

news release



Vodafone announces results for the six months ended 30 September 2016

15 November 2016

Highlights

- H1 Group organic service revenue up 2.3%*; H1 Group revenue down 3.9% to €27.1 billion
- Q2 organic service revenue growth of 2.4%*, led by improvement in Europe to 1.0%*; AMAP grew 7.1%*
- H1 Group organic EBITDA growth of 4.3%* to €7.9 billion, supported by strong cost control
- Breakeven free cash flow ('FCF'), reflecting lower capital additions and seasonal working capital outflows
- Non-cash impairment in India of €5.0 billion, net of tax, due to increased competition
- Full year guidance narrowed: EBITDA now €15.7-€16.1 billion (3-6% organic growth), FCF at least €4.0 billion
- Interim dividend per share of 4.74 eurocents, up 1.9% based on the 31 March 2016 year-end conversion rate

| | Six months ended 30 September | | Growth | |
|---|-------------------------------|-------------------------------------|---------------|---------------|
| | 2016 €m | Restated ¹ 2015 €m | Reported % | Organic* % |
| Group revenue¹ | 27,054 | 28,151 | (3.9) | |
| Regional revenue | | | | |
| Europe | 17,543 | 18,240 | (3.8) | |
| Africa, Middle East and Asia Pacific ('AMAP') | 8,896 | 9,184 | (3.1) | |
| Operating (loss)/profit² | (4,702) | 1,115 | n/a | |
| Loss for the financial period² | (5,003) | (2,344) | n/a | |
| Basic loss per share² | (18.38c) | (9.43c) | n/a | |
| Interim dividend per share³ | 4.74c | 4.65c | +1.9 | |
| Alternative performance measures⁴ | | | | |
| Group service revenue | 24,805 | 25,601 | (3.1) | +2.3 |
| Europe | 16,319 | 16,813 | (2.9) | +0.6 |
| AMAP | 7,991 | 8,181 | (2.3) | +7.4 |
| EBITDA | 7,906 | 8,039 | (1.7) | +4.3 |
| Adjusted operating profit | 2,283 | 2,281 | +0.1 | +11.4 |
| Adjusted earnings per share | 3.08c | 3.50c | (12.0) | |
| Free cash flow | 15 | (756) | n/a | |

- Good momentum in strategic growth areas:
 - Data traffic growth remains robust at 61% across the Group. European mobile contract ARPU stabilising following successful 'more-for-more' propositions, supporting an improvement in consumer mobile
 - Unified Communications: 675,000 broadband net additions during the half year, fastest growing broadband provider in Europe across a footprint of 82.1 million homes (30.7 million on-net)
 - Enterprise outperformance continues, 3.3%* service revenue growth in Q2
- Consumer net promoter score (NPS) improvement in 11 markets year-on-year; leader or co-leader in 18 out of the 21 markets that we track, with an average 13 point gap over third-placed operators (up 1 point year-on-year)
- EBITDA growing faster than revenue in 19 out of 26 markets as cost efficiencies boost operational leverage
- 100% of targeted cost and capex synergy run rate achieved at Kabel Deutschland, six months ahead of schedule
- On track to complete the JV with Ziggo in the Netherlands around the end of 2016

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Vittorio Colao, Group Chief Executive, commented:

'We have further improved our performance during the first half of the financial year with Europe modestly ahead of our expectations - led by Germany and Italy - and good execution in AMAP. Our substantial network investments and 'more-for-more' propositions have allowed us to capture opportunities from strong data demand, supporting European mobile contract ARPU and continued growth in emerging markets. As Europe's fastest-growing broadband operator, we are driving rapid uptake of our consumer fixed and TV services while our wholly converged Enterprise business continues to outperform its peers. We are now translating faster revenue growth into margin expansion, supported by our focus on cost efficiency.

Competition in India has increased in the year, reducing revenue growth and profitability. We have responded to this changing competitive environment by strengthening our data and voice commercial offers and by focusing our participation in the recent spectrum auction on acquiring frequencies in the more successful and profitable areas of the country.

Overall, we expect to sustain our underlying performance in the second half of the year and remain on track to meet our full-year objectives despite macroeconomic uncertainties. This performance allows for improved returns to our shareholders, as reflected by the growth in the interim dividend.'

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 movements in foreign exchange rates. "Change at constant exchange rates" presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are alternative performance measures. See "Alternative performance measures" on page 39 for further details and reconciliations to the respective closest equivalent GAAP measure.

1. With effect from 1 April 2016, the Group's presentation currency was changed from pounds sterling to the euro to better align with the geographic split of the Group's operations. The results for the half year ended 30 September 2015 have been restated into euros. Group revenue includes the regional results of Europe, AMAP, Other (which includes the results of partner market activities) and eliminations.
2. Six months ended 30 September 2016 includes a gross impairment charge of €6,375 million (2015: €nil) recorded in respect of the Group's investment in India, which together with the recognition of an associated €1,375 million deferred tax asset, led to an overall €5.0 billion reduction in the carrying value of Vodafone India. See Note 3 "Impairment review" for further details.
3. The interim dividend for the six months ended 30 September 2015 has been restated to eurocents using the 31 March 2016 rate of £1:€1.2647. See page 20 "Dividends" for further details.
4. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Alternative performance measures" on page 39 for reconciliations to the closest respective equivalent GAAP measure and "Definition of terms" on page 50 for further details.

CHIEF EXECUTIVE'S STATEMENT

Financial review of the half year

Group

Group revenue for the first half of the year fell 3.9% to €27.1 billion primarily due to foreign exchange movements, with Group organic service revenue growing 2.3%* to €24.8 billion (or 2.5%* excluding the impact of regulated mobile termination rate ('MTR') cuts. Quarterly service revenue trends continued to improve driven by an acceleration in Europe (Q1: 0.3%*, Q2: 1.0%*) and sustained growth in AMAP (Q1: 7.7%*, Q2: 7.1%*).

Group EBITDA declined 1.7% to €7.9 billion primarily due to foreign exchange rate movements, with organic EBITDA growing at 4.3%*, a faster pace than revenue. This was supported by strong cost control despite incremental drags from roaming, increased content costs and a higher operating cost base post-Project Spring. The Group EBITDA margin improved by 0.6 percentage points to 29.2%, and grew 0.7* percentage points on an organic basis. Both Europe and AMAP delivered margin improvements, supported by better top line trends and strong cost control.

Adjusted operating profit grew 0.1%, with organic adjusted operating profit increasing by 11.4%*, driven by organic EBITDA growth, lower depreciation and amortisation charges (reflecting the treatment of the Netherlands as an asset held for sale during the period), and an increased contribution from joint ventures.

We recorded a non-cash impairment of €5.0 billion, net of tax, in the period relating to our Indian business. This was driven by lower projected cash flows within our business plan as a result of increased competition in the market.

The Group's adjusted effective tax rate for the first half of the year was 27.5% compared to 30.5% for the same period last year. The lower rate is primarily due to the re-organisation of our Indian business which took place last year.

Adjusted earnings per share of 3.08 eurocents fell 12.0% year-on-year, as lower taxation was offset by higher adjusted financing costs and a higher number of shares following last year's mandatory convertible bonds issue which is classified as equity after taking into account the cost of future coupon payments.

Breakeven free cash flow (2015: -€0.8 billion) reflected lower capital additions, seasonal working capital outflows, and a year-on-year capital creditor outflow of €0.7 billion mainly relating to the final payments for Project Spring.

