Financial highlights

Mixed financial performance

Our financial performance this year reflects the combination of good performance in emerging markets and challenging conditions in Europe.

Due to changes in our business and accounting standards this year's report shows two views of our performance – management (how we run our business) and statutory (how we are required to report).

This annual report contains financial information on both a statutory basis, which under IFRS accounting principles include the financial results of our joint ventures (Vodafone Italy[1], Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers) as one line item in the income statement and in a limited number of lines in the statement of cash flows, as well as on a management basis which includes our share of these joint ventures in both these statements on a line-by-line basis.

The discussion of our revenues, EBITDA, adjusted operating profit, free cash flow and capital expenditure below is performed under the management basis, as this is assessed as being the most insightful presentation and is how the Group's operating performance is reviewed internally by management. The discussion of items of profit and losses under adjusted operating profit is performed on a statutory basis.

See "Non-GAAP information" on page 201 for further information and reconciliations between the management and statutory basis.

Management basis

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£43.6bn -1.9%
Revenue
Revenue decreased by 1.9% and fell by 3.5%* on an organic basis as strong growth in emerging markets was offset by competitive and regulatory pressures and continued macroeconomic weakness in Europe.

29.4% -1.1pp
EBITDA margin
EBITDA margin fell by 1.1 percentage points. On an organic basis, margin was down 1.3* percentage points as the impact of steep revenue declines in Europe offset improving margins in our AMAP region, most notably in India and Australia.

£7.9bn -37.4%
Adjusted operating profit ('AOP')
The reported fall relates mainly to the sale of our interest in Verizon Wireless during the year. On an organic basis, AOP declined by 9.4%*, reflecting the decline in EBITDA and higher depreciation and amortisation.

17.54p -12.8%
Adjusted earnings per share
Adjusted earnings per share was down 12.8% mainly reflecting both lower EBITDA and higher depreciation and amortisation.

£7.1bn +13.3%
Capital expenditure
Cash capital expenditure increased by £0.8 billion driven by the acquisition of Kabel Deutschland, the fibre roll-out in Spain, and initial Project Spring investment in India and Germany.

£4.4bn -21.5%
Free cash flow
Free cash flow declined by 21.5%, reflecting the fall in EBITDA, increased capital expenditure and the impact of weaker exchange rates in our emerging markets.

Statutory basis

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£38.3bn +0.8%
Revenue
Revenues increased by 0.8% as growth in our AMAP region and from business acquisitions offset revenue declines in Europe.

£59.4bn N/A
Profit for the financial year
Profit for the financial year increased by £58.8 billion primarily due to a pre-tax gain on disposal of our interest in Verizon Wireless of £45.0 billion and recognition of deferred tax assets of £19.3 billion.

£12.1bn +5.7%
Cash generated by operations
Cash generated by operations increased by 5.7%, primarily as a result of higher working capital related cash flows.

11.00p
Ordinary dividend per share
We have announced a final dividend per share of 7.47 pence, giving total dividends per share for the year of 11.00 pence – an 8% increase year-on-year.

Note:
1 Vodafone Italy became a 100% owned subsidiary on 21 February 2014.