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 Northern and Central Europe, Southern Europe, AMAP, and Non-Controlled Interests and Common Functions have developed over the last year. See pages 151 to 155 for commentary on the 2012 compared to the 2011 financial year.

Group[1]

	Northern and Central Europe £m	Southern Europe £m	AMAP £m	Non-Controlled Interests and Common Functions[2] £m	Eliminations £m	2013 £m	2012 £m	% change £	% change Organic
Revenue	20,099	10,522	13,466	481	(123)	44,445	46,417	(4.2)	(1.4)
Service revenue	18,768	9,635	12,345	315	(121)	40,942	42,885	(4.5)	(1.9)
EBITDA[3]	5,713	3,483	4,178	(99)	–	13,275	14,475	(8.3)	(3.1)
Adjusted operating profit	2,081	1,802	1,678	6,399	–	11,960	11,532	3.7	9.3
Adjustments for:									
Impairment loss						(7,700)	(4,050)		
Other income and expense[4]						468	3,705		
Operating profit						**4,728**	**11,187**		

Notes:
1 Current year results reflect average foreign exchange rates of £1:€1.23 and £1:US$1.58.
2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.
3 Operating expenses for the year ended 31 March 2013 included restructuring charges of £310 million (2012: £144 million).
4 Other income and expense for the year ended 31 March 2013 included a £473 million gain on acquisition of CWW. The year ended 31 March 2012 included 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.

Revenue

Group revenue fell by -4.2% to £44.4 billion, with service revenue of £40.9 billion, a decline of -1.9%* on an organic basis. Our performance reflected continued strong demand for data services and good growth in our major emerging markets, offset by regulatory changes, challenging macroeconomic conditions, particularly in Southern Europe, and continued competitive pressures.

In Northern and Central Europe service revenue declined by -0.2%* as growth in Germany and Turkey was offset by increased competition and some macroeconomic pressure in other markets.

In Southern Europe service revenue declined by -11.6%* reflecting severe macroeconomic weakness in our main markets, intense competition and MTR cuts.

In AMAP service revenue increased by 3.9%* with continued growth in all of our markets apart from Australia and New Zealand.

EBITDA and profit

Group EBITDA decreased by -8.3% to £13.3 billion, primarily driven by lower revenue and higher restructuring costs partially offset by operating cost efficiencies.

Adjusted operating profit grew by 3.7%, driven by 31.9% growth in our share of profits of VZW to £6.4 billion, partially offset by lower EBITDA.

Operating profit decreased by -57.7% to £4.7 billion, primarily due to the gains on the disposal of the Group's interests in SFR and Polkomtel in the prior year and the higher impairment charges in the current year, partially offset by the gain on acquisition of CWW of £0.5 billion.

An impairment loss of £7.7 billion was recorded in relation to Italy and Spain, primarily driven by adverse performance against previous plans and adverse movements in discount rates.

Northern and Central Europe

	Germany £m	UK £m	Other Northern and Central Europe £m	Eliminations £m	Northern and Central Europe £m	% change £m	% change Organic
Year ended 31 March 2013							
Revenue	7,857	5,150	7,181	(89)	20,099	2.7	–
Service revenue	7,275	4,809	6,773	(89)	18,768	2.8	(0.2)
EBITDA	2,735	1,209	1,769	–	5,713	(3.7)	(2.4)
Adjusted operating profit	1,305	294	482	–	2,081	(17.7)	(8.1)
EBITDA margin	34.8%	23.5%	24.6%		28.4%		
Year ended 31 March 2012							
Revenue	8,233	5,397	6,042	(97)	19,575	3.6	3.7
Service revenue	7,669	4,996	5,695	(95)	18,265	2.2	2.5
EBITDA	2,965	1,294	1,675	–	5,934	2.7	2.1
Adjusted operating profit	1,491	402	637	–	2,530	2.2	0.8
EBITDA margin	36.0%	24.0%	27.7%		30.3%		

Revenue increased by 2.7% including a -4.1 percentage point negative impact from foreign exchange rate movements and a 6.8 percentage point positive impact from M&A and other activity. On an organic basis service revenue declined by -0.2%*, driven by challenging macroeconomic conditions in some markets, increased competition and the impact of MTR cuts, partially offset by continued growth in data revenue. Organic growth in Germany and Turkey was more than offset by declines in all other markets.