Net debt as at 30 September 2016 rose to €40.7 billion compared to €36.9 billion as at 31 March 2016, primarily reflecting payment of the final dividend. Net debt includes liabilities of €5.5 billion (2015: €5.1 billion) relating to acquisitions or renewals of spectrum in India and €1.9 billion (2015: €1.8 billion) of liabilities relating to minority holdings in KDG. It does not include the €2.7 billion of Indian spectrum purchased in October 2016, which will be fully recognised in the second half of the financial year.

Net debt excludes £2.8 billion of mandatory convertible bonds issued in February 2016, which are classified as equity after taking into account the cost of future coupon payments. The Group also holds \$5.0 billion of Verizon loan notes (also not included within net debt), and has the potential to utilise the proceeds from these notes to repurchase the shares issued to satisfy the mandatory convertible bonds.

The Board is recommending an interim dividend per share of 4.74 eurocents, up 1.9% year-on-year (based on the 31 March 2016 year-end £:€ conversion rate of 1.2647), consistent with the Board's intention to grow the full year dividend per share annually.

Europe

Organic service revenue in Europe grew 0.6%* with an acceleration in quarterly performance (Q1: 0.3%*, Q2: 1.0%*). This was driven by improving trends in both Consumer and Enterprise segments, despite an incremental drag from EU roaming regulation. Excluding MTR cuts Europe grew 0.8%*.

Consumer service revenue grew 0.9%*, a 2.6 percentage point improvement year-on-year. In mobile, this was supported by stabilising ARPU with the introduction of 'more-for-more' mobile propositions and continued growth in our contract customer base. In fixed line, we continued to achieve strong broadband customer growth, particularly in fibre and cable services.

Enterprise service revenue growth was flat at 0.0%* in the first half of the year (returning to growth in Q2: 0.6%*), reflecting healthy mobile customer base growth and a moderating pace of ARPU decline. Fixed line service revenue continued to grow strongly led by ongoing demand for unified communications solutions, and we maintained our leading market position in the fast growing Internet of Things ('IoT') segment.

In total, our 4G customer base is now 39.3 million (an increase of 15.0 million year-on-year) and broadband net additions for the first half of the year were 0.5 million, taking the European base to 12.9 million (of which 7.0 million are NGN customers).

Organic EBITDA grew 3.1%* and EBITDA margins improved by 0.9 percentage points to 30.2%, reflecting revenue growth and strong cost control.

CHIEF EXECUTIVE'S STATEMENT

AMAP

Organic service revenue in AMAP grew 7.4%* (Q1: 7.7%*, Q2: 7.1%*), driven by growth in all of our major markets. Our Consumer and Enterprise segments grew service revenue by 7.9%* and 13.1%* respectively.

The region continues to see strong mobile customer growth, with 7.2 million more customers added in the first half of this financial year. An increasing number of our customers are now using data, with 6.2 million active data users added. Customer usage continues to grow throughout the region, with voice and data volumes up 6.3% and 61% respectively. Fixed line customer growth remains strong, with 150,000 broadband net additions during the first half of the year, taking the regional base to 1.2 million.

Organic EBITDA grew 9.2%*, and EBITDA margins improved 0.7 percentage points reflecting strong revenue growth and good cost discipline.

Strategic progress

Customer eXperience eXcellence ('CXX')

The Group's customer experience excellence programme is our core marketing strategy for brand and service differentiation. With CXX we aim to deliver an outstanding and differentiated experience for our customers, building on the significantly improved network quality delivered by Project Spring. Given the strategic importance of the programme, CXX performance indicators (primarily Net Promoter Scores and brand consideration) represent up to 40% of the annual bonus award for employees across the Group.

The programme focuses on four key aspects of our customers' experience with Vodafone, summarised by the acronym 'CARE'. As the initiatives described below illustrate, we made progress in each of these areas during the first half of the financial year:

- 'Connectivity that is reliable and secure': We now have 'Network guarantee' pledges in 17 markets, promising customers their money back if the network fails to live up to their expectations (typically, during the first 30 days for new customers). Our 4G roaming footprint now covers over 100 countries, twice as many as our best local competitor in the majority of our markets.
- 'Always in control': More than half of our European mobile customers (and almost two-thirds of our contract customers) take advantage of our European 'worry-free' roaming offers, with roaming either included in their tariff or available at a modest daily rate. Penetration of the 'My Vodafone' app on smartphones reached 39% across the Group, and is as high as 65% in Italy. The app is now available across 21 markets, with customers able to monitor their usage in real time in 13 of these markets.
- 'Reward Loyalty': 17 markets have now implemented tailored reward programmes for specific customer segments, aiming to delight and surprise loyal customers. This has contributed to a 1.2 percentage points year-on-year improvement in overall consumer contract churn to 17.0% by the end of the period.
- 'Easy Access': We now provide convenient support to our customers through a 24/7 Live chat platform in 14 markets. The 'first contact resolution' rate in several of these markets is now over 80%, compared to 66% for the overall Group.

The success of the variety of CXX initiatives is apparent with 18 out of 21 operating companies achieving a market leading or co-leading position in consumer NPS and an average gap to the third placed operator of 13 points, representing a 1 point improvement year-on-year. Our NPS performance was impacted by price plan changes in several markets during the first half of the year combined with customer service challenges in the UK arising from a billing system migration. We have implemented a variety of new initiatives which are expected to drive improvement during the second half. Our Enterprise position is even stronger, reflected in an average gap to our nearest competitor of 9 points as at the end of the period.

Data

Customer demand for data continues to grow very quickly, stimulated by the increasing availability of great TV, sport and video on smartphones and tablets, the improving reliability and speed of mobile networks, the increasing size and quality of smartphone screens and the continued deflation in unitary data pricing.

Data traffic in the first half of the financial year grew strongly at 61% (Europe: +62%, AMAP: +61%). We continued to grow our 4G customer base year-on-year to 58.9 million across the 22 countries where we offer 4G, with 12 million customers added in the period. Although take-up continues to be rapid, only 32% of our European customer base is taking a 4G service, providing us with a very substantial opportunity for future growth. Customers who move to 4G typically buy bigger data packages and see their data consumption double; average usage per smartphone customer in Europe is up 48% year-on-year to 1.4GB per month, and over half of the data traffic in Europe is now on 4G. This growth in data, combined with 'more-for-more' propositions, has helped drive a stabilisation in mobile ARPU trends across Europe.

CHIEF EXECUTIVE'S STATEMENT

In our emerging markets, data adoption is also rapid, supported by our significant network investment and the relative scarcity of fixed line internet access. The 3G/4G mobile data customer base is 112 million, up 56% year-on-year. The potential for future data growth is also substantial with only 34% of AMAP customers on 2G/3G and 4% on 4G. In South Africa we have grown our market leading 4G network outdoor population coverage to 69% (up 22 percentage points year-on-year). In India, following the Indian spectrum auction in October in which we increased our total spectrum holding by 62%, we now have a strong position to support our future 4G needs. We plan to extend our 4G footprint from 9 to 17 circles by the end of the current financial year, covering around 91% of service revenues and 94% of our data revenues.

Unified communications

We are becoming an integrated operator for both households and businesses in our main markets. We market high speed broadband services to 82 million households across Europe, and through organic investment and acquisition, 31 million of these households are 'on-net' – serviced by our own fibre or cable infrastructure.

