the financial year					**7,003**	**7,870**		

Notes:
1 Current year results reflect average foreign exchange rates of £1:€1.16 and £1:US$1.60.
2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.
3 Other income/(expense) for the year ended 31 March 2012 includes a £3,419 million gain on disposal of the Group's 44% interest in SFR and a £296 million gain on disposal of the Group's 24.4% interest in Polkomtel. The year ended 31 March 2011 included £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item "Share of results in associates" in the consolidated income statement.
4 Non-operating (expense)/income for the year ended 31 March 2011 included £3,019 million profit arising on the sale of the Group's 3.2% interest in China Mobile Limited.

Revenue

Group revenue was up 1.2% to £46.4 billion, with service revenue of £42.9 billion, an increase of 1.5%* on an organic basis. Our overall performance reflects continued strong demand for data services and further voice penetration growth in emerging markets, offset by regulatory changes, ongoing competitive pressures and challenging macroeconomic conditions in a number of our mature markets. As a result of the leap year, service revenue growth of 2.3%* in Q4 benefited from the additional day by around 1 percentage point.

AMAP service revenue was up by 8.0%*, with a strong performance in India, Qatar, Ghana and Vodacom and a return to growth in Egypt offset by a decline in Australia.

In Europe, service revenue was down by 1.1%* reflecting challenging macroeconomic conditions in Southern Europe partially offset by growth in Germany, the UK, the Netherlands and Turkey.

EBITDA and profit

Group EBITDA was down 1.3% to £14.5 billion, as revenue growth was offset by higher customer investment due to increased smartphone penetration.

Adjusted operating profit was down 2.4% to £11.5 billion, driven by a reduction in our share of profits from associates following the disposal of our 44% interest in SFR in June 2011. Our share of profits of Verizon Wireless grew by 9.3%* to £4.9 billion.

Operating profit increased by 100% to £11.2 billion, primarily due to the gain on disposal of the Group's 44% interest in SFR and 24.4% interest in Polkomtel, and lower impairment losses compared to the prior year.

An impairment loss of £4.0 billion was recorded in relation to Italy, Spain, Portugal and Greece, primarily driven by lower projected cash flows within business plans and an increase in discount rates, resulting from adverse changes in the economic environment.

Net (financing costs)/investment income

	2012 £m	2011 £m
Investment income	456	1,309
Financing costs	(1,932)	(429)
Net (financing costs)/investment income	**(1,476)**	**880**
Analysed as:		
Net financing costs before income from investments	(1,642)	(852)
Potential interest credit/(charges) arising on settlement of outstanding tax issues[1]	9	(46)
Income from investments	19	83
Foreign exchange[2]	138	256
Equity put rights and similar arrangements[3]	–	95
Interest related to the settlement of tax cases	–	872
Disposal of SoftBank Mobile Corp. Limited financial instruments	–	472
	(1,476)	**880**

Notes:
1 Excluding interest credits related to a tax case settlement.
2 Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange rate differences on financial instruments received as consideration on the disposal of Vodafone Japan to SoftBank in April 2006.
3 The year ended 31 March 2011 included foreign exchange rate movements, accretion expense and fair value charges.

Net financing costs before income from investments increased from £852 million to £1,642 million, primarily due to the decision to increase the fixed rate debt mix, which is expected to result in lower interest in future periods, and the subsequent recognition of mark-to-market losses. Income from investments decreased by £64 million as a result of the disposal of the Group's 3.2% interest in China Mobile Limited and the Group's interests in SoftBank Mobile Corp. Limited during the 2011 financial year.

Taxation

	2012 £m	2011 £m
Income tax expense	2,546	1,628
Tax on adjustments to derive adjusted profit before tax	(242)	(232)
Tax benefit related to settlement of tax cases	–	929
Adjusted income tax expense	**2,304**	**2,325**
Share of associates' tax	302	519
Adjusted income tax expense for purposes of calculating adjusted tax rate	**2,606**	**2,844**
Profit before tax	9,549	9,498
Adjustments to derive adjusted profit before tax[1]	369	1,505
Adjusted profit before tax	**9,918**	**11,003**
Add: Share of associates' tax and non-controlling interest	382	604
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**10,300**	**11,607**
Adjusted effective tax rate	**25.3%**	**24.5%**

Note:
1 See "Earnings per share".

The adjusted effective tax rate for the year ended 31 March 2012 was 25.3%. This is in line with our mid 20s adjusted effective tax rate guidance range.

The Group's share of associates' tax declined due to the absence of the tax related to SFR following the disposal of our 44% interest in June 2011.

Income tax expense has increased in the year ended 31 March 2012 largely due to the favourable impact of a tax settlement in the 2011 financial year.

Earnings per share

Adjusted earnings per share was 14.91 pence, a decline of 11.0% year-on-year, reflecting the loss of our 44% interest in SFR and Polkomtel's profits, the loss of interest income from investment disposals and mark-to-market items charged through finance costs, partially offset by a reduction in shares arising from the Group's share buyback programme. Basic earnings per share was 13.74 pence (2011: 15.20 pence), reflecting the profit on disposal of our 44% interest in SFR and 24.4% interest in Polkomtel and lower impairment charges compared to the prior financial year, all of which are excluded from adjusted earnings per share.

