VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 09, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

Dated November 9, 2011

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): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

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 November 8, 2011 entitled **Half-year financial report for the six months ended 30 September 2011** .

Half-year financial report for the six months ended 30 September 2011

8 November 2011

Consistent results: growth, investment, cash generation, shareholder returns

- Q2 Group organic service revenue growth +1.3%(*); Europe -1.2%(*), AMAP +8.2%(*)
- H1 EBITDA up 2.3% to £7.5 billion; EBITDA margin 32.0%, down 0.6 percentage points, as expected
- Adjusted operating profit £6.0 billion; full year guidance now improved to £11.4 £11.8 billion
- Free cash flow £2.6 billion; full year guidance of £6.0 £6.5 billion confirmed(1)
- Interim dividend 3.05 pence, up 7.0%; special dividend of 4.0 pence to be paid at the same time

Financial highlights

	Six months ended 30 September 2011	Change year-on-year	
		Reported	Organic
	£m	%	%
Group revenue	**23,520**	**+4.1**	**+2.2**
Group service revenue	**21,894**	**+3.1**	**+1.4**
Europe	15,337	+1.6	(1.3)
Africa, Middle East and Asia Pacific	6,376	+6.8	+8.4
	6,035	**(0.6)**	**+4.4**
Adjusted operating profit			
	2,616	**(25.0)**	
Free cash flow			
	13.06p	**(8.7)**	
EPS			
	7.75p	**(11.5)**	
Adjusted EPS			
	3.05p	**+7.0**	
Interim dividend per share			

Continued progress on strategic delivery

- Data revenue +23.8%(*), with smartphone penetration in Europe rising to 21.7% in Q2; 24% of consumer contract customers in Europe(2) are on integrated voice, SMS and data tariffs
- Enterprise revenue +2.6%(*), driven by new account wins, growth in demand for converged services and increasing penetration of existing clients
- Continued strong momentum in emerging markets: India service revenue +18.4%(*), Turkey +27.9%(*), Vodacom +7.3%(*)
- Increased focus on new services: M-Pesa now in 7 markets with 27 million registered users; charge-to-bill launched in Europe; machine-to-machine revenue up 33%(*) with 6.2 million SIMs
- £2.8 billion dividend from Verizon Wireless due January 2012, with £2.0 billion special dividend to be paid to Vodafone shareholders; SFR stake sold, with £4.0 billion committed to a share buyback

Notes:

(*) All amounts in this document 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.
(1) Excludes the dividend due from Verizon Wireless in January 2012.
(2) Five European markets: Germany, Italy, Spain, UK, Netherlands.

Vittorio Colao, Group Chief Executive, commented:

A year on from announcing our updated strategy, we are making clear progress. We are gaining share in most of our major markets, through our focus on superior network quality and an improved customer experience. In addition, we are achieving sustained growth in the key areas of data, emerging markets and enterprise.

At the same time, we have delivered on our commitment to crystallise value from our non-controlled assets through a successful programme of disposals and the announcement of a dividend from Verizon Wireless, with the majority of proceeds pledged to shareholder returns.

Although we remain mindful of the uncertain economic outlook, we are confident that we have the right strategy and capabilities to continue to perform consistently through top line growth, cost efficiency, investment and cash generation.

CHIEF EXECUTIVE S STATEMENT

Financial review

Group

Group revenue was up 4.1% to £23.5 billion, or 2.2%(*) on an organic basis. Organic service revenue growth was 1.4%(*) for the first half of the financial year, and 1.3%(*) in Q2. Excluding the impact of mobile termination rate (MTR) cuts, service revenue growth was 3.8%(*). Our overall performance reflects continued strong demand for data services and further voice penetration growth in emerging markets, offset by regulatory changes and voice price deflation driven by ongoing competitive pressures.

Group EBITDA was up 2.3% to £7.5 billion. The EBITDA margin was down 0.6 percentage points year-on-year, as expected. The fall in the margin was primarily driven by our re-pricing in Spain and our performance in Australia, partially offset by good cost control.

Adjusted operating profit was £6.0 billion (H1 2010: £6.1 billion). On an organic basis, including adjusting for the disposal of SFR, adjusted operating profit was up 4.4%(*) year-on-year, driven by the growth in EBITDA and the continued strong performance from Verizon Wireless.

Reported earnings per share was 13.06 pence, boosted by the profit on disposal of our 44% stake in SFR. Adjusted earnings per share was 7.75 pence, a decline of 11.5% year-on-year, reflecting the loss of our share of SFR s profits, the loss of interest income from investment disposals and mark-to-market items charged through finance costs.

Free cash flow for the first half of the financial year was £2.6 billion (H1 2010: £3.5 billion). The year-on-year decline is the result of timing differences on working capital and capex compared to the equivalent period last year. Capex for the period was £2.6 billion (H1 2010: £2.4 billion). Net debt at 30 September 2011 was £26.2 billion. The reduction in net debt since 31 March 2011 has been driven by underlying cash generation and the £6.8 billion consideration from the SFR disposal, offset by £1.8 billion of share buybacks as well as equity dividend payments.

The Board has agreed an interim dividend of 3.05 pence per share, an increase of 7.0% year-on-year, in line with our dividend per share growth target of at least 7% per annum until March 2013. In addition, in July the Group announced its intention to pay a special dividend of 4.0 pence per share, with the same timetable as the interim dividend, to reflect the receipt of a dividend from Verizon Wireless.

Europe

In Europe, service revenue was down 1.3%(*) in H1, with a marginally better performance in Q2 than in Q1.

In northern Europe, service revenue growth in Q2 improved in the UK (+2.5%(*)) and the Netherlands (+4.2%(*)), and remained steady in Germany (+0.1%(*)).

In southern Europe, Spain showed a sequential improvement in its service revenue trend to -9.3%(*) (Q1 - 9.9% (*)), as our price reductions led to early signs of improvement in our commercial performance. Growth in Italy deteriorated from -1.5%(*) in Q1 to -3.0%(*) in Q2, reflecting a decline in consumer confidence and an incremental impact of 0.4 percentage points from MTR cuts. Turkey continued to grow strongly in Q2 (+ 24.0% (*)).

Europe EBITDA was flat year-on-year at £5.6 billion, with the EBITDA margin down 1.0 percentage point. This decline was almost entirely driven by a 6.1 percentage point margin decline in Spain as a result of price reductions and the macroeconomic environment.