We continue to achieve strong customer growth across our footprint. We now have 14.0 million broadband customers, with 675,000 new broadband customers added in the first half. In Europe, we added 525,000 new broadband customers of which 78% were on-net. This brings the total European on-net customer base to 5.9 million, representing on-net penetration of just 19% which leaves significant opportunity for future profitable growth. In TV, we have grown our customer base by 0.2 million in the first half of the financial year to 9.8 million customers.

28% of our broadband customer base are now on converged offers. Churn rates for converged customers are typically half that of customers who purchase a single product.

Enterprise

Services to business customers comprised 28% of our Group service revenue, and 32% in Europe during the first half of this financial year. Our relationships with business customers are expanding from traditional mobile voice and data services to embrace total communications, IoT, Cloud & Hosting and IP-VPN provision. These new areas offer both market growth and market share opportunities for us.

Overall, Enterprise maintained its strong momentum during the first half of the financial year with service revenue growth of 2.9%*, with an improved quarterly trend (Q1: 2.5%*, Q2: 3.3%*). This was driven by growth in both mobile (2.3%*) and fixed line (4.6%*). Vodafone Global Enterprise ('VGE'), which provides services to our biggest international customers, achieved revenue growth of 4.3%*, driven by our unmatched geographical presence and the increasing trend among multinational corporations to retain a single provider of services across borders. Our total IoT connections increased by 39% year-on-year to 45.4 million, with revenue growing 17.2%*. In September 2016, we successfully completed the first ever narrowband IoT trial on a live network, paving the way for billions of devices to be connected at low cost with extremely low power requirements.

'Fit for Growth'

In order to enhance operational leverage and drive margin expansion across the Group we launched our Fit for Growth programme in September 2014. Fit for Growth is a comprehensive cost efficiency programme, with several Group-wide initiatives and a broad list of local market initiatives. The initiatives are monitored centrally in order to share best practice between operating companies.

During the first half of this financial year we have continued to make good progress, with areas of significant cost saving including procurement, improved sales channel efficiency and standardised network design. This cost focus is reflected in our improved margin performance across both Europe and AMAP, with 19 markets out of 26 growing EBITDA faster than revenue, driving a 0.7* percentage point improvement in organic Group EBITDA margin.

The Group recently conducted an external benchmarking analysis of its cost structure. This validated the progress that has been made, while still indicating continued scope for future savings. The Fit for Growth programme has subsequently been refreshed and new internal three-year margin targets have been set across the Group.

Outlook and guidance¹

The overall performance of the Group in the first half of the current financial year has been modestly ahead of our expectations. Europe is performing ahead of plan, however competitive intensity in India has increased.

We now expect organic EBITDA growth of 3-6%, equivalent to €15.7 - €16.1 billion of EBITDA at guidance foreign exchange rates, slightly narrower than the €15.7 - €16.2 billion range originally envisaged. We continue to expect free cash flow at guidance foreign exchange rates of at least €4.0 billion, after all capex, before M&A, spectrum payments and restructuring costs.

Notes:

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1. See "Guidance" on page 7.

GROUP FINANCIAL HIGHLIGHTS

| | Page | Six months ended 30 September | | Growth | |
|--|--------|-------------------------------|------------------------|---------------|---------------|
| | | 2016 €m | Restated 2015 €m | Reported % | Organic* % |
| Group revenue | 23 | 27,054 | 28,151 | (3.9) | |
| Operating (loss)/profit ¹ | 23 | (4,702) | 1,115 | n/a | |
| (Loss)/profit before taxation ¹ | 23 | (5,387) | 149 | n/a | |
| Loss for the financial period ¹ | 23 | (5,003) | (2,344) | n/a | |
| Basic loss per share ¹ | 23 | (18.38c) | (9.43c) | n/a | |
| Net cash flow from operating activities | 26, 32 | 5,820 | 5,735 | 1.5 | |
| Net debt | 19, 20 | (40,668) | (39,143) | 3.9 | |

Alternative performance measures²

| | | | | | |
|--|--------|--------|--------|--------|-------|
| Group service revenue | 8 | 24,805 | 25,601 | (3.1) | 2.3 |
| EBITDA | 8 | 7,906 | 8,039 | (1.7) | 4.3 |
| EBITDA margin | 8 | 29.2% | 28.6% | 0.6pp | 0.7pp |
| Adjusted operating profit | 8 | 2,283 | 2,281 | 0.1 | 11.4 |
| Adjusted profit before tax | 10 | 1,270 | 1,517 | (16.3) | |
| Adjusted effective tax rate | 10 | 27.5% | 30.5% | n/a | |
| Adjusted profit attributable to owners of the parent | 11, 47 | 859 | 928 | (7.4) | |
| Adjusted earnings per share | 11, 47 | 3.08c | 3.50c | (12.0) | |
| Capital additions ³ | 19 | 3,973 | 5,149 | (22.8) | |
| Free cash flow | 19 | 15 | (756) | n/a | |

Notes:

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1. Six months ended 30 September 2016 includes a gross impairment charge of €6,375 million (2015: €nil) recorded in respect of the Group's investment in India which, together with the recognition of an associated €1,375 million deferred tax asset, led to an overall €5.0 billion reduction in the carrying value of Vodafone India. See Note 3 "Impairment review" for further details.
2. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Alternative performance measures" on page 39 for reconciliations to the closest respective equivalent GAAP measure and "Definition of terms" on page 50 for further details.
3. Capital additions includes the purchase of property, plant and equipment and intangible assets, other than licence and spectrum, during the period.

GUIDANCE

Please see page 39 for "Alternative performance measures", page 50 for "Definition of terms" and page 52 for "Forward-looking statements".

2017 financial year guidance

| | EBITDA ¹ €bn | Free cash flow ¹ €bn |
|-------------------|---|------------------------------------|
| Original guidance | 'Organic growth of 3-6%', (implying €15.7 – €16.2 billion) | 'At least €4.0 billion' |
| Updated guidance | 'Organic growth of 3-6%', (implying €15.7 – €16.1 billion) | 'At least €4.0 billion' |

We now expect EBITDA to grow organically by 3-6%; this implies a range of €15.7 billion to €16.1 billion at guidance exchange rates. We continue to expect free cash flow of at least €4.0 billion, before the impact of M&A, spectrum payments and restructuring costs.

Assumptions

We have based guidance for the financial year ending 31 March 2017 on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of €1:INR 76.4, €1:ZAR 16.5, €1:£0.79, €1:TRY 3.2 and €1:EGP 9.8. Guidance excludes the impact of licence and spectrum payments, material one-off tax-related payments, restructuring costs, and any fundamental structural change to the Eurozone. It also assumes no material change to the current structure of the Group, and has not been adjusted for the potential de-consolidation of Vodafone Netherlands following the announced intention to create a 50:50 Joint Venture with Ziggo.

We have also excluded from guidance an expected one-off impact on EBITDA arising from foreign exchange losses on foreign currency denominated liabilities of Vodafone Egypt following the devaluation of the Egyptian pound; given ongoing exchange rate volatility, it is not yet possible to quantify this impact, which has no impact on Group free cash flow.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the rupee to euro exchange rate would impact EBITDA by approximately €20 million and would have a c.€5 million impact on free cash flow. A 1% change in the South African rand to euro exchange rate would impact EBITDA by approximately €15 million and free cash flow by c.€5 million. A 1% change in the pounds sterling to euro exchange rate would impact EBITDA by approximately €20 million and free cash flow by €10 million. A 1% change in either the Turkish lira to euro or the Egyptian pound to euro exchange rates would impact EBITDA by approximately €5 million and free cash flow by €2 million.