	2012 £m	2011 £m
Profit attributable to equity shareholders	**6,957**	**7,968**
Pre-tax adjustments:		
Impairment loss[1]	4,050	6,150
Other income and expense[1 2]	(3,705)	72
Non-operating income and expense[1 3]	162	(3,022)
Investment income and financing costs[4]	(138)	(1,695)
	369	**1,505**
Taxation[1]	242	(697)
Non-controlling interests	(18)	–
Adjusted profit attributable to equity shareholders	**7,550**	**8,776**
	Million	Million
Weighted average number of shares outstanding		
Basic	50,644	52,408
Diluted	50,958	52,748

Notes:
1 Taxation for the 2012 financial year includes a £206 million charge in respect of the disposal of the Group's 24.4% interest in Polkomtel. The 2011 financial year included £929 million credit in respect of a tax settlement and a £208 million charge in respect of the disposal of the Group's 3.2% interest in China Mobile Limited. The impairment charges of £4,050 million and £6,150 million in the 2012 and 2011 financial years respectively do not result in any tax consequences. The disposal of our 44% interest in SFR did not give rise to a tax charge.
2 Other income and expense for the 2012 financial year includes a £3,419 million gain on disposal of the Group's 44% interest in SFR and a £296 million gain on disposal of the Group's 24.4% interest in Polkomtel. The 2011 financial year includes £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item "Share of results in associates" in the consolidated income statement.
3 Non-operating income and expense for the 2011 financial year includes £3,019 million profit arising on the sale of the Group's 3.2% interest in China Mobile Limited.
4 See notes 2 and 3 in "Net (financing costs)/investment income" on page 40.

Europe

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £m	% change Organic
Year ended 31 March 2012									
Revenue	8,233	5,658	4,763	5,397	8,352	(222)	32,181	0.5	(0.1)
Service revenue	7,669	5,329	4,357	4,996	7,780	(217)	29,914	(0.6)	(1.1)
EBITDA	2,965	2,514	1,193	1,294	2,479	–	10,445	(3.5)	(4.5)
Adjusted operating profit	1,491	1,735	566	402	1,066	–	5,260	(8.1)	(9.6)
EBITDA margin	36.0%	44.4%	25.0%	24.0%	29.7%		32.5%		
Year ended 31 March 2011									
Revenue	7,900	5,722	5,133	5,271	8,253	(264)	32,015	(2.5)	0.6
Service revenue	7,471	5,432	4,735	4,931	7,787	(259)	30,097	(3.4)	(0.4)
EBITDA	2,952	2,643	1,562	1,233	2,433	–	10,823	(7.1)	(3.7)
Adjusted operating profit	1,548	1,903	915	348	1,012	–	5,726	(9.8)	(6.1)
EBITDA margin	37.4%	46.2%	30.4%	23.4%	29.5%	–	33.8%		

Operating results (continued)

Revenue increased by 0.5% including a 0.5 percentage point impact from favourable foreign exchange rate movements. On an organic basis service revenue declined by 1.1%* primarily due to the impact of MTR cuts, competitive pricing pressures and continued economic weakness, partially offset by growth in data revenue. Growth in the UK, Germany, the Netherlands and Turkey was offset by declines in most other markets, in particular, Italy, Spain and Greece.

EBITDA declined by 3.5% including a 1.1 percentage point favourable impact from foreign exchange rate movements. On an organic basis EBITDA decreased by 4.5%*, resulting from higher customer investment due to the increased penetration of smartphones, and a reduction in service revenue in most markets, partially offset by direct cost efficiencies.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Europe	**(0.1)**	**0.1**	**0.5**	**0.5**
Service revenue				
Germany	1.2	(0.1)	1.6	2.7
Italy	(3.4)	–	1.5	(1.9)
Spain	(9.4)	(0.1)	1.5	(8.0)
UK	1.6	(0.3)	–	1.3
Other Europe	1.7	(0.2)	(1.6)	(0.1)
Europe	**(1.1)**	**–**	**0.5**	**(0.6)**
EBITDA				
Germany	(1.1)	–	1.5	0.4
Italy	(6.4)	–	1.5	(4.9)
Spain	(24.9)	(0.2)	1.5	(23.6)
UK	5.0	(0.1)	–	4.9
Other Europe	1.7	(0.1)	0.3	1.9
Europe	**(4.5)**	**(0.1)**	**1.1**	**(3.5)**
Adjusted operating profit				
Germany	(5.3)	0.1	1.5	(3.7)
Italy	(10.4)	–	1.6	(8.8)
Spain	(39.2)	(0.3)	1.4	(38.1)
UK	15.7	(0.2)	–	15.5
Other Europe	3.0	(0.6)	2.9	5.3
Europe	**(9.6)**	**(0.2)**	**1.7**	**(8.1)**

Note:
1 "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2012. Refer to "Organic growth" on page 171 for further detail.

Germany

Service revenue increased by 1.2%* as strong growth in data and enterprise revenue more than offset the impact of an MTR cut effective from 1 December 2010 and increasing competitive pressures. Data revenue grew by 21.3%* driven by a higher penetration of smartphones, an increase in those sold with a data bundle and the launch of prepaid integrated tariffs. Enterprise revenue grew by 5.6%* driven by significant customer wins and the success of converged service offerings. A number of innovative products were launched during the second half of the 2012 financial year, including OfficeNet, a cloud based solution.

The roll out of LTE has continued, following the launch of services in the prior financial year. Nearly 2,700 base stations had been upgraded to LTE at 31 March 2012, providing approximately 35% household coverage.

EBITDA declined by 1.1%* as the higher revenue was offset by restructuring costs and regulation changes.