Africa, Middle East and Asia Pacific (AMAP)

AMAP service revenue was up 8.4%(*) in H1, with a slight slowdown in Q2 compared to Q1. In India, service revenue growth was 20.1%(*) in Q2, reflecting improving underlying growth boosted by new SMS termination charges in the Indian market. Growth at Vodacom slowed slightly to +6.7%(*) in Q2. In Australia,

CHIEF EXECUTIVE S STATEMENT

service revenue fell by 8.1%(*) in Q2 (Q1 -3.6%(*)), as the network and customer service issues experienced in the Group s prior financial year had a negative impact on customer perception.

AMAP EBITDA was up 3.6%, with the EBITDA margin falling 1.0 percentage point. The biggest impact came in Australia (down 5.1 percentage points). The margin in India fell slightly despite strong top line growth as a result of rising commercial costs and the dilutive impact of SMS termination.

Verizon Wireless

Verizon Wireless, our US associate, achieved organic service revenue growth of 7.1%(*) in H1 and 6.4%(*) in Q2. Our share of profits from Verizon Wireless totalled £2.5 billion, up 11.1%(*) year-on-year. Verizon Wireless net debt fell from US$9.6 billion at 31 March 2011 to US$3.1 billion at 30 September 2011. In July, Verizon Wireless announced its intention to pay a dividend of US$10.0 billion to its shareholders in January 2012. Vodafone s share of this dividend is US$4.5 billion (£2.8 billion).

Strategy progress

There are four main elements to the strategy to build a more valuable Vodafone announced in November 2010:

1. Focus on key areas of growth potential;
2. Deliver value and efficiency from scale;
3. Generate liquidity or free cash flow from non-controlled interests; and
4. Apply rigorous capital discipline to investment decisions.

We have made further progress on each of these over the course of the first half of the financial year.

1) Focus on key areas of growth potential

Mobile data: data revenue was up 23.8%(*) year-on-year to £3.1 billion, and now represents 14% of Group service revenue. Data represents the single biggest opportunity to Vodafone and the industry over the next few years, and we intend to continue to be at the forefront of stimulating data adoption among our customers.

We have increased smartphone penetration in our European customer base to 21.7%, by broadening our range of handsets and marketing attractive commercial propositions. 58.7% of these customers now have a data allowance included within their tariff plan. Pricing is becoming increasingly important in preventing the substitution of voice and SMS usage with data usage and ensuring that increased data traffic is properly reflected in our revenue. To this end, we have focused on migrating customers to integrated voice, SMS and data bundles that insulate our revenue from changing customer behaviour and capture future growth in data usage. At the end of H1, 24% of consumer contract customers in our five largest European markets were on integrated tariffs.

We have also continued to make significant network investments to improve data coverage, speed and reliability. Our launch of LTE services in Germany has been an early success, with over 50,000 customers using the service and giving very positive feedback. During the period we acquired spectrum in Spain and were awarded spectrum in Italy to ensure we have the best possible portfolio of spectrum across a range of frequencies to deliver the ongoing enhancement in performance that customers will expect.

Enterprise: enterprise revenue across the Group was up 2.6%(*) year-on-year in H1. In Europe, enterprise represents 30% of service revenue. We are seeing a number of trends in the enterprise business such as the increasing focus on mobility, the move towards converged services, the growth in the tablet market and companies desire to consolidate their supplier bases that play to our strengths. We are successfully addressing the full breadth of the market: within Vodafone Global Enterprise, which manages the largest multi-national accounts, revenue was up 7%(*); and at the SME and SoHo level, Vodafone One Net

CHIEF EXECUTIVE S STATEMENT

continues to be rolled out across our footprint offering customers a cost effective and simple converged mobile and fixed service.

Emerging markets: the Group has an attractive level of exposure to emerging markets, where mobile voice penetration is lower and GDP growth is higher than in the more mature markets of western Europe. In addition, the lack of fixed line infrastructure in many emerging markets means that mobile operators are likely to be the primary providers of internet connectivity. Our key emerging markets operations all continued to achieve strong service revenue growth, with India +18.4%(*), Vodacom +7.3%(*) and Turkey +27.9%(*).

In addition, we see the potential for data adoption to accelerate. The number of customers using Opera Mini, a web browser that significantly improves the experience for customers using data over 2G networks, has reached 13.7 million, up 98% year-on-year. This demonstrates the strong underlying demand for data services, which we expect to translate into strong service revenue growth as customers migrate to faster 3G platforms.

Total communications: fixed revenue across the Group was up 6.1%(*) year-on-year in the first half of the financial year. We continue to develop our fixed line capabilities to meet our customers total communications needs beyond mobile connectivity, in both the consumer and enterprise markets.

In the enterprise market we have made significant progress in the development of converged services, giving us an attractive opportunity to grow our share of companies total telecoms spend: Fixed revenue within enterprise was up 19.2%(*). In the consumer market, we have shown continued good growth in Italy, while in Germany we are developing new services, such as Vodafone TV, to make our overall domestic connectivity package more competitive.

New services: we see significant potential for profitable growth from new services, driven by two key factors the increasing level of intelligence in our own network and the introduction of connectivity between appliances as well as people, allowed by very high levels of mobile coverage.

During the period we launched charge to bill services across a number of European markets and on a range of mobile operating systems. Using this platform, customers can charge purchases from online applications stores to their Vodafone mobile phone accounts, making it much easier for users to make purchases. The initial results have been very encouraging and we will continue to roll out the service over the coming months.

Machine-to-machine (M2M) revenue grew strongly, with regulation in the utilities sector and the increasing use of tracking and telemetry in the automotive sector being key drivers.

2) Deliver value and efficiency from scale

The scale and composition of the Group has enabled us to increase efficiency and achieve favourable relative cost positions in many markets. We aim to continue to generate savings from technology standardisation, off-shoring, outsourcing, platform sharing and Group purchasing. During the first half of the financial year we commenced working with Verizon Communications to identify procurement savings opportunities across a wide range of common suppliers.

3) Generate liquidity or free cash flow from non-controlled interests

During the first half of the financial year, we completed the sale of our 44% interest in SFR, the number two mobile operator in France, to Vivendi, the majority shareholder, for £6.8 billion. We have committed £4.0 billion of the proceeds to a share buyback programme. We also announced the sale of our 24.4% stake in Polkomtel, the Polish operator, for £0.8 billion.

CHIEF EXECUTIVE S STATEMENT

In July, Verizon Wireless announced its intention to pay a dividend of US$10.0 billion in January 2012. Vodafone s share of this dividend is US$4.5 billion (£2.8 billion), out of which we intend to pay a special dividend of 4.0 pence per share to Vodafone shareholders at the same time as the interim dividend in February 2012.