Note:

1. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. The EBITDA and free cash flow measures included above are forward-looking alternative performance measures which at this time cannot be quantitatively reconciled to comparative GAAP financial information. See "Alternative performance measures" on page 39 and "Definition of terms" on page 50 for further details.

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FINANCIAL RESULTS

Group^{1,2}

| | | | | | Six months ended 30 September | | Growth | |
|--|---------------|--------------|--------------------|--------------|----------------------------------|----------------|--------------|-------------|
| | Europe | AMAP | Other ³ | Eliminations | 2016 | 2015 | Reported | Organic* |
| | €m | €m | €m | €m | €m | €m | % | % |
| Mobile in-bundle revenue | 8,112 | 2,871 | – | (4) | 10,979 | 10,771 | | |
| Mobile out-of-bundle revenue | 2,352 | 3,484 | 8 | – | 5,844 | 6,724 | | |
| Mobile incoming revenue | 816 | 751 | – | (2) | 1,565 | 1,654 | | |
| Fixed line revenue | 4,267 | 602 | 325 | (37) | 5,157 | 5,290 | | |
| Other service revenue | 772 | 283 | 216 | (11) | 1,260 | 1,162 | | |
| Service revenue | 16,319 | 7,991 | 549 | (54) | 24,805 | 25,601 | (3.1) | 2.3 |
| Other revenue | 1,224 | 905 | 120 | – | 2,249 | 2,550 | | |
| Revenue | 17,543 | 8,896 | 669 | (54) | 27,054 | 28,151 | (3.9) | 1.8 |
| Direct costs | (3,898) | (2,236) | (535) | 50 | (6,619) | (6,996) | | |
| Customer costs | (3,803) | (1,334) | 9 | – | (5,128) | (5,481) | | |
| Operating expenses | (4,544) | (2,542) | (319) | 4 | (7,401) | (7,635) | | |
| EBITDA | 5,298 | 2,784 | (176) | – | 7,906 | 8,039 | (1.7) | 4.3 |
| Depreciation and amortisation: | | | | | | | | |
| Acquired intangibles | (63) | (96) | (1) | – | (160) | (234) | | |
| Purchased licences | (662) | (322) | – | – | (984) | (948) | | |
| Other | (3,356) | (1,161) | (35) | – | (4,552) | (4,571) | | |
| Share of result in associates and joint ventures | (5) | 78 | – | – | 73 | (5) | | |
| Adjusted operating profit | 1,212 | 1,283 | (212) | – | 2,283 | 2,281 | 0.1 | 11.4 |
| Impairment loss | | | | | (6,375) | – | | |
| Restructuring costs | | | | | (37) | (156) | | |
| Amortisation of acquired customer base and brand intangible assets | | | | | (515) | (724) | | |
| Other income and expense | | | | | (58) | (286) | | |
| Operating (loss)/profit | | | | | (4,702) | 1,115 | | |
| Non-operating income and expense | | | | | – | (2) | | |
| Net financing costs | | | | | (685) | (964) | | |
| Income tax ⁴ | | | | | 384 | (2,493) | | |
| Loss for the financial period | | | | | (5,003) | (2,344) | | |

Notes:

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1. Current period reflects average foreign exchange rates of €1:£0.82, €1:INR 75.1, €1:ZAR 16.3, €1:TKL 3.29 and €1:EGP 9.97.
2. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Alternative performance measures" on page 39 for reconciliations to the closest respective equivalent GAAP measure and "Definition of terms" on page 50 for further details.
3. The "Other" segment primarily represents the results of partner markets and the net result of unallocated central Group costs.
4. Refer to page 10 for further details.

FINANCIAL RESULTS

Revenue

Group revenue decreased 3.9% to €27.1 billion and service revenue decreased by 3.1 % to €24.8 billion.

In Europe, organic service revenue increased 0.6%*, reflecting the benefit of stabilising ARPU following 'more-for more' mobile propositions along with strong fixed line customer growth, with improving trends throughout the period. In AMAP, organic service revenue increased by 7.4%* continuing its sustained track record of strong organic growth.

EBITDA and operating (loss)/profit

Group EBITDA declined 1.7% to €7.9 billion, with organic growth in Europe and AMAP more than offset by foreign exchange movements. The Group's EBITDA margin improved by 0.6 percentage points to 29.2%. On an organic basis, EBITDA rose 4.3%* and the Group's EBITDA margin increased by 0.7* percentage points driven by organic margin improvements in both Europe and AMAP.

The Group's operating loss was €4.7 billion, compared to an operating profit of €1.1 billion in the prior period, due to the €6.4 billion gross impairment charge recorded in respect of the Group's investment in India and lower EBITDA, partly offset by lower depreciation and amortisation charges, reflecting the treatment of our Netherlands operation as an asset held for sale during the period, lower restructuring costs and the improved financial performance of our Australian joint venture.

Net financing costs

| | Six months ended 30 September | |
|--|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| Investment income | 480 | 182 |
| Financing costs | (1,165) | (1,146) |
| Net financing costs | (685) | (964) |
| Analysed as: | | |
| Net financing costs before interest on settlement of tax issues | (898) | (625) |
| Interest expense arising on settlement of outstanding tax issues | (31) | (21) |
| | (929) | (646) |
| Mark to market gains/(losses) | 5 | (118) |
| Foreign exchange ¹ | 239 | (200) |
| | (685) | (964) |

Note:

1. Primarily comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances.

Net financing costs decreased by 29%, primarily driven by the reduction in mark to market losses and foreign exchange rate differences on certain intercompany balances during the six month ended 30 September 2016. Net financing costs before interest on settlement of tax issues increased as the Group's average gross debt and investments/cash balances were higher during the first half of 2016, which resulted in higher financing costs broadly offset by an increase in investment income, lower capitalised interest on spectrum as certain licences were brought into use in the first half of the current year (2016: €1 million, 2015: €142 million) and higher foreign exchange losses in relation to intra group funding arrangements included in net financing costs before interest on settlement of tax issues.

FINANCIAL RESULTS

Taxation

| | Six months ended 30 September | |
|---|-------------------------------|------------------|
| | 2016 | Restated 2015 |
| | €m | €m |
| Income tax credit/(expense) | 384 | (2,493) |
| Tax on adjustments to derive adjusted profit before tax | (104) | (298) |
| Deferred tax following impairment of the Group's investment in India | (1,375) | – |
| Deferred tax following revaluation of investments in Luxembourg | 588 | 2,015 |
| Deferred tax on use of Luxembourg losses in the period | 230 | 359 |
| Adjusted income tax expense | (277) | (417) |
| Share of associates' and joint ventures' tax | (99) | (66) |
| Adjusted income tax expense for calculating adjusted tax rate | (376) | (483) |
| (Loss)/profit before tax | (5,387) | 149 |
| Adjustments to derive adjusted profit before tax ¹ | 6,657 | 1,368 |
| Adjusted profit before tax | 1,270 | 1,517 |
| Share of associates' and joint ventures' tax and non-controlling interest | 99 | 66 |
| Adjusted profit before tax for calculating adjusted effective tax rate | 1,369 | 1,583 |
| Adjusted effective tax rate | 27.5% | 30.5% |

Note:

1. See "Earnings per share" on page 11.

The Group's adjusted effective tax rate for the six months ended 30 September 2016 was 27.5% compared to 30.5% for the same period during the last financial year. The lower rate in the current period is primarily due to the ongoing impact of the re-organisation of our Indian business which took place during the year ended 31 March 2016. We expect the adjusted effective tax rate to remain in the mid-twenties over the medium term.