Italy

Service revenue declined by 3.4%* as a result of weak economic conditions, intense competition and the impact of an MTR cut effective from 1 July 2011. Strong data revenue growth of 16.8%* was driven by mobile internet which benefited from a higher penetration of smartphones and an increase in those sold with a data bundle. From Q3, all new consumer contract customers are now on an integrated tariff. Enterprise revenue grew by 5.1%* with a strong contribution from Vodafone One Net, a converged fixed and mobile solution, and growth in the customer base. Fixed line growth benefited from strong customer additions although slowed in Q4 due to intense competition.

EBITDA decreased by 6.4%*, and EBITDA margin fell by 1.9* percentage points resulting from the decline in service revenue partially offset by operating cost efficiencies such as site sharing agreements and outsourcing of network maintenance to Ericsson.

Spain

Service revenue declined by 9.4%* impacted by intense competition, continuing economic weakness and high unemployment during the year, which have driven customers to reduce or optimise their spend on tariffs. Data revenue increased by 18.4%* benefiting from the penetration of integrated voice, SMS and data tariffs initially launched in October 2010. Improvements were seen in fixed line revenue which increased by 7.3%* resulting from a competitive proposition leading to good customer additions. Mobile customer net additions were strong as a result of our more competitive tariffs and a focus on improving the retention of higher-value customers.

EBITDA declined by 24.9%*, with a 5.5* percentage point fall in EBITDA margin, primarily due to lower revenue with sustained investment in acquisition and retention costs. This was partially offset by operating cost efficiencies.

UK

Service revenue increased by 1.6%* driven by an increase in data and consumer contract revenue supported by the success of integrated offerings. This was partially offset by the impact of an MTR cut effective from 1 April 2011 and lower consumer confidence leading to reduced out-of-bundle usage. Data revenue grew by 14.5%* due to higher penetration of smartphones and an increase in those sold with a data bundle.

EBITDA increased by 5.0%* and EBITDA margin improved by 0.6* percentage points, due to a number of cost saving initiatives, including acquisition and retention efficiencies.

Other Europe

Service revenue increased by 1.7%* as growth in Albania, Malta, the Netherlands and Turkey more than offset a decline in the rest of the region, particularly in Greece, Portugal and Ireland, which continued to be impacted by the challenging macroeconomic environment and competitive factors. Service revenue in Turkey grew by 25.1%* driven by strong growth in consumer contract and data revenue resulting from an expanding contract customer base and the launch of innovative propositions. In the Netherlands service revenue increased by 2.1%*, driven by an increase in the customer base, partially offset by MTR cuts, price competition and customers optimising tariffs.

EBITDA grew by 1.7%*, with strong growth in Turkey, driven by a combination of service revenue growth and cost efficiencies, partially offset by declines in the majority of the other markets.

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other Africa, Middle East and Asia Pacific £m	Eliminations £m	Africa, Middle East and Asia Pacific £m	% change £m	% change Organic
Year ended 31 March 2012							
Revenue	4,265	5,638	3,965	–	13,868	4.2	8.4
Service revenue	4,215	4,908	3,628	–	12,751	3.7	8.0
EBITDA	1,122	1,930	1,063	–	4,115	2.9	7.8
Adjusted operating profit	60	1,084	328	–	1,472	15.7	22.4
EBITDA margin	26.3%	34.2%	26.8%		29.7%		
Year ended 31 March 2011							
Revenue	3,855	5,479	3,971	(1)	13,304	20.0	9.5
Service revenue	3,804	4,839	3,650	(1)	12,292	20.0	9.5
EBITDA	985	1,844	1,170	–	3,999	20.7	7.5
Adjusted operating profit	15	827	430	–	1,272	55.5	8.6
EBITDA margin	25.6%	33.7%	29.5%		30.1%		

Revenue grew by 4.2% after a 4.2 percentage point adverse impact from foreign exchange rate movements. On an organic basis service revenue grew by 8.0%* driven by customer and data growth, partially offset by the impact of MTR reductions. Growth was driven by strong performances in India, Vodacom, Ghana and Qatar and a return to growth in Egypt, offset by service revenue declines in Australia and New Zealand.

EBITDA grew by 2.9% after a 4.8 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA grew by 7.8%* driven primarily by strong growth in India and Vodacom and improved contributions from Ghana and Qatar, offset in part by declines in Egypt and Australia.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Africa, Middle East and Asia Pacific	**8.4**	**–**	**(4.2)**	**4.2**
Service revenue				
India	19.5	(0.1)	(8.6)	10.8
Vodacom	7.1	–	(5.7)	1.4
Other Africa, Middle East and Asia Pacific	(1.8)	(0.1)	1.3	(0.6)
Africa, Middle East and Asia Pacific	**8.0**	**–**	**(4.3)**	**3.7**
EBITDA				
India	22.9	(0.2)	(8.8)	13.9
Vodacom	11.3	–	(6.6)	4.7
Other Africa, Middle East and Asia Pacific	(9.1)	(0.1)	0.1	(9.1)
Africa, Middle East and Asia Pacific	**7.8**	**(0.1)**	**(4.8)**	**2.9**
Adjusted operating profit				
India	389.3	(40.6)	(48.7)	300.0
Vodacom	41.1	–	(10.0)	31.1
Other Africa, Middle East and Asia Pacific	(22.4)	(0.2)	(1.1)	(23.7)
Africa, Middle East and Asia Pacific	**22.4**	**(0.3)**	**(6.4)**	**15.7**

India

Service revenue grew by 19.5%,* driven by an 11.8% increase in the customer base, strong growth in incoming and outgoing voice minutes and 51.3%* growth in data revenue. 3G services were available to Vodafone customers in 860 towns and cities across 20 circles at 31 March 2012. Growth also benefited from mobile operators starting to charge for SMS termination during the second quarter of the 2012 financial year. At 31 March 2012 the customer base had increased to 150.5 million, with data customers totalling 35.4 million, a year-on-year increase of 81.5%. This was driven by an increase in data enabled handsets and the impact of successful marketing campaigns. Whilst the market remains highly competitive, the effective rate per minute remained broadly stable during the year, with promotional offers offsetting headline price increases.