4) Apply rigorous capital discipline to investment decisions

We continue to adhere to strict capital discipline in our investment decisions. We apply rigorous commercial analysis and demanding hurdle rates to ensure that any investment or corporate activity will enhance shareholder returns. Maintaining our target credit rating of a low single A provides 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 make sure we are maximising the return on the capital employed across the Group.

Outlook and guidance(1)

Progress against our strategic and financial objectives in the first half of the financial year has been good. Although the macroeconomic outlook is uncertain, we are confident that we can continue to execute successfully in the second half of the financial year.

We now expect adjusted operating profit for the full year to be in the range of £11.4 £11.8 billion, the upper half of the range indicated in May 2011. We continue to expect free cash flow to be in the range of £6.0 £6.5 billion, excluding the £2.8 billion dividend due from Verizon Wireless in January 2012.

(1) See Guidance on page 8.

GROUP FINANCIAL HIGHLIGHTS

		Six months ended 30 September			
		2011	2010	% change	
	Page	£m	£m	Reported	Organic
Financial information(1)					
Revenue	24	23,520	22,603	4.1	2.2
Operating profit	24	8,999	5,213	72.6	
Profit before taxation	24	8,011	8,240	(2.8)	
Profit for the financial period	24	6,644	7,504	(11.5)	
Basic earnings per share (pence)	24	13.06p	14.31p	(8.7)	
Capital expenditure	37	2,618	2,435	7.5	
Cash generated by operations	19	7,069	7,331	(3.6)	
Performance reporting(1)(2)					
Group EBITDA	9	7,532	7,363	2.3	
Group EBITDA margin		32.0%	32.6%	(0.6pp)	(0.7pp)
Adjusted operating profit	9, 39	6,035	6,069	(0.6)	4.4
Adjusted profit before tax	11, 39	5,142	5,629	(8.7)	
Adjusted effective tax rate	11	25.2%	22.9%		
Adjusted profit attributable to equity shareholders	11, 39	3,962	4,616	(14.2)	
Adjusted earnings per share (pence)	11, 39	7.75p	8.76p	(11.5)	
Free cash flow(3)	19	2,616	3,489	(25.0)	
Net debt	19, 20	26,247	30,457	(13.8)	

Notes:

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

(2) See page 36 for Use of non-GAAP financial information and page 41 for Definitions of terms .

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

GUIDANCE

Please see page 36 for Use of non-GAAP financial information , page 41 for Definition of terms and page 42 for Forward-looking statements .

2012 financial year guidance

	Original guidance 2012 financial year £bn		Updated guidance 2012 financial year £bn	
Adjusted operating profit	11.0	11.8	11.4	11.8
Free cash flow	6.0	6.5	6.0	6.5

Assumptions

Guidance for the 2012 financial year is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1: 1.15 and £1:US$1.60. It excludes the impact of licence and spectrum purchases, the £2.8 billion dividend due from Verizon Wireless, material one-off tax related payments and restructuring costs, and assumes no material change to the current structure of the Group.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit and free cash flow by approximately £50 million and a 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £50 million.

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FINANCIAL RESULTS

Group(1)

	Europe	Africa, Middle East and Asia Pacific	Non-Controlled Interests and Common Functions(2)	Eliminations	Six months ended 30 September 2011	2010	% change £	Organic
	£m	£m	£m	£m	£m	£m	£	Organic
Voice revenue	8,652	4,561	147		13,360	13,788		
Messaging revenue	2,168	474	30		2,672	2,482		
Data revenue	2,286	757	19		3,062	2,411		
Fixed line revenue	1,589	213			1,802	1,646		
Other service revenue	642	371	11	(26)	998	902		
Service revenue	**15,337**	**6,376**	**207**	**(26)**	**21,894**	**21,229**	**3.1**	**1.4**
Other revenue	999	532	99	(4)	1,626	1,374		
Revenue	**16,336**	**6,908**	**306**	**(30)**	**23,520**	**22,603**	**4.1**	**2.2**
Direct costs	(3,889)	(1,799)	(38)	26	(5,700)	(5,681)		
Customer costs	(4,985)	(1,709)	(207)		(6,901)	(6,260)		
Operating expenses	(1,907)	(1,399)	(85)	4	(3,387)	(3,299)		
EBITDA	**5,555**	**2,001**	**(24)**		**7,532**	**7,363**	**2.3**	
Depreciation and amortisation:								
Acquired intangibles	(56)	(406)	(2)		(464)	(577)		
Purchased licences	(573)	(101)			(674)	(563)		
Other	(1,969)	(887)	(24)		(2,880)	(2,808)		
Share of result in associates	2	11	2,508		2,521	2,654		
Adjusted operating profit	**2,959**	**618**	**2,458**		**6,035**	**6,069**	**(0.6)**	**4.4**
Impairment loss					(450)	(800)		
Other income and (expense)(3)					3,414	(56)		
Operating profit					**8,999**	**5,213**		
Non-operating (expense)/income(4)					(161)	2,389		
Net (financing costs)/investment income					(827)	638		

Income tax expense	(1,367)	(736)
Profit for the financial period	**6,644**	**7,504**

Notes:

(1) Current period results reflect average foreign exchange rates of £1: 1.14 and £1:US$1.62.

(2) Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.

(3) Other income and expense for the six months ended 30 September 2011 included a £3,419 million gain on disposal of the Group s 44% interest in SFR. Other income and expense for the six months ended 30 September 2010 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 six months ended 30 September 2010 includes £2,388 million profit arising on the sale of the Group s 3.2% interest in China Mobile Limited.

FINANCIAL RESULTS

Revenue

Group revenue was up 4.1% to £23.5 billion, with service revenue of £21.9 billion, an increase of 1.4%(*) 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 and voice price deflation driven by ongoing competitive pressures.

AMAP service revenue was up by 8.4%(*), with a strong performance in India and continued growth in Vodacom, Ghana and Qatar.

In Europe, service revenue was down by 1.3%(*) reflecting reductions in most markets offset by growth in the UK, the Netherlands and Turkey.

EBITDA and profit

Group EBITDA was up by 2.3% to £7.5 billion, driven by strong revenue growth partially offset by higher customer investment due to increased smartphone penetration.

Adjusted operating profit was stable at £6.0 billion.

Operating profit increased by 72.6% to £9.0 billion, primarily due to the gain on disposal of the Group s 44% interest in SFR and lower impairment losses compared to the six months ended 30 September 2010.