EBITDA declined by -3.7%, including a -4.3 percentage point negative impact from foreign exchange rate movements and a 3.0 percentage point positive impact from M&A and other activity. On an organic basis EBITDA decreased by -2.4%*, resulting from a reduction in service revenue in most markets, the impact of restructuring costs, and higher customer investment due to the increased penetration of smartphones.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Northern and Central Europe	**–**	**6.8**	**(4.1)**	**2.7**
Service revenue				
Germany	0.5	(0.1)	(5.5)	(5.1)
UK	(4.0)	0.3	–	(3.7)
Other Northern and Central Europe	2.2	23.1	(6.4)	18.9
Northern and Central Europe	**(0.2)**	**7.1**	**(4.1)**	**2.8**
EBITDA				
Germany	(2.6)	0.2	(5.4)	(7.8)
UK	(6.9)	0.3	–	(6.6)
Other Northern and Central Europe	1.9	9.8	(6.1)	5.6
Northern and Central Europe	**(2.4)**	**3.0**	**(4.3)**	**(3.7)**
Adjusted operating profit				
Germany	(7.5)	0.3	(5.3)	(12.5)
UK	(27.7)	0.8	–	(26.9)
Other Northern and Central Europe	4.3	(23.9)	(4.7)	(24.3)
Northern and Central Europe	**(8.1)**	**(5.4)**	**(4.2)**	**(17.7)**

Note:
1 "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

Germany

Service revenue increased by 0.5%*, driven by a 1.3%* increase in mobile service revenue. Growth in enterprise and wholesale revenue, despite intense price competition, was offset by lower prepaid revenue. Data revenue increased by 13.6%* driven by higher penetration of smartphones and an increase in those sold with a data bundle. Vodafone Red, introduced in October 2012, performed in line with expectations and had a positive impact on customer perception. Enterprise revenue grew by 3.0%*, despite the competitive environment.

The roll out of LTE services continued and was available in 81 cities, with population coverage of 61% at 31 March 2013.

EBITDA declined by -2.6%*, with a -1.3* percentage point reduction in EBITDA margin, driven by higher customer and restructuring costs, partially offset by operating cost efficiencies and a one-off benefit from a legal settlement during Q2.

UK

Service revenue declined by -4.0%* driven by the impact of MTR cuts effective from April 2012, intense price competition and macroeconomic weakness, which led to lower out-of-bundle usage. Data revenue grew by 4.2%* driven by higher penetration of smartphones. Vodafone Red plans, launched in September 2012, performed well, with over one million customers at 31 March 2013.

Following the purchase of additional spectrum in February 2013, preparation for LTE roll-out is underway.

The network sharing joint venture between Telefónica UK and Vodafone UK, announced in June 2012, is now operational and the integration of the CWW enterprise businesses into Vodafone UK is proceeding successfully.

EBITDA declined by -6.9%*, with a -0.5* percentage point reduction in EBITDA margin, driven by higher retention activity and the impact of restructuring costs.

Other Northern and Central Europe[2]

Service revenue increased by 2.2%* as growth in Turkey more than offset declines in the rest of the Other Northern and Central Europe region. Service revenue in Turkey grew by 17.3%*, primarily driven by growth in the contract customer base and an increase in data revenue due to mobile internet and higher smartphone penetration. Revenue also benefited from enterprise growth and the success of commercial initiatives. In the Netherlands service revenue declined by -2.7%* due to more challenging macroeconomic conditions and lower out-of-bundle usage. CWW contributed £1,234 million of revenue since it was acquired on 27 July 2012.

EBITDA increased by 1.9%*, with a -0.3* percentage point reduction in the EBITDA margin, as margin improvement in Turkey, driven by the increase in scale and cost management, were partially offset by declines in most other markets primarily resulting from lower revenue. Turkey reported positive operating free cash flow for the first time this year.

Note:
2 The results of CWW are included within the reported results from the date of acquisition, however, they are excluded from the organic results. Refer to definitions of terms on page 188 for more details.