EBITDA grew by 22.9%* driven by the increase in revenue and economies of scale, partially offset by higher customer acquisition costs and increased interconnection costs. Full year EBITDA margin increased 0.8* percentage points to 26.3%, driven by cost efficiencies and scale benefits.

Vodacom

Service revenue grew by 7.1%,* driven by service revenue growth in South Africa of 4.4%*, where strong net customer additions and growth in data revenue was partially offset by the impact of MTR cuts (effective 1 March 2011 and 1 March 2012). Despite competitive pricing pressures, data revenue in South Africa grew by 24.3%,* driven by higher smartphone penetration and data bundles leading to a 35.4% increase in active data customers to 12.2 million at 31 March 2012.

Vodacom's mobile operations outside South Africa delivered strong service revenue growth of 31.9%*[2], driven by customer net additions and the simplification of tariff structures in Mozambique and Tanzania. M-Pesa, our mobile phone based money transfer service, continues to perform well in Tanzania with over 3.1 million active users.

EBITDA increased by 11.3%* driven by robust service revenue growth and continued focus on operating cost efficiencies.

Notes:
1 "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2012. Refer to "Organic growth" on page 171 for further detail.
2 Excludes Gateway and Vodacom Business Africa.

Operating results (continued)

Other Africa, Middle East and Asia Pacific

Organic service revenue, which now includes Australia, declined by 1.8%* with both New Zealand and Australia being impacted by MTR cuts effective from 6 May 2011 and 1 January 2012, respectively. In Australia, despite improvements in network and customer operations performance, service revenue declined by 8.8%* driven by the competitive market and weakness in brand perception following the network and customer service issues experienced from late 2010 to early 2011 and further accelerated by MTR cuts. On 22 March 2012, Vodafone Hutchison Australia appointed Bill Morrow as its new CEO. In Egypt service revenue was suppressed by the challenging economic and political environment, however, organic growth of 1.4%* was achieved as a result of an increased customer base and strong data usage. In Qatar an increase in the customer base delivered service revenue growth of 27.1%*, despite a competitive pricing environment. Service revenue in Ghana grew by 29.2%* through strong gains in customer market share.

EBITDA margin declined 2.2* percentage points, driven by the service revenue decline in Australia and the challenging economic and competitive environment in Egypt, partially offset by growth in Qatar and Ghana.

Safaricom, Vodafone's associate in Kenya, grew service revenue by 13.6%*, driven by increases in customer base, voice usage and M-Pesa activity. EBITDA margin improved in the second half of the 2012 financial year through a tariff increase in October, operating cost efficiencies and a strengthening of the local currency to take the margin for the 2012 financial year to 35.0%.

Non-Controlled Interests

Verizon Wireless[1 2 3]

	2012 £m	2011 £m	% change £	% change Organic
Service revenue	18,039	17,238	4.6	7.3
Revenue	20,187	18,711	7.9	10.6
EBITDA	7.689	7,313	5.1	7.9
Interest	(212)	(261)	(18.8)	
Tax[2]	(287)	(235)	22.1	
Group's share of result in Verizon Wireless	4,867	4,569	6.5	9.3

In the United States Verizon Wireless reported 4.6 million net mobile customer additions bringing its closing mobile customer base to 93.0 million, up 5.2%.

Service revenue growth of 7.3%* continues to be driven by the expanding customer base and robust growth in data ARPU driven by increased penetration of smartphones.

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

Verizon Wireless' net debt at 31 March 2012 totalled US$6.4 billion[4] (31 March 2011: net debt US$9.8 billion[4]), after paying a dividend to its shareholders of US$10 billion on 31 January 2012.

Notes:
1 All amounts represent the Group's share based on its 45% equity interest, 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 6.8%*, 10.1%*, 6.7%* and 7.5%* respectively.
4 Net debt excludes pending credit card receipts. Comparatives are presented on a comparable basis.

2011 financial year compared to the 2010 financial year

Group[1]

	Europe £m	Africa, Middle East and Asia Pacific £m	Non-Controlled Interests and Common Functions[2] £m	Eliminations £m	2011 £m	2010 £m	% change £	% change Organic[3]
Revenue	32,015	13,304	659	(94)	45,884	44,472	3.2	2.8
Service revenue	30,097	12,292	412	(63)	42,738	41,719	2.4	2.1
EBITDA	10,823	3,999	(152)	–	14,670	14,735	(0.4)	(0.7)
Adjusted operating profit	5,726	1,272	4,820	–	11,818	11,466	3.1	1.8
Adjustments for:								
Impairment losses					(6,150)	(2,100)		
Other (income)/expense[4]					(72)	114		
Operating profit					**5,596**	**9,480**		
Non-operating income/(expense)[5]					3,022	(10)		
Net investment income/(financing costs)					880	(796)		
Profit before taxation					**9,498**	**8,674**		
Income tax expense					(1,628)	(56)		
Profit for the financial year					**7,870**	**8,618**		

Notes:
1 2011 results reflect average exchange rates of £1:€1.18 and £1:US$1.56.
2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.
3 Organic growth includes Vodacom at the 2011 level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.
4 Other income and expense for the year ended 31 March 2011 included £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item "Share of results in associates" in the consolidated income statement.
5 Non-operating income and expense for the year ended 31 March 2011 includes £3,019 million profit arising on the sale of the Group's 3.2% interest in China Mobile Limited.