An impairment loss of £450 million was recorded in relation to Vodafone Greece, primarily resulting from lower projected cash flows within business plans and an increase in discount rates.

Net (financing costs)/investment income

	Six months ended 30 September	
	2011	2010
	£m	£m
Investment income	226	1,402
Financing costs	(1,053)	(764)
Net (financing costs)/investment income	**(827)**	**638**
Analysed as:		
Net financing costs before income from investments	(867)	(594)
Potential interest charges arising on settlement of outstanding tax issues(1)	(36)	(47)
Income from investments	10	201
	(893)	**(440)**
Foreign exchange(2)	66	228
Equity put rights and similar arrangements(3)		(22)
Interest related to the settlement of tax cases		872
	(827)	**638**

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. Further details of these options are provided on page 22.

Net financing costs before income from investments increased from £594 million to £867 million, primarily due to mark-to-market movements on interest rate swaps and futures. Income from investments decreased by £191 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 during the 2011 financial year.

FINANCIAL RESULTS

Taxation

	Six months ended 30 September 2011 £m	2010 £m
Income tax expense	1,367	736
Tax on adjustments to derive adjusted profit before tax	(170)	(235)
Tax benefit related to settlement of tax cases		550
Adjusted income tax expense	**1,197**	**1,051**
Share of associates tax	145	322
Adjusted income tax expense for purposes of calculating adjusted tax rate	**1,342**	**1,373**
Profit before tax	8,011	8,240
Adjustments to derive adjusted profit before tax(1)	(2,869)	(2,611)
Adjusted profit before tax	**5,142**	**5,629**
Add: Share of associates tax and non-controlling interest	185	366
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**5,327**	**5,995**
Adjusted effective tax rate	**25.2%**	**22.9%**

Note:

(1) See Earnings per share below.

The adjusted effective tax rate for the year ending 31 March 2012 is expected to be in the mid 20 s. This is in line with the adjusted effective tax rate for the year ended 31 March 2011.

Income tax expense has increased in the six months ended 30 September 2011 largely due to the impact of a tax settlement in the six months ended 30 September 2010.

Earnings per share

Adjusted earnings per share was 7.75 pence, a decline of 11.5% year-on-year, reflecting the loss of our share of SFR 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 13.06 pence (H1 2010: 14.31 pence), reflecting the profit on disposal of our 44% interest in SFR and the impairment in relation to Vodafone Greece, which are excluded from adjusted earnings per share.

	Six months ended 30 September 2011 £m	2010 £m
Profit attributable to equity shareholders	**6,679**	**7,542**

Pre-tax adjustments:		
Impairment loss	450	800
Other income and expense(1)	(3,414)	56
Non-operating income and expense(2)	161	(2,389)
Investment income and financing costs(3)	(66)	(1,078)
	(2,869)	**(2,611)**
Taxation	170	(315)
Non-controlling interests	(18)	
Adjusted profit attributable to equity shareholders	**3,962**	**4,616**
	Million	Million
Weighted average number of shares outstanding basic	51,132	52,701
Weighted average number of shares outstanding diluted	51,427	52,984

Notes:

(1) Other income and expense for the six months ended 30 September 2011 includes a £3,419 million gain on disposal of the Group s 44% interest in SFR. The six months ended 30 September 2010 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.

(2) Non-operating income and expense for the six months ended 30 September 2010 includes £2,388 million profit arising on the sale of the Group s 3.2% interest in China Mobile Limited.

(3) See notes 2 and 3 in Net (financing costs)/investment income on page 10.

FINANCIAL RESULTS

Europe

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	Organic
30 September 2011									
Voice revenue	1,633	1,595	1,560	1,201	2,663		**8,652**		
Messaging revenue	440	443	156	609	520		**2,168**		
Data revenue	748	354	310	432	442		**2,286**		
Fixed line revenue	932	317	165	22	153		**1,589**		
Other service revenue	126	74	112	212	267	(149)	**642**		
Service revenue	**3,879**	**2,783**	**2,303**	**2,476**	**4,045**	**(149)**	**15,337**	**1.6**	**(1.3)**
Other revenue	223	122	208	188	259	(1)	**999**		
Revenue	**4,102**	**2,905**	**2,511**	**2,664**	**4,304**	**(150)**	**16,336**	**2.8**	**(0.2)**
Direct costs	(894)	(664)	(527)	(753)	(1,200)	149	**(3,889)**		
Customer costs	(1,199)	(590)	(1,043)	(993)	(1,161)	1	**(4,985)**		
Operating expenses	(457)	(289)	(260)	(285)	(616)		**(1,907)**		
EBITDA	**1,552**	**1,362**	**681**	**633**	**1,327**		**5,555**		**(3.5)**
Depreciation and amortisation:									
Acquired intangibles					(56)		**(56)**		
Purchased licences	(274)	(54)	(4)	(166)	(75)		**(573)**		
Other	(447)	(332)	(316)	(282)	(592)		**(1,969)**		
Share of result in associates					2		**2**		
Adjusted operating profit	**831**	**976**	**361**	**185**	**606**		**2,959**	**(3.3)**	**(7.3)**
EBITDA margin	**37.8%**	**46.9%**	**27.1%**	**23.8%**	**30.8%**		**34.0%**		
30 September 2010									
Voice revenue	1,784	1,685	1,738	1,279	2,716		**9,202**		
Messaging revenue	382	414	177	555	468		**1,996**		
Data revenue	584	286	265	359	349		**1,843**		
Fixed line revenue	892	271	157	16	120		**1,456**		
Other service revenue	68	71	103	216	283	(148)	**593**		
Service revenue	**3,710**	**2,727**	**2,440**	**2,425**	**3,936**	**(148)**	**15,090**		
Other revenue	149	125	174	168	186	(2)	**800**		
Revenue	**3,859**	**2,852**	**2,614**	**2,593**	**4,122**	**(150)**	**15,890**		
Direct costs	(931)	(656)	(549)	(780)	(1,189)	148	**(3,957)**		
Customer costs	(1,052)	(533)	(930)	(949)	(1,069)	2	**(4,531)**		
Operating expenses	(405)	(307)	(267)	(265)	(603)		**(1,847)**		
EBITDA	**1,471**	**1,356**	**868**	**599**	**1,261**		**5,555**		
Depreciation and amortisation:									
Acquired intangibles					(70)		**(70)**		
Purchased licences	(216)	(50)	(3)	(166)	(67)		**(502)**		
Other	(437)	(302)	(310)	(295)	(578)		**(1,922)**		
Share of result in associates				(1)			**(1)**		
Adjusted operating profit	**818**	**1,004**	**555**	**137**	**546**		**3,060**		
EBITDA margin	**38.1%**	**47.5%**	**33.2%**	**23.1%**	**30.6%**		**35.0%**		