Operating results (continued)

Southern Europe

	Italy £m	Spain £m	Other Southern Europe £m	Eliminations £m	Southern Europe £m	% change £m	% change Organic
Year ended 31 March 2013							
Revenue	4,755	3,904	1,883	(20)	10,522	(16.0)	(10.8)
Service revenue	4,380	3,629	1,644	(18)	9,635	(16.7)	(11.6)
EBITDA	1,908	942	633	–	3,483	(21.5)	(16.4)
Adjusted operating profit	1,163	342	297	–	1,802	(32.3)	(27.5)
EBITDA margin	40.1%	24.1%	33.6%		33.1%		
Year ended 31 March 2012							
Revenue	5,658	4,763	2,128	(27)	12,522	(3.9)	(5.4)
Service revenue	5,329	4,357	1,904	(25)	11,565	(4.7)	(6.2)
EBITDA	2,514	1,193	731	–	4,438	(11.0)	(12.5)
Adjusted operating profit	1,735	566	359	–	2,660	(16.8)	(18.2)
EBITDA margin	44.4%	25.0%	34.4%		35.4%		

Revenue decreased by -16.0% including a -5.0 percentage point impact from adverse foreign exchange rate movements. On an organic basis service revenue declined by -11.6%*, driven by the impact of MTR cuts, severe macroeconomic weakness and intense competition, partially offset by growth in data revenue. Revenue declined in all of the major markets in the region.

EBITDA declined by -21.5%, including a -4.9 percentage point impact from adverse foreign exchange rate movements. On an organic basis EBITDA decreased by -16.4%*, resulting from a reduction in service revenue in most markets and the impact of restructuring costs, partially offset by a reduction in operating costs.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Southern Europe	**(10.8)**	**(0.2)**	**(5.0)**	**(16.0)**
Service revenue				
Italy	(12.8)	(0.1)	(4.9)	(17.8)
Spain	(11.5)	(0.2)	(5.0)	(16.7)
Other Southern Europe	(8.2)	(0.4)	(5.1)	(13.7)
Southern Europe	**(11.6)**	**(0.1)**	**(5.0)**	**(16.7)**
EBITDA				
Italy	(19.5)	–	(4.6)	(24.1)
Spain	(15.4)	(0.6)	(5.0)	(21.0)
Other Southern Europe	(7.1)	(0.4)	(5.9)	(13.4)
Southern Europe	**(16.4)**	**(0.2)**	**(4.9)**	**(21.5)**
Adjusted operating profit				
Italy	(28.7)	(0.1)	(4.2)	(33.0)
Spain	(34.3)	(0.9)	(4.4)	(39.6)
Other Southern Europe	(10.4)	(0.9)	(6.0)	(17.3)
Southern Europe	**(27.5)**	**(0.3)**	**(4.5)**	**(32.3)**

Note:
1 "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

Italy
Service revenue declined by -12.8%* driven by the severe macroeconomic weakness and intense competition, as well as the impact of MTR cuts starting from 1 July 2012. Data revenue increased by 4.4%* driven by mobile internet growth and the higher penetration of smartphones, which more than offset the decline in mobile broadband revenue. Vodafone Red plans, branded as "Vodafone Relax" in Italy, continued to perform well and now account for approximately 30% of the contract customer base at 31 March 2013. The majority of contract additions are Vodafone Relax tariffs. Fixed revenue declined by -6.8%* driven by intense competition and a reduction in the customer base due to the decision to stop consumer acquisitions in areas where margins are impacted by unfavourable regulated wholesale prices.

LTE commercial services were launched in October 2012 and were available in 21 cities at 31 March 2013.

EBITDA declined by -19.5%*, with a -4.3* percentage point fall in the EBITDA margin, driven by the decline in service revenue and an increase in commercial costs, partially offset by operating cost efficiencies such as site sharing agreements and the outsourcing of network maintenance.

Spain
Service revenue declined by -11.5%* driven by continued macroeconomic weakness, high unemployment leading to customers optimising their spend, and a lower customer base following our decision to remove handset subsidies for a period earlier in the year. Competition remains intense with the increased popularity of converged consumer offers in the market. Data revenue grew by 16.5%* driven by the higher penetration of smartphones and an increase in those sold with a data bundle. Vodafone Red, which was launched in Q3, continues to perform well. Fixed revenue declined by -2.9%*, primarily due to intense competition, although new converged fixed/mobile tariffs had a positive impact on fixed broadband customer additions during Q4.

In March 2013 Vodafone Spain signed an agreement with Orange to co-invest in a fibre network in Spain, with the intention to reach six million households and workplaces across 50 cities by September 2017. The combined capital expenditure is expected to reach €1 billion.

EBITDA declined by -15.4%*, with a -0.7* percentage point reduction in EBITDA margin, primarily driven by lower revenue and the impact of restructuring costs offset by commercial and operating cost efficiencies. The EBITDA margin stabilised in H2, benefiting from lower operating and commercial costs.