Revenue

Group revenue increased by 3.2% to £45,884 million and Group service revenue increased by 2.4% to £42,738 million. On an organic basis Group service revenue increased by 2.1%*, with a 0.8 percentage point improvement between the first and second half of the 2011 financial year as both Europe and AMAP delivered improved organic service revenue trends.

In Europe service revenue fell by 0.4%* with a decline of 0.3%* in the second half of the 2011 financial year. Both the UK and Germany performed well delivering full year service revenue growth of 4.7%* and 0.8%* respectively. Spain continued to experience economic pressures which intensified competition leading to a 6.9%* decline in service revenue. Service revenue also declined by 2.1%* in Italy driven by a challenging economic and competitive environment combined with the impact of MTR cuts. Our improved commercial offers in Turkey delivered service revenue growth of 28.9%*, despite a 52% cut in MTRs which was effective from 1 April 2010. Challenging economic and competitive conditions continued in our other central European businesses where service revenue growth was also impacted by MTR cuts. European enterprise revenue increased by 0.5%* with improved roaming activity and important customer wins.

In AMAP service revenue grew by 9.5%*. Vodacom continued to perform well, with strong data revenue growth from mobile broadband offsetting weaker voice revenue which was impacted by two MTR cuts during the year. In India service revenue increased by 16.2%*, driven by an increase in the mobile customer base and a more stable pricing environment towards the end of the 2011 financial year. In Qatar the customer base reached 757,000 by 31 March 2011, with 45% of the population actively using Vodafone services less than two years after launch. On an organic basis, service revenue in Egypt declined by 0.8%* where performance was impacted by the socio-political unrest during the fourth quarter of the 2011 financial year.

EBITDA and profit

EBITDA decreased by 0.4% to £14,670 million with a 1.1 percentage point decline in both the reported and organic EBITDA margin.

In Europe EBITDA decreased by 3.7%*, with a decline in EBITDA margin of 1.7 percentage points, primarily driven by a reduction in service revenue in most markets and higher investment in acquisition and retention costs, partially offset by operating cost efficiencies.

In AMAP EBITDA increased by 7.5%*, driven primarily by growth in India, together with improvements in Vodacom, Ghana, New Zealand and Qatar, partially offset by a slight decline in Egypt. The EBITDA margin fell 0.6* percentage points, the two main factors behind the decline being higher recurring licence fee costs in India and the change in regional mix from the strong growth in India.

Adjusted operating profit grew by 3.1% as a result of an increase in the Group's share of results of Verizon Wireless partially offset by the decline in Group EBITDA. The Group's share of results in Verizon Wireless, the Group's associate in the United States, increased by 8.5%* primarily due to the expanding customer base, robust data revenue, efficiencies in operating expenses and lower acquisition costs partially offset by higher customer retention costs reflecting the increased demand for smartphones in the United States.

The Group recorded other net income of £5,342 million, primarily in relation to a £2.8 billion net gain on the sale of the Group's interest in China Mobile Limited, £1.8 billion on the settlement of a tax case and £0.5 billion from the disposal of investment in SoftBank Mobile Corp. Limited.

Operating profit decreased by 41.0% primarily due to higher impairment losses compared to the prior year. Impairment losses totalling £6,150 million were recorded relating to our businesses in Spain (£2,950 million), Italy (£1,050 million), Ireland (£1,000 million), Greece (£800 million) and Portugal (£350 million) primarily resulting from increased discount rates as a result of increases in government bond rates together with lower cash flows within business plans, reflecting weaker country-level macroeconomic environments. The impairment loss in the 2010 financial year was £2,100 million.

Profit for the year decreased by 8.7%.

Operating results (continued)

Net investment income/(financing costs)

	2011 £m	2010 £m
Investment income	1,309	716
Financing costs	(429)	(1,512)
Net investment income/(financing costs)	**880**	**(796)**
Analysed as:		
Net financing costs before income from investments	(852)	(1,024)
Potential interest charges arising on settlement of outstanding tax issues[1]	(46)	(23)
Income from investments	83	145
Foreign exchange[2]	256	(1)
Equity put rights and similar arrangements[3]	95	(94)
Interest related to the settlement of tax cases[4]	872	201
Disposal of SoftBank Mobile Corp. Limited financial instruments	472	–
	880	**(796)**

Notes:
1 Excluding interest credits related to a tax case settlement.
2 Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange rate differences on financial instruments received as consideration on the disposal of Vodafone Japan to SoftBank in April 2006.
3 Includes foreign exchange rate movements, accretion expense and fair value charges.
4 The £872 million in the year ended 31 March 2011 relates to the settlement of a tax case and the £201 million in the year ended 31 March 2010 relates to the settlement of the German tax loss claim.

Net financing costs before income from investments decreased from £1,024 million to £852 million primarily due to a reduction in net debt, partially offset by an increase in average interest rates for debt denominated in US dollars. In addition, £138 million of interest was capitalised compared to £1 million in the prior year. At 31 March 2011 the provision for potential interest charges arising on settlement of outstanding tax issues was £398 million (31 March 2010: £1,312 million), with the reduction primarily reflecting the settlement of a tax case.