Change at constant exchange rates					
Voice revenue	(12.3)	(9.4)	(14.1)	(6.1)	(3.0)
Messaging revenue	10.2	2.5	(15.4)	9.7	9.3
Data revenue	22.7	18.8	12.1	20.4	23.1
Fixed line revenue	0.1	12.2	0.7	37.5	25.0
Other service revenue	78.8	(1.0)	4.5	(1.9)	(7.8)
Service revenue	**0.2**	**(2.3)**	**(9.6)**	**2.1**	**1.3**
Other revenue	43.1	(5.2)	14.6	11.9	33.3
Revenue	**1.8**	**(2.4)**	**(8.0)**	**2.7**	**2.8**
Direct costs	(8.2)	(3.1)	(8.0)	(3.5)	0.8
Customer costs	9.2	6.2	7.5	4.6	7.1
Operating expenses	8.3	(9.7)	(6.8)	7.5	1.5
EBITDA	**1.1**	**(3.7)**	**(24.9)**	**5.6**	**1.7**
Depreciation and amortisation:					
Acquired intangibles					(18.8)
Purchased licences	21.2	1.9			10.3
Other	(2.0)	6.1	(2.2)	(4.4)	0.2
Share of result in associates				(100.0)	
Adjusted operating profit	**(2.8)**	**(6.9)**	**(37.7)**	**35.0**	**5.2**
EBITDA margin movement (pps)	**(0.3)**	**(0.6)**	**(6.1)**	**0.7**	**(0.4)**

FINANCIAL RESULTS

Revenue increased by 2.8% including a 2.9 percentage point impact from favourable foreign exchange rate movements. On an organic basis service revenue declined by 1.3%(*) reflecting reductions in most markets offset by growth in the UK, the Netherlands and Turkey. The decline was primarily driven by the impact of MTR reductions, competitive pricing pressures and continued economic weakness leading to lower voice revenue, partially offset by growth in data revenue.

EBITDA was stable, benefiting from a 3.6 percentage point impact from favourable foreign exchange rate movements. On an organic basis EBITDA decreased by 3.5%(*), resulting from higher customer investment, driven by the increased penetration of smartphones, and a reduction in service revenue in most markets, partially offset by operating cost efficiencies.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue - Europe	**(0.2)**	**0.1**	**2.9**	**2.8**
Service revenue				
Germany	0.2		4.4	4.6
Italy	(2.3)		4.4	2.1
Spain	(9.6)		4.0	(5.6)
UK	2.1			2.1
Other Europe	1.3		1.5	2.8
Europe	**(1.3)**		**2.9**	**1.6**
EBITDA				
Germany	1.1		4.4	5.5
Italy	(3.7)		4.1	0.4
Spain	(24.9)		3.4	(21.5)
UK	5.6			5.6
Other Europe	1.9	(0.2)	3.5	5.2
Europe	**(3.5)**	**(0.1)**	**3.6**	
Adjusted operating profit				
Germany	(2.8)		4.4	1.6
Italy	(6.9)		4.1	(2.8)
Spain	(37.7)		2.7	(35.0)
UK	35.0			35.0
Other Europe	5.9	(0.7)	5.8	11.0
Europe	**(7.3)**	**(0.1)**	**4.1**	**(3.3)**

<u>Germany</u>

Service revenue was stable on an organic basis as strong data and enterprise revenue growth was offset by the impact of an MTR cut effective from 1 December 2010. Data revenue increased by 22.7%(*) driven by the increased penetration of smartphones and Superflat Internet tariffs. Enterprise revenue grew by 4.7%(*) driven by significant customer wins and the success of converged service offerings.

EBITDA increased by 1.1%(*) driven by the revenue trends mentioned above. The EBITDA margin reduced by 0.3 percentage points reflecting investment in customer acquisition and retention.

The roll out of LTE has continued, following the launch of services in the 2011 financial year, with 52,000 LTE customers at 30 September 2011.

Italy

Service revenue declined by 2.3%(*) as a result of weak macro economic conditions, intense competition and the impact of an MTR cut effective from 1 July 2011. In September 2011 prepaid tariffs were refreshed with the launch of new integrated tariffs. Fixed line revenue grew by 12.2%(*) as a result of strong customer additions. Data revenue increased by 18.8%(*) resulting from a higher penetration of smartphones and strong mobile internet. Enterprise revenue grew by 6.4%(*) driven by growth in the customer base and the success of Vodafone One Net, which enables customers to combine their fixed and mobile communications into a single service with one number.

FINANCIAL RESULTS

EBITDA decreased by 3.7%(*). The EBITDA margin fell by 0.6 percentage points, with the impact of the decline in mobile voice revenue and the growth in lower margin fixed line business partially offset by operating cost efficiencies including site sharing agreements and the ongoing move to a single radio access network (RAN).

Spain

Service revenue declined by 9.6%(*), impacted by continued intense competition, general economic weakness and high unemployment, which have driven customers to reduce or optimise their spend on tariffs. The decline in Q2 improved by 0.6 percentage points compared to Q1. Data revenue increased by 12.1%(*), benefiting from the penetration of integrated voice and data tariffs launched in April 2011 and strong growth in mobile internet. Improvements were seen in fixed line revenue which increased by 4.2%(*) in Q2, resulting from a competitive proposition leading to good customer additions. Mobile customer net additions were strong, arising from mobile number portability net gains, as a result of our more competitive tariffs introduced in Q1, and a focus on improving the retention of higher-value customers.

EBITDA declined by 24.9%(*), with a 6.1 percentage point fall in the EBITDA margin, due to the lower revenue and higher acquisition and retention costs resulting from the increased penetration of smartphones, partially offset by operating cost efficiencies.

UK

Service revenue grew by 2.1%(*) driven by an increase in enterprise and data revenue as well as good net customer additions and some price increases in consumer contract and prepaid. Growth was impacted by an MTR cut effective from 1 April 2011. The increase in enterprise revenue was driven by the success of integrated offerings and strong data roaming. Data revenue grew by 20.4%(*) resulting from the higher penetration of smartphones with a high percentage being sold with data bundles.

EBITDA increased by 5.6%(*), with a 0.7 percentage point improvement in the EBITDA margin, as a result of higher revenue partially offset by investment in customer acquisition and retention.