Other Southern Europe
Service revenue declined by -8.2%*, driven by declines in Greece and Portugal, which more than offset growth in Albania and Malta. Macroeconomic weakness and intense competition resulted in service revenue declines of -13.4%* and -8.2%* in Greece and Portugal, respectively. Greece and Portugal were also impacted by an MTR cut.

EBITDA declined by -7.1%*, with a -0.4* percentage point reduction in EBITDA margin, primarily driven by lower service revenue, partially offset by operating cost efficiencies.

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	% change £m	% change Organic
Year ended 31 March 2013							
Revenue	4,324	5,206	3,937	(1)	13,466	(2.9)	4.3
Service revenue	4,292	4,420	3,634	(1)	12,345	(3.2)	3.9
EBITDA	1,240	1,891	1,047	–	4,178	1.5	10.3
Adjusted operating profit	221	1,196	261	–	1,678	14.0	26.7
EBITDA margin	28.7%	36.3%	26.6%		31.0%		
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%		

Revenue declined by -2.9% including a -8.2 percentage point adverse impact from foreign exchange rate movements, particularly the Indian rupee and the South African rand. On an organic basis service revenue grew by 3.9%* driven by customer and data revenue growth, partially offset by the impact of MTR reductions, competitive and regulatory pressures, and a general weakening in macroeconomic conditions. Growth was led by robust performances in India, Vodacom, Egypt, Ghana and Qatar, offset by service revenue declines in Australia and New Zealand.

EBITDA increased by 1.5% after a -9.4 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA grew by 10.3%* driven primarily by strong growth in India, Vodacom and Egypt as well as improved contributions from Ghana and Qatar, offset in part by declines in Australia and New Zealand.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – AMAP	**4.3**	**1.0**	**(8.2)**	**(2.9)**
Service revenue				
India	10.7	3.8	(12.7)	1.8
Vodacom	3.0	(3.2)	(9.7)	(9.9)
Other AMAP	(2.1)	3.8	(1.5)	0.2
AMAP	**3.9**	**1.1**	**(8.2)**	**(3.2)**
EBITDA				
India	24.0	(0.1)	(13.4)	10.5
Vodacom	10.3	–	(12.3)	(2.0)
Other AMAP	(2.6)	2.0	(0.9)	(1.5)
AMAP	**10.3**	**0.6**	**(9.4)**	**1.5**
Adjusted operating profit				
India	291.1	(3.4)	(19.4)	268.3
Vodacom	24.8	0.3	(14.8)	10.3
Other AMAP	(12.5)	(9.2)	1.3	(20.4)
AMAP	**26.7**	**(2.1)**	**(10.6)**	**14.0**

Note:
1 "Other activity" includes the impact of M&A activity, the revision to intra-group roaming charges from 1 October 2011 and the impact of Indus Towers revising its accounting for energy cost recharges. Refer to "Organic growth" on page 188 for further detail.

India

Service revenue grew by 10.7%* driven by strong growth in mobile voice minutes and data revenue, partially offset by the impact of regulatory changes. Average customer growth slowed in Q4, as Q3 regulatory changes affecting subscriber verification continued to impact gross additions, however customer acquisition costs remained low.

For the year as a whole, growth was negatively impacted by the introduction of new consumer protection regulations on the charging of access fees and the marketing of integrated tariffs and value-added services. However, in Q4 the customer base returned to growth and usage increased. Data revenue grew by 19.8%* driven by increased data customers and higher smartphone penetration. At 31 March 2013 active data customers totalled 37.3 million including approximately 3.3 million 3G data customers.

There was a lower rate of growth at Indus Towers, our network infrastructure joint venture, with a slow down in tenancies from smaller entrants, some operators exiting sites following licence cancellations and a change in the pricing structure for some existing customers in the first half of the year.

EBITDA grew by 24.0%*, with a 3.3* percentage point increase in EBITDA margin, driven by the higher revenue, operating cost efficiencies and the impact of lower customer acquisition costs, partially offset by inflationary pressure.