Taxation

	2011 £m	2010 £m
Income tax expense	1,628	56
Tax on adjustments to derive adjusted profit before tax	(232)	(39)
Tax benefit related to settlement of tax cases[1]	929	2,103
Adjusted income tax expense	**2,325**	**2,120**
Share of associates' tax	519	572
Adjusted income tax expense for purposes of calculating adjusted tax rate	**2,844**	**2,692**
Profit before tax	9,498	8,674
Adjustments to derive adjusted profit before tax[2]	1,505	1,890
Adjusted profit before tax	**11,003**	**10,564**
Add: Share of associates' tax and non-controlling interest	604	652
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**11,607**	**11,216**
Adjusted effective tax rate	**24.5%**	**24.0%**

Notes:
1 The £929 million in the year ended 31 March 2011 relates to the settlement of a tax case and the £2,103 million in the year ended 31 March 2010 relates to the settlement of the German tax loss claim.
2 See "Earnings per share".

The adjusted effective tax rate for the year ended 31 March 2011 was 24.5%. This is in line with the adjusted effective tax rate for the year ended 31 March 2010 of 24.0%. 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 £929 million arising as a result of the settlement of a tax case in July 2010.

Earnings per share

Adjusted earnings per share increased by 4.0% to 16.75 pence for the year ended 31 March 2011 due to growth in adjusted earnings and a reduction in shares arising from the Group's share buyback programme. Basic earnings per share decreased to 15.2 pence primarily due to the £6,150 million of impairment charges partially offset by a gain on disposal of the Group's 3.2% interest in China Mobile Limited and the settlement of a tax case.

	2011 £m	2010 £m
Profit attributable to equity shareholders	**7,968**	**8,645**
Pre-tax adjustments:		
Impairment loss[1]	6,150	2,100
Other income and expense[2]	72	(114)
Non-operating income and expense[3]	(3,022)	10
Investment income and financing costs[4]	(1,695)	(106)
	1,505	**1,890**
Taxation[1]	(697)	(2,064)
Adjusted profit attributable to equity shareholders	**8,776**	**8,471**
	Million	Million
Weighted average number of shares outstanding		
Basic	52,408	52,595
Diluted	52,748	52,849

Notes:
1 Taxation for the 2011 financial year included £929 million credit in respect of a tax settlement and a £208 million charge in respect of the disposal of the Group's interest in China Mobile Limited. The 2010 financial year included £2,103 million arising from the German tax authorities' decision that €15 billion of losses booked by a German subsidiary in 2001 were tax deductible. The impairment charges of £6,150 million and £2,100 million in the 2011 and 2010 financial years respectively did not result in any tax consequences.
2 The year ended 31 March 2011 includes £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item 'Share of results in associates' in the consolidated income statement.
3 The year ended 31 March 2011 includes £3,019 million representing the profit arising on the sale of the Group's 3.2% interest in China Mobile Limited.
4 See notes 2, 3, and 4 in "Net investment income/(financing costs)".

Europe

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £m	% change Organic
Year ended 31 March 2011									
Revenue	7,900	5,722	5,133	5,271	8,253	(264)	32,015	(2.5)	0.6
Service revenue	7,471	5,432	4,735	4,931	7,787	(259)	30,097	(3.4)	(0.4)
EBITDA	2,952	2,643	1,562	1,233	2,433	–	10,823	(7.1)	(3.7)
Adjusted operating profit	1,548	1,903	915	348	1,012	–	5,726	(9.8)	(6.1)
EBITDA margin	37.4%	46.2%	30.4%	23.4%	29.5%		33.8%		
Year ended 31 March 2010									
Revenue	8,008	6,027	5,713	5,025	8,357	(297)	32,833		
Service revenue	7,722	5,780	5,298	4,711	7,943	(295)	31,159		
EBITDA	3,122	2,843	1,956	1,141	2,582	–	11,644		
Adjusted operating profit	1,695	2,107	1,310	155	1,084	–	6,351		
EBITDA margin	39.0%	47.2%	34.2%	22.7%	30.9%		35.5%		

Revenue declined by 2.5% reflecting a 3.2 percentage point impact from unfavourable foreign exchange rate movements. On an organic basis service revenue declined by 0.4%* reflecting reductions in most markets offset by growth in Germany, the UK, the Netherlands and Turkey. The decline was primarily driven by lower voice revenue resulting from continued market and regulatory pressure on pricing and the challenging economic climate, partially offset by growth in data and fixed line revenue.

EBITDA decreased by 7.1% including a 3.5 percentage point impact from unfavourable exchange rate movements. On an organic basis EBITDA decreased by 3.7%*, with a 1.7 percentage point decline in 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	**0.6**	**0.1**	**(3.2)**	**(2.5)**
Service revenue				
Germany	0.8	–	(4.1)	(3.3)
Italy	(2.1)	–	(3.9)	(6.0)
Spain	(6.9)	–	(3.7)	(10.6)
UK	4.7	–	–	4.7
Other Europe	0.5	0.5	(3.0)	(2.0)
Europe	**(0.4)**	**0.1**	**(3.1)**	**(3.4)**
EBITDA				
Germany	(1.5)	–	(3.9)	(5.4)
Italy	(3.1)	–	(3.9)	(7.0)
Spain	(16.8)	–	(3.3)	(20.1)
UK	8.0	–	–	8.0
Other Europe	(2.4)	0.2	(3.6)	(5.8)
Europe	**(3.7)**	**0.1**	**(3.5)**	**(7.1)**
Adjusted operating profit				
Germany	(4.9)	–	(3.8)	(8.7)
Italy	(5.9)	–	(3.8)	(9.7)
Spain	(27.3)	–	(2.9)	(30.2)
UK	125.1	–	–	125.1
Other Europe	(2.0)	0.3	(4.9)	(6.6)
Europe	**(6.1)**	**0.1**	**(3.8)**	**(9.8)**