Other Europe

Service revenue increased by 1.3%(*) as growth in Albania, 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 economic environment and competitive factors. Service revenue in Turkey grew by 27.9%(*), driven by strong growth in voice and data revenue resulting from a larger contract customer base and data campaigns. In the Netherlands service revenue increased by 2.3%(*), driven by an increase in the customer base and stronger roaming revenue, partially offset by a slow-down in messaging revenue growth rates and price competition.

EBITDA grew by 1.9%(*), with strong growth in Turkey, driven by operating cost savings and improved management of customer acquisition costs, partially offset by declines in the majority of the other markets.

FINANCIAL RESULTS

Africa, Middle East and Asia Pacific

	India	Vodacom	Other Africa, Middle East and Asia Pacific	Africa, Middle East and Asia Pacific	% change	
	£m	£m	£m	£m	£	Organic
30 September 2011						
Voice revenue	1,621	1,740	1,200	4,561		
Messaging revenue	107	147	220	474		
Data revenue	176	348	233	757		
Fixed line revenue	6	108	99	213		
Other service revenue	185	117	69	371		
Service revenue	**2,095**	**2,460**	**1,821**	**6,376**	**6.8**	**8.4**
Other revenue	22	354	156	532		
Revenue	**2,117**	**2,814**	**1,977**	**6,908**	**7.2**	**8.6**
Direct costs	(629)	(569)	(601)	(1,799)		
Customer costs	(292)	(873)	(544)	(1,709)		
Operating expenses	(661)	(438)	(300)	(1,399)		
EBITDA	**535**	**934**	**532**	**2,001**	**3.6**	**5.3**
Depreciation and amortisation:						
Acquired intangibles	(172)	(209)	(25)	(406)		
Purchased licences	(44)	(1)	(56)	(101)		
Other	(328)	(254)	(305)	(887)		
Share of result in associates			11	11		
Adjusted operating (loss)/profit	**(9)**	**470**	**157**	**618**	**10.0**	**12.4**
EBITDA margin	**25.3%**	**33.2%**	**26.9%**	**29.0%**		
30 September 2010						
Voice revenue	1,499	1,706	1,236	4,441		
Messaging revenue	79	150	220	449		
Data revenue	111	254	187	552		
Fixed line revenue	3	101	86	190		
Other service revenue	161	99	77	337		
Service revenue	**1,853**	**2,310**	**1,806**	**5,969**		
Other revenue	21	302	150	473		
Revenue	**1,874**	**2,612**	**1,956**	**6,442**		
Direct costs	(531)	(567)	(578)	(1,676)		
Customer costs	(251)	(773)	(513)	(1,537)		
Operating expenses	(604)	(406)	(287)	(1,297)		
EBITDA	**488**	**866**	**578**	**1,932**		
Depreciation and amortisation:						
Acquired intangibles	(180)	(291)	(29)	(500)		

Purchased licences			(59)	(59)
Other	(302)	(231)	(306)	(839)
Share of result in associates		(1)	29	28
Adjusted operating profit	**6**	**343**	**213**	**562**
EBITDA margin	**26.0%**	**33.2%**	**29.6%**	**30.0%**
Change at constant exchange rates				
	%	%	%	
Voice revenue	13.3	2.5	(2.0)	
Messaging revenue	41.1	(2.1)	(6.1)	
Data revenue	66.1	37.6	18.7	
Fixed line revenue	114.4	14.2	17.4	
Other service revenue	20.3	20.0	(13.6)	
Service revenue	**18.4**	**7.3**	**0.1**	
Other revenue	6.5	17.0	1.7	
Revenue	**18.3**	**8.4**	**0.2**	
Direct costs	24.4	2.0	3.5	
Customer costs	21.4	13.5	1.3	
Operating expenses	14.5	8.1	5.0	
EBITDA	**14.8**	**8.1**	**(6.6)**	
Depreciation and amortisation:				
Acquired intangibles		(28.2)	(21.9)	
Purchased licences	100.0	100.0		
Other	13.5	10.9	(0.3)	
Share of result in associates			(56.9)	
Adjusted operating profit	**nm**	**37.3**	**(22.4)**	
EBITDA margin movement (pps)	**(0.7)**	**(0.1)**	**(2.0)**	

FINANCIAL RESULTS

Revenue grew by 7.2% including a 1.4 percentage point adverse impact from foreign exchange rate movements. On an organic basis service revenue grew by 8.4%(*) driven by customer and data growth, partially offset by the impact of MTR reductions. Growth was driven by a strong performance in India, Qatar and Ghana, continued growth from Vodacom and a return to growth in Egypt in Q2.

EBITDA grew by 3.6% after a 1.7 percentage point adverse impact from foreign exchange rate movements. On an organic basis EBITDA grew by 5.3%(*) driven primarily by strong growth in India and Vodacom, as well as improved contributions from Qatar, Ghana and New Zealand offset in part by declining EBITDA margins in Egypt and the impact of network and customer service issues in Australia.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue Africa, Middle East and Asia Pacific	**8.6**		**(1.4)**	**7.2**
Service revenue				
India	18.4		(5.3)	13.1
Vodacom	7.3		(0.8)	6.5
Other Africa, Middle East and Asia Pacific	0.1		0.7	0.8
Africa, Middle East and Asia Pacific	**8.4**		**(1.6)**	**6.8**
EBITDA				
India	14.8		(5.2)	9.6
Vodacom	8.1		(0.2)	7.9
Other Africa, Middle East and Asia Pacific	(6.6)		(1.4)	(8.0)
Africa, Middle East and Asia Pacific	**5.3**		**(1.7)**	**3.6**
Adjusted operating profit				
India	nm		nm	nm
Vodacom	37.3		(0.3)	37.0
Other Africa, Middle East and Asia Pacific	(22.4)		(3.9)	(26.3)
Africa, Middle East and Asia Pacific	**12.4**		**(2.4)**	**10.0**

Note:

nm Not meaningful.

India

Service revenue grew by 18.4%(*), driven by a 25.5% increase in the customer base, strong growth in incoming and outgoing voice minutes and 66.1%(*) growth in data revenue. Growth also benefited from operators starting to charge for SMS termination in Q2. At 30 September 2011 data customers totalled 27.5 million, a year-on-year increase of 142%. 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 is stabilising as operators increase headline voice tariffs and focus on promotional offers.

Following the launch of commercial 3G services in February 2011, 3G was available to Vodafone customers in 534 towns and cities across 20 circles at 30 September 2011.