Vodacom

Service revenue grew by 3.0%* mainly driven by growth in Tanzania, the Democratic Republic of Congo ('DRC') and Mozambique. In South Africa, service revenue decreased by -0.3%*, with the growth in data revenue and the success of new prepaid offers being more than offset by MTR reductions, macroeconomic weakness leading to customer spend optimisation with lower out-of-bundle usage, and a weaker performance from independent service providers. Data revenue in South Africa grew by 16.1%*, with higher smartphone penetration and data bundles offsetting continued pricing pressure. Vodafone Smart and Vodafone Red, our new range of integrated contract price plans, were introduced in South Africa during March 2013.

On 10 October 2012, Vodacom announced the commercial launch of South Africa's first LTE network, with 601 LTE sites operational at 31 March 2013.

Vodacom's mobile operations outside South Africa delivered strong service revenue growth of 23.3%*, excluding Vodacom Business Africa, driven by a larger customer base and increasing data take-up. M-Pesa continues to perform well in Tanzania, with approximately 4.9 million active users, and was launched in DRC in November 2012. During the year Vodacom DRC became the first operator to launch 3G services in the DRC.

Operating results (continued)

EBITDA grew by 10.3%*, with a 1.6* percentage point increase in EBITDA margin, primarily driven by revenue growth in Vodacom's mobile operations outside South Africa and savings in network costs in South Africa following investment in single RAN and transmission equipment.

Other AMAP

Organic service revenue decreased by -2.1%* with growth in Egypt, Ghana and Qatar more than offset by revenue declines in Australia and New Zealand. Australia continued to experience steep revenue declines on the back of ongoing service perception issues and a declining customer base. There has been a strong focus on network improvement and arresting the weakness in brand perception. In Egypt the launch of value management initiatives, take-up of data services and the increase in international incoming call volumes and rates drove service revenue growth of 3.7%*, despite competitive pressures and the uncertain political environment. Data revenue continued to show strong growth of 29.6%* and fixed line revenue grew by 29.0%*. In Qatar service revenue grew by 29.8%*, driven by the growth in the customer base, which is now over one million, supported by successful new propositions. In Ghana, continued strong growth in the customer base and the success of integrated tariffs led to service revenue growth of 24.2%*.

EBITDA declined by -2.6%*, with EBITDA margin remaining stable, with the impact of service revenue declines in Australia and New Zealand offsetting growth in Egypt, Qatar and Ghana.

Non-Controlled Interests

Verizon Wireless[1 2 3]

	2013 £m	2012 £m	% change £	% change Organic
Service revenue	19,697	18,039	9.2	8.1
Revenue	21,972	20,187	8.8	7.8
EBITDA	8,831	7,689	14.9	13.6
Interest	(25)	(212)	(88.2)	
Tax[2]	13	(287)	(104.5)	
Group's share of result in VZW	6,422	4,867	31.9	30.5

In the US VZW reported 5.9 million net mobile retail connection additions in the year, bringing its closing mobile retail connection base to 98.9 million, up 6.4%.

Service revenue growth of 8.1%* continued to be driven by the expanding number of accounts and ARPA[4] growth from increased smartphone penetration and a higher number of connections per account.

EBITDA margin improved, with efficiencies in operating expenses and direct costs partially offset by higher acquisition and retention costs reflecting the increased new connections and demand for smartphones.

VZW's net debt at 31 March 2013 totalled US$6.2 billion[5] (2012: US$6.4 billion[5]). During the year VZW paid a US$8.5 billion income dividend to its shareholders and completed the acquisition of spectrum licences for US$3.7 billion (net).

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 VZW relates only to the corporate entities held by the VZW partnership and certain US 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 The definition of "connections" reported by VZW is the same as "customers" as reported by Vodafone.
4 Average monthly revenue per account.
5 Net debt excludes pending credit card receipts.

References to "Q2" are to the quarter ended 30 September 2012, references to the "Q3" or "previous quarter" are to the quarter ended 31 December 2013, and references to "Q4" and "fourth quarter" are to the quarter ended 31 March 2013 unless otherwise stated. References to the "first half of the year" are to the six months ended 30 September 2012 and references to "H2" or the "second half of the year" are to the six months ended 31 March 2013 unless otherwise stated. References to the "year" or "financial year" are to the financial year ended 31 March 2013, references to the "prior financial year" are to the financial year ended 31 March 2012, and references to the "new financial year" and "coming year" are to the financial year ended 31 March 2014 unless otherwise stated. References to the"2012 financial year", "2013 financial year", the "2014 financial year", the "2015 financial year", and the "2016 financial year" are to the financial years ended/ending 31 March 2012, 2013, 2014, 2015 and 2016, respectively.