Germany

Service revenue increased by 0.8%* driven by strong data and messaging revenue growth. Data revenue grew by 27.9%* as a result of increased penetration of smartphones and Superflat Internet tariffs. Mobile revenue remained stable in the fourth quarter of the 2011 financial year despite an MTR cut effective from 1 December 2010. Enterprise revenue grew by 3.6%* driven by strong customer and data revenue growth.

EBITDA declined by 1.5%*, with a 1.6 percentage point reduction in the EBITDA margin. This decline was driven by increased customer acquisition and retention, contributed to by the launch of the iPhone in the third quarter, partially offset by operating cost efficiencies.

During the 2011 financial year we acquired LTE spectrum in Germany and launched LTE services towards the end of the year, initially targeting rural areas underserved by fixed broadband.

Italy

Service revenue declined by 2.1%* primarily driven by the challenging economic and competitive environment, the impact of MTR cuts and customer tariff optimisation. The average contract customer base grew by 12.6% enabling the partial offset of these pressures. Data revenue growth remained strong at 21.5%* driven by the high level of customers migrating to smartphones and taking advantage of data plans. There was continued investment to improve quality and coverage of the network. Fixed line revenue continued to grow with the broadband customer base reaching 1.7 million at 31 March 2011 on a 100% basis.

EBITDA decreased by 3.1%*, with a fall in the EBITDA margin of 1.0 percentage point, as a result of the decline in service revenue and higher investment in acquisition and retention costs partially offset by a reduction in operating expenses.

Spain

Service revenue declined by 6.9%* impacted by continued intense competition, general economic weakness and the penetration of lower priced tariffs into the customer base. New integrated plans were introduced in the third quarter in response to the demand for combined voice and data tariffs driven by the increase in smartphones. Data revenue grew by 14.8%* driven by mobile broadband and mobile internet. One-off items contributed to a 1.8* percentage point improvement to service revenue growth for the fourth quarter of the 2011 financial year.

EBITDA declined 16.8%*, with a 3.8 percentage point fall in the EBITDA margin, due to lower service revenue and proportionately higher acquisition and retention costs, partially offset by a reduction in operating expenses.

UK

Service revenue increased by 4.7%* driven by data revenue growth due to increasing penetration of smartphones and mobile internet bundles and strong net contract customer additions, which more than offset continued competitive pressures and weaker prepaid revenue. The MTR cuts announced in March 2011 were expected to have a significant negative impact on revenue growth during the 2012 financial year.

Operating results (continued)

EBITDA increased by 8.0%* with the EBITDA margin increasing by 0.7 percentage points, reflecting higher service revenue partially offset by higher customer acquisition and retention costs.

Other Europe

Service revenue increased by 0.5%* with growth in Turkey and the Netherlands being partially offset by declines in other markets due to the challenging economic environment and intense competitive factors. In Turkey service revenue grew by 28.9%* driven by strong growth in both data and voice revenue, despite a 52% cut in MTRs effective from 1 April 2010. In Greece service revenue declined by 19.4%* with intense competition driving a reduction in prepaid revenue and economic factors leading to customer tariff optimisation.

EBITDA declined by 2.4%*, with declines in all markets except Turkey and the Netherlands, due primarily to lower service revenue and higher acquisition and retention costs partially offset by operating cost efficiencies.

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other £m	Eliminations £m	Africa, Middle East and Asia Pacific £m	% change £m	% change Organic[1]
Year ended 31 March 2011							
Revenue	3,855	5,479	3,971	(1)	13,304	20.0	9.5
Service revenue	3,804	4,839	3,650	(1)	12,292	20.0	9.5
EBITDA	985	1,844	1,170	–	3,999	20.7	7.5
Adjusted operating profit	15	827	430	–	1,272	55.5	8.6
EBITDA margin	25.6%	33.7%	29.5%		30.1%		
Year ended 31 March 2010							
Revenue	3,114	4,450	3,526	(1)	11,089		
Service revenue	3,069	3,954	3,224	(1)	10,246		
EBITDA	807	1,528	977	–	3,312		
Adjusted operating (loss)/profit	(37)	520	335	–	818		
EBITDA margin	25.9%	34.3%	27.7%		29.9%		

Note:
1 Organic growth includes Vodacom at the 2011 level of ownership and excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

Revenue grew by 20.0% with an 8.5 percentage point benefit from foreign exchange rate movements and the full year impact of the consolidation of Vodacom results from 18 May 2009 partially offset by the impact of the creation of the Vodafone Hutchison Australia ('VHA') joint venture on 9 June 2009. On an organic basis service revenue grew by 9.5%* despite the impact of MTR reductions and difficult economic environments. The growth was driven by a strong performance in India and continued growth from Vodacom and the rest of the region, other than Egypt where performance was impacted by the socio-political unrest during the fourth quarter of the 2011 financial year.