The Group's adjusted effective tax rate for both periods does not include deferred tax on the use of Luxembourg losses of €230 million (2015: €359 million) and a decrease in the deferred tax asset of €588 million (2015: €2,015 million) arising from the tax treatment of the revaluation of investments based upon the local GAAP financial statements and tax returns, offset by a reduction in the deferred tax asset as a result of lower interest rates. These items change the total losses we have available for future use against our profits in Luxembourg and do not affect the amount of tax we pay in other countries.

The Group's adjusted effective tax rate for the period ended 30 September 2016 does not include the recognition of an additional deferred tax asset of €1,375 million following the impairment of the Group's investment in India.

FINANCIAL RESULTS

Earnings per share

Adjusted earnings per share was 3.08 eurocents, a decrease of 12.0% year-on-year, as lower taxation was offset by higher adjusted financing costs and a higher number of shares following the mandatory convertible bonds issue in February 2016 which are classified as equity after taking into account the cost of future coupon payments.

Basic loss per share was 18.38 eurocents (2015: loss per share of 9.43 eurocents) due to impairment charges of €5.0 billion, net of tax, recognised during the period and the changes in deferred tax on losses, as described above, which has been excluded from adjusted earnings per share.

| | Six months ended 30 September | |
|--|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| Loss attributable to owners of the parent | (5,129) | (2,503) |
| Adjustments: | | |
| Impairment loss | 6,375 | – |
| Amortisation of acquired customer base and brand intangible assets | 515 | 724 |
| Restructuring costs | 37 | 156 |
| Other income and expense | 58 | 286 |
| Non-operating income and expense | – | 2 |
| Investment income and financing costs | (328) | 200 |
| | 6,657 | 1,368 |
| Taxation ¹ | (661) | 2,076 |
| Non-controlling interests | (8) | (13) |
| Adjusted profit attributable to owners of the parent | 859 | 928 |
| | Million | Million |
| Weighted average number of shares outstanding – basic ² | 27,912 | 26,529 |
| Earnings per share | | |
| | Eurocents | Eurocents |
| Basic loss per share | (18.38c) | (9.43c) |
| Adjusted earnings per share | 3.08c | 3.50c |

Notes:

1. Six months ended 30 September 2016 includes a decrease in the deferred tax asset of €588 million (2015: €2,015 million) arising from the tax treatment of the revaluation of investments based upon the local GAAP financial statements and tax returns, offset by a reduction in the deferred tax asset as a result of lower interest rates. It also includes an increase in the deferred tax asset of €1,375 million (2015: nil) following the impairment charge in respect of the Group's investment in India.
2. Weighted average number of shares outstanding includes a dilution of 1,325 million shares (2015: nil) following the issue of €2.9 billion of mandatory convertible bonds in February 2016 which are classified as equity after taking into account the cost of future coupon payments.

FINANCIAL RESULTS

Europe

| | Germany €m | Italy €m | UK €m | Spain €m | Other Europe €m | Eliminations €m | Europe €m | Growth | |
|--|---------------|--------------|------------------|--------------|-----------------------|--------------------|---------------|---------------|---------------|
| | | | | | | | | Reported % | Organic* % |
| 30 September 2016 | | | | | | | | | |
| Mobile in-bundle revenue | 2,200 | 1,435 | 1,696 | 1,129 | 1,652 | – | 8,112 | | |
| Mobile out-of-bundle revenue | 452 | 434 | 603 | 231 | 632 | – | 2,352 | | |
| Mobile incoming revenue | 143 | 181 | 174 | 80 | 252 | (14) | 816 | | |
| Fixed line revenue | 1,954 | 428 | 767 | 719 | 404 | (5) | 4,267 | | |
| Other service revenue | 260 | 141 | 161 | 114 | 177 | (81) | 772 | | |
| Service revenue | 5,009 | 2,619 | 3,401 | 2,273 | 3,117 | (100) | 16,319 | (2.9) | 0.6 |
| Other revenue | 256 | 387 | 174 | 223 | 187 | (3) | 1,224 | | |
| Revenue | 5,265 | 3,006 | 3,575 | 2,496 | 3,304 | (103) | 17,543 | (3.8) | (0.5) |
| Direct costs | (1,050) | (627) | (888) | (636) | (799) | 102 | (3,898) | | |
| Customer costs | (1,132) | (598) | (912) | (563) | (599) | 1 | (3,803) | | |
| Operating expenses | (1,295) | (677) | (1,101) | (605) | (866) | – | (4,544) | | |
| EBITDA | 1,788 | 1,104 | 674 | 692 | 1,040 | – | 5,298 | (0.9) | 3.1 |
| Depreciation and amortisation: | | | | | | | | | |
| Acquired intangibles | – | (61) | – | – | (2) | – | (63) | | |
| Purchased licences | (331) | (18) | (230) | (33) | (50) | – | (662) | | |
| Other | (1,161) | (550) | (614) | (551) | (480) | – | (3,356) | | |
| Share of result in associates and joint ventures | 2 | (1) | – | – | (6) | – | (5) | | |
| Adjusted operating profit/(loss) | 298 | 474 | (170) | 108 | 502 | – | 1,212 | 5.0 | 14.7 |
| EBITDA margin | 34.0% | 36.7% | 18.9% | 27.7% | 31.5% | | 30.2% | | |
| 30 September 2015 restated | | | | | | | | | |
| Mobile in-bundle revenue | 2,132 | 1,303 | 1,873 | 1,093 | 1,610 | – | 8,011 | | |
| Mobile out-of-bundle revenue | 531 | 543 | 777 | 284 | 724 | – | 2,859 | | |
| Mobile incoming revenue | 149 | 181 | 223 | 73 | 254 | (10) | 870 | | |
| Fixed line revenue | 1,855 | 417 | 1,010 | 711 | 348 | (10) | 4,331 | | |
| Other service revenue | 228 | 131 | 203 | 97 | 144 | (61) | 742 | | |
| Service revenue | 4,895 | 2,575 | 4,086 | 2,258 | 3,080 | (81) | 16,813 | | |
| Other revenue | 413 | 359 | 201 | 231 | 226 | (3) | 1,427 | | |
| Revenue | 5,308 | 2,934 | 4,287 | 2,489 | 3,306 | (84) | 18,240 | | |
| Direct costs | (1,285) | (624) | (985) | (549) | (761) | 82 | (4,122) | | |
| Customer costs | (1,042) | (621) | (1,073) | (634) | (652) | 2 | (4,020) | | |
| Operating expenses | (1,245) | (688) | (1,299) | (647) | (874) | – | (4,753) | | |
| EBITDA | 1,736 | 1,001 | 930 | 659 | 1,019 | – | 5,345 | | |
| Depreciation and amortisation: | | | | | | | | | |
| Acquired intangibles | – | (61) | – | – | (2) | – | (63) | | |
| Purchased licences | (303) | (17) | (260) | (32) | (127) | – | (739) | | |
| Other | (1,092) | (516) | (676) | (542) | (560) | – | (3,386) | | |
| Share of result in associates and joint ventures | 1 | – | – | – | (4) | – | (3) | | |
| Adjusted operating profit/(loss) | 342 | 407 | (6) | 85 | 326 | – | 1,154 | | |
| EBITDA margin | 32.7% | 34.1% | 21.7% | 26.5% | 30.8% | | 29.3% | | |
| Change at constant exchange rates | | | | | | | | | |
| | % | % | % | % | % | | | | |
| Mobile in-bundle revenue | 3.2 | 10.2 | 2.8 | 3.3 | 2.7 | | | | |
| Mobile out-of-bundle revenue | (15.0) | (20.0) | (11.9) | (18.6) | (12.7) | | | | |
| Mobile incoming revenue | (4.5) | – | (11.5) | 10.0 | (0.7) | | | | |
| Fixed line revenue | 5.4 | 2.6 | (13.4) | 1.2 | 15.7 | | | | |
| Other service revenue | 14.8 | 6.8 | (9.4) | 16.7 | 22.2 | | | | |
| Service revenue | 2.3 | 1.7 | (5.4) | 0.7 | 1.2 | | | | |
| Other revenue | (38.0) | 8.0 | (1.4) | (3.5) | (17.8) | | | | |
| Revenue | (0.8) | 2.5 | (5.2) | 0.3 | (0.1) | | | | |
| Direct costs | 18.2 | (0.4) | (2.3) | (16.0) | (5.0) | | | | |
| Customer costs | (8.7) | 3.7 | 3.6 | 11.2 | 8.2 | | | | |
| Operating expenses | (3.9) | 1.5 | 3.8 | 6.5 | 0.9 | | | | |
| EBITDA | 3.0 | 10.3 | (17.0) | 4.9 | 2.0 | | | | |
| Depreciation and amortisation: | | | | | | | | | |
| Acquired intangibles | – | – | – | – | 4.6 | | | | |
| Purchased licences | (9.4) | – | (0.3) | (3.7) | 60.1 | | | | |
| Other | (6.3) | (6.7) | (3.4) | (1.4) | 14.3 | | | | |
| Share of result in associates and joint ventures | 57.4 | – | 100.0 | – | (40.8) | | | | |
| Adjusted operating profit/(loss) | (12.9) | 16.6 | (1,501.2) | 27.8 | 53.7 | | | | |
| EBITDA margin movement (pps) | 1.3 | 2.6 | (2.7) | 1.2 | 0.6 | | | | |