EBITDA grew by 14.8%(*) driven by the increase in revenue and economies of scale, partially offset by higher customer acquisition costs and increased interconnection costs.

Vodacom

Service revenue grew by 7.3%(*), primarily driven by South Africa where growth in data revenue was partially offset by the impact of an MTR cut effective from 1 March 2011. Despite intense competitive pricing pressure, data revenue increased by 37.6%(*), driven by the higher penetration of smartphones and data bundles.

Vodacom s operations outside South Africa continued to improve, with strong service revenue growth of 19.5%(*), driven by customer net additions. M-Pesa continues to perform well in Tanzania with over 10 million users now registered. Trading conditions remain challenging in the Gateway operations.

EBITDA increased by 8.1%(*), driven by service revenue growth.

FINANCIAL RESULTS

Other Africa, Middle East and Asia Pacific

Organic service revenue, which now includes Australia, was flat year-on-year. New Zealand s service revenue growth was heavily impacted by MTR cuts effective from 6 May 2011. In Australia network and customer service issues experienced in the Group s prior financial year adversely impacted on service revenue growth. In Egypt the economic environment remains challenging. Whilst Egypt service revenue was flat year-on-year in H1, growth in Q2 was 1.2%(*), driven by an increase in the customer base and improved data usage offsetting a decline in messaging and visitor revenue. In Qatar a 35.4% increase in customers resulted in service revenue growth of 48.1%(*) despite significant price competition in the market. Service revenue in Ghana grew by 32.5%(*), driven primarily by an increase in the customer base. Ghana launched its 3G network on 29 June 2011.

EBITDA was down 6.6%(*), driven by the service revenue decline in Australia and the challenging economic and competitive environment in Egypt, partially offset by growth in Qatar, Ghana and New Zealand. Integration in Australia continues to progress, with synergies exceeding original expectations to date.

FINANCIAL RESULTS

Non-Controlled Interests and Common Functions

Verizon Wireless(1)(2)

	Six months ended 30 September 2011	2010	% change	
	£m	£m	£	Organic(3)
Service revenue	8,741	8,692	0.6	7.1
Revenue	9,728	9,372	3.8	10.5
EBITDA	3,848	3,753	2.5	9.1
Interest	(108)	(134)	(19.4)	
Tax(2)	(141)	(146)	(3.4)	
Group s share of result in Verizon Wireless	2,451	2,344	4.6	11.1
KPIs (100% basis)				
Customers (000)(4)	90,708	86,734		
Average monthly ARPU (US$)(4)	58.5	57.0		
Churn(4)	14.8%	16.5%		
Messaging and data as a percentage of service revenue	36.4%	31.5%		

Notes:

(1) All amounts represent the Group s share, based on its 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 in the prior period 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 6.1%, 9.6%, 6.9% and 7.7% respectively.

(4) In order to align with the customer numbers reported externally by Verizon Wireless, customers have been restated to reflect retail customers only. Comparatives are presented on the revised basis.

In the United States Verizon Wireless reported 2.3 million net mobile retail customer additions during the six months ended 30 September 2011, bringing its closing mobile retail customer base to 90.7 million, up 4.6%.

Service revenue growth of 7.1%(*) was driven by the expanding customer base and robust growth in data ARPU driven by increased penetration of smartphones.

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

Verizon Wireless net debt at 30 September 2011 totalled US$3.1 billion (31 March 2011: US$9.6 billion).

LIQUIDITY AND CAPITAL RESOURCES

Cash flows and funding

	Six months ended 30 September				
	2011	2011	2010	2010	
	£m	£m	£m	£m	%
EBITDA		7,532		7,363	2.3
Working capital		(533)		(110)	
Other		70		78	
Cash generated by operations		**7,069**		**7,331**	**(3.6)**
Cash capital expenditure(1)		(3,349)		(2,677)	
Capital expenditure	(2,618)		(2,435)		
Working capital movement in respect of capital expenditure	(731)		(242)		
Disposal of property, plant and equipment		42		15	
Operating free cash flow		**3,762**		**4,669**	**(19.4)**
Taxation		(1,043)		(1,091)	
Dividends received from associates and investments(2)		735		784	
Dividends paid to non-controlling shareholders in subsidiaries		(199)		(234)	
Interest received and paid		(639)		(639)	
Free cash flow		**2,616**		**3,489**	**(25.0)**
Tax settlement		(100)			
Licence and spectrum payments		(264)		(2,937)	
Acquisitions and disposals(3)		6,674		(22)	
Equity dividends paid		(3,102)		(2,976)	
Purchase of treasury shares		(1,813)		(146)	
Foreign exchange		135		825	
Other(4)		(535)		4,626	
Net debt decrease		**3,611**		**2,859**	
Opening net debt		(29,858)		(33,316)	
Closing net debt		**(26,247)**		**(30,457)**	**(13.8)**

Notes:

(1) Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the period.
(2) Dividends received from associates and investments for the six months ended 30 September 2011 includes £554 million (2010: £700 million) from the Group s interest in Verizon Wireless and £178 million (2010: £nil) from the Group s interest in SFR.
(3) Acquisitions and disposals for the six months ended 30 September 2011 primarily includes £6,805 million proceeds from the sale of SFR and excludes the £2,588 million payment in relation to the purchase of non-controlling interests in Vodafone India.
(4) Other for the six months ended 30 September 2011 primarily includes £2,301 million movement in the written put option in relation to India offset by the £2,588 million payment in relation to the purchase of non-controlling interests in Vodafone India. 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.

Cash generated by operations decreased by 3.6% to £7.1 billion primarily driven by working capital movements.

Free cash flow decreased by 25.0% to £2.6 billion primarily due to timing differences on both working capital movements and capital expenditure. Cash capital expenditure increased by £0.7 billion, driven by a reduction in capital creditors and increased investment, particularly in India and Vodacom.

Payments for taxation decreased by 4.4% to £1.0 billion primarily due to the timing of tax payments in Italy and lower tax payments in the US.

Dividends received from associates and investments were stable at £0.7 billion, as were net interest payments at £0.6 billion.

LIQUIDITY AND CAPITAL RESOURCES

Analysis of net debt:

	30 September 2011 £m	31 March 2011 £m
Cash and cash equivalents(1)	**6,975**	**6,252**
Short-term borrowings		
Bonds	(1,801)	(2,470)
Commercial paper(2)	(1,598)	(1,660)
Put options over non-controlling interests	(758)	(3,113)
Bank loans	(1,837)	(2,070)
Other short-term borrowings(1)	(836)	(593)
	(6,830)	**(9,906)**
Long-term borrowings		
Put options over non-controlling interests	(69)	(78)
Bonds, loans and other long-term borrowings	(29,210)	(28,297)
	(29,279)	**(28,375)**
Other financial instruments(3)	2,945	2,171
Net debt associated with held for sale assets	(58)	
Net debt	**(26,247)**	**(29,858)**

Notes:

(1) At 30 September 2011 the amount includes £821 million (31 March 2011: £531 million) in relation to cash received under collateral support agreements.