EBITDA grew by 20.8% with foreign exchange rate movements contributing 8.0 percentage points of growth. On an organic basis EBITDA grew by 7.5%* driven primarily by growth in India, together with improvements in Vodacom, Ghana, Qatar and New Zealand, partially offset by a decline in Egypt following pricing pressure and socio-political unrest.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue – Africa, Middle East and Asia Pacific	**9.5**	**2.0**	**8.5**	**20.0**
Service revenue				
India	16.2	–	7.7	23.9
Vodacom	5.8	6.7	9.9	22.4
Other Africa, Middle East and Asia Pacific	7.2	(0.9)	6.9	13.2
Africa, Middle East and Asia Pacific	**9.5**	**2.2**	**8.3**	**20.0**
EBITDA				
India	15.1	–	7.0	22.1
Vodacom	4.9	4.9	10.9	20.7
Other Africa, Middle East and Asia Pacific	5.1	10.6	4.1	19.8
Africa, Middle East and Asia Pacific	**7.5**	**5.3**	**8.0**	**20.8**
Adjusted operating profit				
India	134.0	–	6.5	140.5
Vodacom	5.7	38.2	15.1	59.0
Other Africa, Middle East and Asia Pacific	2.2	29.2	(3.0)	28.4
Africa, Middle East and Asia Pacific	**8.6**	**39.9**	**7.0**	**55.5**

India

Service revenue grew by 16.2%* including a 1.7* percentage point benefit from Indus Towers, the Group's network sharing joint venture. Growth was driven by a 39.0% increase in the average mobile customer base and stable usage per customer trends, 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 and strong competition in the market.

February 2011 saw the launch of commercial 3G services following the purchase of 3G spectrum in May 2010 and subsequent network build. By 31 March 2011 1.5 million customers had activated their 3G access.

EBITDA grew by 15.1%* driven by the increase in the customer base and economies of scale which absorbed pricing and cost pressures.

Vodacom

Service revenue grew by 5.8%* driven by South Africa where growth in data revenue of 35.9%*[1] offset a decline in voice revenue caused by MTR cuts effective from 1 March 2010 and 1 March 2011.

In South Africa data revenue growth was driven by a 48.9%* increase in data usage due to strong growth in mobile connect cards and smartphones. In addition, successful commercial activity, particularly in off-peak periods, drove higher voice usage during the 2011 financial year which partially offset the impact of MTR cuts. Net customer additions returned to pre-registration levels for the first time in the third quarter of the 2011 financial year, with the trend continuing during the fourth quarter of the 2011 financial year with net additions of 1.2 million.

In Vodacom's operations outside South Africa service revenue growth continued with strong performances from Tanzania and Mozambique. Trading conditions remain challenging in the Democratic Republic of Congo and the Gateway operations.

EBITDA grew by 4.9%* driven by the increase in service revenue, strong handset sales and lower interconnection costs, partially offset by higher operating expenses.

On 1 April 2011 Vodacom refreshed its branding to more closely align with that of the Group.

Other Africa, Middle East and Asia Pacific

Service revenue grew by 7.2%* with growth across all markets except Egypt. In Qatar the customer base reached 757,000 by 31 March 2011, with 45% of the population actively using Vodafone services. The decline in Egypt service revenue was driven by a combination of MTR reductions, competitive pressure on pricing and socio-political unrest during the fourth quarter of the 2011 financial year, offset in part by strong customer and data revenue growth during the year. In Ghana service revenue growth of 21.0%* was supported by competitive tariffs and improved brand awareness.

VHA integration remained on track and a number of important initiatives were completed during the 2011 financial year to begin realising the benefits of the merger. Contact centre operations were consolidated into two major centres in Hobart and Mumbai India, substantial progress was made in the consolidation of the retail footprint, and a major refit of retail stores was underway. VHA appointed new suppliers for network managed services, core, transmission and IT managed services.

EBITDA increased by 5.1%* driven by growth in Ghana, New Zealand and Qatar partially offset by a decline in Egypt resulting primarily from the lower effective price per minute but also impacted by the socio-political unrest during the fourth quarter of the 2011 financial year.

Note:
1 Data revenue in South Africa grew by 41.8%*. Excluding the impact of reclassifications between messaging and data revenue during the year, data revenue grew by 35.9%*.

Non-Controlled Interests

Verizon Wireless[2][3][4]

	2011 £m	2010 £m	% change £	% change Organic
Service revenue	17,238	15,898	8.4	5.8
Revenue	18,711	17,222	8.6	6.0
EBITDA	7,313	6,689	9.3	6.7
Interest	(261)	(298)	(12.4)	
Tax[3]	(235)	(205)	14.6	
Group's share of result in Verizon Wireless	4,569	4,112	11.1	8.5

In the United States Verizon Wireless reported 2.6 million net mobile customer additions bringing its mobile customer base to 88.4 million at 31 March 2011, a 3.1% increase. Customer growth improved in the fourth quarter of the 2011 financial year following the launch of the iPhone 4 on the Verizon Wireless network in February 2011.

Service revenue growth of 5.8%* 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 customer acquisition costs resulting from lower volumes were 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, encompassing 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 31 March 2011 totalled US$9.8 billion[5] (31 March 2010: US$22.6 billion[5]).

Notes:
2 All amounts represent the Group's share based on its 45% equity interest, unless otherwise stated.
3 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.
4 Organic growth rates include the impact of a non-cash revenue adjustment which was recorded by Verizon Wireless 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 6.4%*, 6.6%*, 8.2%* and 10.8%* respectively.
5 Net debt excludes pending credit card receipts. Comparatives are presented on a comparable basis.