FINANCIAL RESULTS

Revenue decreased by 3.8%. Foreign exchange movements contributed a 2.8 percentage point negative impact and M&A and other activity contributed a 0.5 percentage point negative impact. On an organic basis, service revenue increased by 0.6%*, reflecting ARPU stabilization in a number of markets together with ongoing fixed-line customer growth.

EBITDA decreased 0.9%, including a 1.8 percentage point negative impact from M&A and other activity and a 2.2 percentage point negative impact from foreign exchange movements. On an organic basis EBITDA increased 3.1%* driven by good cost control in a number of our markets.

| | Reported change % | Other activity (including M&A) pps | Foreign exchange pps | Organic* change % |
|---|-------------------------|--|----------------------------|-------------------------|
| Europe revenue | (3.8) | 0.5 | 2.8 | (0.5) |
| Service revenue | | | | |
| Germany | 2.3 | – | – | 2.3 |
| Italy | 1.7 | – | – | 1.7 |
| UK | (16.8) | 2.7 | 11.4 | (2.7) |
| Spain | 0.7 | – | – | 0.7 |
| Other Europe | 1.2 | – | – | 1.2 |
| Europe service revenue | (2.9) | 0.6 | 2.9 | 0.6 |
| EBITDA | | | | |
| Germany | 3.0 | – | – | 3.0 |
| Italy | 10.3 | – | – | 10.3 |
| UK | (27.5) | 10.5 | 10.5 | (6.5) |
| Spain | 5.0 | – | (0.1) | 4.9 |
| Other Europe | 2.1 | – | (0.1) | 2.0 |
| Europe EBITDA | (0.9) | 1.8 | 2.2 | 3.1 |
| Europe adjusted operating profit | 5.0 | 9.2 | 0.5 | 14.7 |

Note:

* 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 movements in foreign exchange rates. "Change at constant exchange rates" presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are alternative performance measures. See "Alternative performance measures" on page 39 for further details and reconciliations to the respective closest equivalent GAAP measure.

Germany

Service revenue grew 2.3%* (Q1: 1.6%*, Q2: 3.1%*) driven by a broad-based improvement in performance, with all customer segments improving. The acceleration in quarterly trends was supported by ARPU stabilisation in mobile and customer base growth in fixed line.

Mobile service revenue returned to growth of 0.5%* (Q1: -0.3%*, Q2: 1.3%), despite lower roaming revenues than in the prior financial year. Trends in consumer contract continued to improve with stabilising ARPU and a higher customer base. This was further aided by effective ARPU management and the introduction of new 'more-for-more' propositions. Consumer prepaid also returned to growth in Q2, with a growing ARPU and 146,000 customer net additions during the first half of this financial year. Pricing pressure in Enterprise remains challenging with ARPU still in decline year-on-year, although the pace of decline began to moderate in Q2. Mobile contract net additions remained modest at 28,000 for the half, as competition in indirect channels remained intense.

We further expanded and densified our market leading voice and data network, with 4G population coverage at 89%, and 375Mbps download speeds now available in 27 cities. Our 4G customer base was 9.0 million by the period end (an increase of 2.5 million compared to H1 last financial year).

Fixed service revenue increased 5.4%* (Q1: 4.7%*, Q2: 6.1%*), driven by a return to growth in our DSL business and continued momentum in cable. During the first half we added 200,000 broadband subscribers (H1 last year: 136,000), of which 163,000 were on cable and the remainder on DSL. We have 7.8 million TV customers. In August, we launched a new convergence offer, GigaKombi, providing customers with the fastest converged bundle in the market. Initial customer take-up has been encouraging.

EBITDA grew by 3.0%, and the margin improved by 1.3 percentage points to 34.0%. This margin expansion was driven by revenue growth and enhanced cost control, which more than offset an increase in commercial spend. During the period we reached 100% of the targeted cost and capex synergy run rate at Kabel Deutschland.

FINANCIAL RESULTS

Italy

Service revenue grew by 1.7%* supported by an acceleration in quarterly trends (Q1: 1.2%*, Q2: 2.2*). This was driven by ARPU improvement in both mobile and fixed line.

Mobile service revenue grew 1.5%* (Q1: 1.4%*, Q2: 1.6%*) due to ARPU growth in prepaid following changes to our tariff plans and improved data monetisation through targeted 'more-for-more' offers. Despite continued intense competition, particularly during the summer promotional period, we kept our active prepaid customer base stable in Q2. Our performance was further aided by strong visitor revenue, which was up 45% year-on-year in Q2. In total we have 7.3 million 4G customers, up 3.3 million from the last financial year, and data usage continued to grow strongly at 54%. This was supported by our market-leading 4G network with a population coverage of 96%.