(2) At 30 September 2011 US$817 million was drawn under the US commercial paper programme; 1,023 million and US$306 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 2011: £2,624 million; 31 March 2011: £2,045 million) and trade and other payables (30 September 2011: £423 million; 31 March 2011: £548 million); and ii) short-term investments primarily in index linked government bonds included as a component of other investments (30 September 2011: £744 million; 31 March 2011: £674 million).

Net debt decreased by £3.6 billion to £26.2 billion primarily due to cash generated in the first half of the financial year and the proceeds from the sale of the Group s 44% interest in SFR, partially offset by share buybacks and equity dividend payments.

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

	Maturity	30 September 2011 £m
US$4.2 billion committed revolving credit facility provided by 30 banks(1)	March 2016	2,665

4.2 billion committed revolving credit facility provided by 31 banks(1)	July 2015	3,567
Other committed credit facilities	Various	765
Undrawn committed facilities		**6,997**

Note:

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

The Group s £1,598 million of commercial paper maturing within one year is covered 4.4 times by the £6,997 million 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 registration programme which are used to meet medium to long-term funding requirements. At 30 September 2011 the total amounts in issue under these programmes split by currency were US$13.3 billion, £2.5 billion, 10.2 billion and £0.2 billion sterling equivalent of other currencies.

LIQUIDITY AND CAPITAL RESOURCES

At 30 September 2011 the Group had bonds outstanding with a nominal value of £19.8 billion (31 March 2011: £21.0 billion). In the six months ended 30 September 2011 one bond was issued on 19 August 2011 for US$100 million (£64 million) under the Group s EMTN programme, maturing on 22 August 2012. On 11 July 2011 the Group also raised US$850 million (£543 million) through a US private placement with a maturity of 11 July 2016.

Dividends

In May 2010 the directors issued a dividend per share growth target 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 3.05 pence per share representing a 7.0% increase over last year s interim dividend.

On 28 July 2011 Vodafone announced that the Board of Verizon Wireless approved the payment of a US$10.0 billion (£6.1 billion) dividend. As a 45% shareholder in Verizon Wireless, Vodafone s share of the dividend is US$4.5 billion (£2.8 billion). The Board of Vodafone therefore intends to pay a special, second interim, dividend of £2.0 billion, equivalent to 4.0 pence per share, to Vodafone shareholders in February 2012.

The ex-dividend date for the interim and special dividend is 16 November 2011 for ordinary shareholders, the record date is 18 November 2011 and the dividends are payable on 3 February 2012. 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 the Company s Registrars: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.

Share buyback programmes

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 buyback programme under the authority granted by the shareholders at the 2010 AGM which was completed in June 2011. Under this programme the Group purchased a total of 1,631,662,645 shares at an average price per share, including transaction costs, of 171.60 pence.

Following the disposal of the Group s entire 44% shareholding in SFR to Vivendi on 16 June 2011, the Group initiated a £4.0 billion share buyback programme. The Group placed irrevocable purchase instructions with a number of banks to enable the banks to buy back shares on our behalf when we may otherwise have been prohibited from buying in the market. Details of the shares purchased to date, including those purchased under irrevocable instructions, are shown below:

Date of share purchase	Number of shares purchased(1)	Average price paid per share inclusive of transaction costs	Total number of shares purchased under publicly announced share buyback programme(2)	Maximum value of shares that may yet be purchased under the programme(3)
	000	Pence	000	£m
June 2011	95,908	164.15	95,908	3,843
July 2011	178,643	163.77	274,551	3,550
August 2011	196,798	165.14	471,349	3,225
September 2011	199,672	162.77	671,021	2,900
October 2011	173,100	172.69	844,121	2,601
November 2011 (to date)	52,900	173.34	897,021	2,509
Total	**897,021(4)**	**166.17**	**897,021**	**2,509**

Notes:

(1) The nominal value of shares purchased is 113/7 US cents each.

(2) No shares were purchased outside the publicly announced share buyback programme.

(3) In accordance with shareholder authority granted at the 2011 AGM.

(4) The total number of shares purchased represents 1.78% of our issued share capital, excluding treasury shares, at 7 November 2011.

LIQUIDITY AND CAPITAL RESOURCES

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.

Information regarding the Group s interest in Vodafone India Limited (formerly Vodafone Essar Limited) can be found on pages 32 and 33.

Details of other call and put option agreements, including those in relation to the United States, are available on page 51 of the Group s annual report for the year ended 31 March 2011.

OTHER SIGNIFICANT DEVELOPMENTS

Indian tax case

Vodafone International Holdings B.V. (VIHBV) believes that neither it nor any other member of the Group is liable 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 2011. The Group did not carry a provision for this litigation at 30 September 2011 or 31 March 2011. Further details are set out on page 33.

RISK FACTORS

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

- 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 fiscal and regulatory environment in the geographical areas in which the Group operates;
- inability to obtain or retain spectrum could impair our ability to operate;
- increased competition may affect the Group s revenue and market share;
- delays in the development of handsets may hinder the deployment of new technologies;
- the Group may experience a decline in revenue or profitability notwithstanding its efforts to increase the proportion of non-voice service revenue as a percentage of total service revenue from the introduction of new services;
- the Group may experience a decline in revenue or profitability due to the introduction of alternative converged offerings from competitors;
- the failure to achieve expected benefits from cost reduction initiatives;
- the Group s emerging market footprint may present exposure to unpredictable economic, political, regulatory, tax 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;
- the Group s business may be adversely affected by the failure of a major supplier to supply equipment and support services;
- the Group s business could be adversely affected by disruptions to its telecommunications network;
- the Group could suffer a loss of consumer confidence and/or legal action due to a failure to protect our proprietary and employee information; and
- the Group s failure to manage effectively one or more of the risks set out above may result in significant reputational damage and, consequently, reduce the Group s market share and profitability.

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 2012 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 45 to 46 of the Group s annual report for the year ended 31 March 2011 which can be found at 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 Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 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

8 November 2011

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

		Six months ended 30 September	
		2011	2010
	Note	£m	£m
Revenue	2	**23,520**	