Fixed service revenue was up 2.6%* (Q1: 0.1%*, Q2: 5.2*) driven by strong customer growth and stable ARPUs, despite increased pricing pressure during the summer promotional period. We added 79,000 broadband customers during the first half of the financial year, and in total we have 2.0 million broadband customers of which 0.4 million are on fibre. Our own fibre network now covers 4.1 million households and Enel has begun its network rollout of Fibre-To-The-Home (FTTH) services in 5 major cities, as part of its long-term plan to reach 9.5 million households covering 250 cities.

EBITDA grew significantly faster than revenues at 10.3%*, with a 2.6 percentage point improvement in EBITDA margin to 36.7%. This was driven by a strong revenue performance, lower commercial costs, and further tight cost control.

UK

UK service revenue declined 2.7%* (Q1: -3.2%*, Q2: -2.1%*), reflecting the impact of operational challenges following a billing system migration, lower out-of-bundle and roaming revenues, and a slowdown in Enterprise fixed line. Q2 saw a gradual improvement in both consumer and enterprise trends. We remain focused on improving customer service levels.

Mobile service revenue declined 2.8%* (Q1: -3.6%*, Q2: -1.9%*), due to a decline in consumer out-of-bundle revenue and the impact of expanding roaming propositions in enterprise mobile. The improvement in Q2 reflects the lapping of O8XX regulation in the prior financial year. We saw improved commercial momentum throughout the period, with Q2 contract customer additions of 92,000 (Q1: 26,000) as customer service levels began to improve. We had 8.5m 4G customers at the period end, with 4G coverage at 96% as defined by Ofcom, as we continued to accelerate our coverage expansion. In the latest P3 network test results, Vodafone was ranked co-best in the UK and the best overall in London.

Fixed service revenue, which is predominately Enterprise related, declined 2.3%* (Q1: -1.8%*, Q2: -2.9%*), reflecting a strong prior year comparator following a large Enterprise contract win, customer losses in the period, and a continued drag from carrier revenues. We continued to gain good momentum in consumer broadband, following a successful marketing campaign in August in which we became the first operator in the UK to remove line rental charges. Following the launch of these tariffs our new customer intake more than doubled; we had 167,000 broadband customers by the period end, of which 97,000 are consumer customers (an increase of 31,000 in Q2). Field trials continue for Vodafone TV.

EBITDA declined 6.5%*, with a 2.7 percentage point decline in margin at constant exchange rates to 18.9%. This decline was driven by competitive pressure in Enterprise fixed line, higher customer care costs following the billing system migration and a lower roaming contribution. This was despite a 4%* lower operating cost base year-on-year.

Spain

Service revenue grew 0.7%* (Q1: 1.3%*, Q2: flat*), returning to growth for the first time since 2008. Excluding the impact of handset financing, service revenue grew by 4.1%* (Q1: 4.9%*, Q2: 3.5 %*).

This performance improvement was driven by several factors, particularly our 'more-for-more' propositions for both new and existing customers and a higher customer base in both mobile and fixed line. The reported slowdown in Q2 service revenue reflects the lapping of a strong prior year comparator relating to an out-of-bundle data proposition in Q2 last year which was subsequently capped to reduce bill shock and improve customer experience. Excluding this impact our performance remained stable quarter-on-quarter.

Vodafone One, our fully integrated cable, mobile and TV service, reached 2.0 million customers at the period end, up from 0.8 million a year ago. Following a tariff change in April, we experienced higher levels of customer churn, however we successfully recovered commercial momentum in the second quarter, with mobile contract additions in line with the prior financial year and broadband additions ahead. Our TV customer base continued to grow strongly, supported by the launch of our new DSL TV proposition in March 2016, and in total we now have 1.2 million TV customers. Our market leading 4G population coverage reached 92% by the end of the period and we have 6.4 million 4G customers. Our next generation fixed line footprint now covers 14.7 million households, of which 9.5 million are on our own network.

EBITDA grew by 4.9%*, and EBITDA margin grew by 1.2 percentage points to 27.7%. The margin improvement was driven by service revenue growth, lower mobile handset subsidies, a lower operating cost base and the realised synergy benefits from the integration of Ono. These offset higher content costs and the drag from lower service revenues resulting from handset financing.

FINANCIAL RESULTS

Other Europe

Service revenue grew by 1.2%* (Q1: 1.2%*, Q2: 1.2%*), with all markets except the Netherlands and Malta growing during the period.

In the Netherlands, service revenue declined 2.7%* (Q1: -2.2%*, Q2: -3.3%*), as growth in consumer fixed line was more than offset by competitive pressure in mobile. Weaker growth in Q2 largely reflected lower roaming revenues.

In August 2016, the European Commission gave conditional clearance for the proposed merger of Vodafone International Holdings B.V. and Liberty Global Europe Holding B.V. to form a 50:50 Dutch joint venture, subject to a commitment to divest Vodafone Netherlands' consumer fixed business (Vodafone Thuis). In November 2016, we announced an agreement to sell Vodafone Thuis for an undisclosed fee. The transaction is conditional on approval from the Dutch competition authority, the European Commission approving T-Mobile Netherlands Holding B.V. as a suitable purchaser of Vodafone Thuis and consultations with Works Councils. Both this sales process and the merger are expected to close around the end of 2016.

In Portugal, service revenue grew 1.2%* (Q1: 0.2%*, Q2 2.2%*) supported by more-for-more propositions and healthy fixed customer growth. In Ireland, service revenues grew aided by solid customer growth in fixed, while Greece returned to growth in Q2 despite challenging macroeconomic conditions.

EBITDA grew 2.0%* demonstrating healthy operating leverage, with growth in all markets except for the Netherlands (lower revenues only partially compensated by cost savings), Portugal (rising content costs), and Albania.

FINANCIAL RESULTS

Africa, Middle East and Asia Pacific

| | India €m | Vodacom €m | Other AMAP €m | Eliminations €m | AMAP €m | Growth | |
|--|---------------|---------------|------------------|--------------------|--------------|---------------|---------------|
| | | | | | | Reported % | Organic* % |
| 30 September 2016 | | | | | | | |
| Mobile in-bundle revenue | 795 | 728 | 1,348 | – | 2,871 | | |
| Mobile out-of-bundle revenue | 1,638 | 1,077 | 769 | – | 3,484 | | |
| Incoming revenue | 328 | 100 | 323 | – | 751 | | |
| Fixed line revenue | 139 | 80 | 388 | (5) | 602 | | |
| Other service revenue | 105 | 99 | 79 | – | 283 | | |
| Service revenue | 3,005 | 2,084 | 2,907 | (5) | 7,991 | (2.3) | 7.4 |
| Other revenue | 10 | 380 | 515 | – | 905 | | |
| Revenue | 3,015 | 2,464 | 3,422 | (5) | 8,896 | (3.1) | 7.9 |
| Direct costs | (836) | (321) | (1,084) | 5 | (2,236) | | |
| Customer costs | (148) | (600) | (586) | – | (1,334) | | |
| Operating expenses | (1,139) | (591) | (812) | – | (2,542) | | |
| EBITDA | 892 | 952 | 940 | – | 2,784 | (1.1) | 9.2 |
| Depreciation and amortisation: | | | | | | | |
| Acquired intangibles | (37) | (39) | (20) | – | (96) | | |
| Purchased licences | (210) | (3) | (109) | – | (322) | | |
| Other | (422) | (268) | (471) | – | (1,161) | | |
| Share of result in associates and joint ventures | 23 | – | 55 | – | 78 | | |
| Adjusted operating profit | 246 | 642 | 395 | – | 1,283 | 2.3 | 16.3 |
| EBITDA margin | 29.6% | 38.6% | 27.5% | | 31.3% | | |
| 30 September 2015 restated | | | | | | | |
| Mobile in-bundle revenue | 707 | 781 | 1,170 | – | 2,658 | | |
| Mobile out-of-bundle revenue | 1,787 | 1,213 | 860 | – | 3,860 | | |
| Incoming revenue | 330 | 121 | 333 | – | 784 | | |
| Fixed line revenue | 135 | 93 | 348 | (9) | 567 | | |
| Other service revenue | 115 | 112 | 86 | (1) | 312 | | |
| Service revenue | 3,074 | 2,320 | 2,797 | (10) | 8,181 | | |
| Other revenue | 12 | 557 | 434 | – | 1,003 | | |
| Revenue | 3,086 | 2,877 | 3,231 | (10) | 9,184 | | |
| Direct costs | (919) | (389) | (1,043) | 10 | (2,341) | | |
| Customer costs | (139) | (806) | (541) | – | (1,486) | | |
| Operating expenses | (1,111) | (614) | (818) | – | (2,543) | | |
| EBITDA | 917 | 1,068 | 829 | – | 2,814 | | |
| Depreciation and amortisation: | | | | | | | |
| Acquired intangibles | (102) | (46) | (22) | – | (170) | | |
| Purchased licences | (123) | (2) | (84) | – | (209) | | |
| Other | (410) | (294) | (475) | – | (1,179) | | |
| Share of result in associates and joint ventures | 43 | (13) | (32) | – | (2) | | |
| Adjusted operating profit | 325 | 713 | 216 | – | 1,254 | | |
| EBITDA margin | 29.7% | 37.1% | 25.7% | | 30.6% | | |
| Change at constant exchange rates | | | | | | | |
| Mobile in-bundle revenue | 18.7 | 11.2 | 22.5 | | | | |
| Mobile out-of-bundle revenue | (3.2) | 1.8 | (1.6) | | | | |
| Incoming revenue | 5.0 | (5.9) | 6.2 | | | | |
| Fixed line revenue | 8.0 | – | 12.7 | | | | |
| Other service revenue | (4.6) | 5.3 | (1.5) | | | | |
| Service revenue | 3.2 | 4.2 | 11.3 | | | | |
| Other revenue | (9.6) | (20.0) | 26.6 | | | | |
| Revenue | 3.1 | (0.4) | 13.4 | | | | |
| Direct costs | 4.0 | 5.7 | (10.9) | | | | |
| Customer costs | (12.8) | 12.3 | (15.2) | | | | |
| Operating expenses | (8.3) | (10.5) | (5.8) | | | | |
| EBITDA | 2.6 | 4.0 | 23.0 | | | | |
| Depreciation and amortisation: | | | | | | | |
| Acquired intangibles | 61.9 | (0.2) | – | | | | |
| Purchased licences | (79.2) | (55.4) | (37.5) | | | | |
| Other | (9.0) | (5.5) | (5.7) | | | | |
| Share of result in associates and joint ventures | (44.0) | 100.2 | 271.7 | | | | |
| Adjusted operating profit | (20.3) | 5.6 | 111.3 | | | | |
| EBITDA margin movement (pps) | (0.1) | 1.6 | 2.2 | | | | |

FINANCIAL RESULTS

Revenue decreased 3.1%, with strong organic growth offset by a 8.9 percentage point adverse impact from foreign exchange movements, particularly with regards to the South African rand, Indian rupee, Turkish lira and Egyptian pound. On an organic basis service revenue was up 7.4%* driven by growth in the customer base, increased voice and data usage, and continued good commercial execution.

With effect from 1 April 2016, the Group changed the reporting of certain dealer commissions in India. Organic service revenue growth rates for the quarter ended 30 June 2016 and quarter and half year to 30 September 2016 of Vodafone India and the Group have been amended to exclude the impact of this change, which had no effect on earnings or cash flows.

EBITDA decreased 1.1%, including a 10.3 percentage point adverse impact from foreign exchange movements. On an organic basis, EBITDA grew 9.2%*, driven by growth in all major markets. The Group recorded a non-cash impairment of €5.0 billion, net of tax, in the period relating to our Indian business. Please see note 3 for further details.

| | Reported change % | Other activity (including M&A) pps | Foreign exchange pps | Organic* change % |
|---------------------------------------|-------------------------|--|----------------------------|-------------------------|
| AMAP revenue | (3.1) | 2.1 | 8.9 | 7.9 |
| Service revenue | | | | |
| India | (2.2) | 2.7 | 5.4 | 5.9 |
| Vodacom | (10.2) | - | 14.4 | 4.2 |
| Other AMAP | 3.9 | - | 7.4 | 11.3 |
| AMAP service revenue | (2.3) | 1.1 | 8.6 | 7.4 |
| EBITDA | | | | |
| India | (2.7) | - | 5.3 | 2.6 |
| Vodacom | (10.9) | - | 14.9 | 4.0 |
| Other AMAP | 13.4 | - | 9.6 | 23.0 |
| AMAP EBITDA | (1.1) | - | 10.3 | 9.2 |
| AMAP adjusted operating profit | 2.3 | - | 14.0 | 16.3 |

Note:

* 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 movements in foreign exchange rates. "Change at constant exchange rates" presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are alternative performance measures. See "Alternative performance measures" on page 39 for further details and reconciliations to the respective closest equivalent GAAP measure.

India

Service revenue grew by 5.9%* (Q1: 6.4%*, Q2: 5.4%*). Excluding regulatory drags including MTR cuts, roaming price caps and an increase in service tax, the quarterly rate of growth slowed from 7.7%* in Q1 to 6.3%* in Q2. This underlying slowdown was mainly driven by lower data revenue growth resulting from increased competitive pressure.

Data revenue growth slowed from 22%* in Q1 to 16%* in Q2. This was driven by a flattening of unique data user growth quarter-on-quarter, reflecting the impact of 'free' promotional offers from a new entrant. Our active data customer base at the period end was 69.6 million (Q1: 69.7 million). Overall data pricing declined 14% year-on-year, while data usage per customer continued to grow strongly to 504MB (+28%). Our 3G / 4G customer base continued to grow to 36 million, up 51%, and smartphone penetration is now 35%.

Voice revenue growth increased to 2.7%* in Q2 (Q1: 2.2%*) supported by a growing customer base. This was despite seasonally lower average minutes of use per customer. Total mobile customers increased 2.8 million over the period, giving a closing customer base of over 200 million for the first time (Q2: 201 million).

During the period we added 4,100 new 3G sites, taking the total to 63,000. We also have 13,000 4G sites. In the Indian spectrum auction during October we increased our total spectrum holding by 62%. Overall we paid INR 203 billion (€2.7 billion), of which 92% was on spectrum for the 12 circles in which we are a market leader. We now have a strong position for our future 4G needs and plan to extend our 4G footprint from 9 to 17 circles by the end of the current financial year. These circles cover around 91% of our service revenues and 94% of our data revenues.

EBITDA grew by 2.6%*, with the EBITDA margin declining by 0.1 percentage points to 29.6% due to higher network and customer acquisition costs, which were largely offset by significant operating cost savings.

The Group intends to proceed with an IPO of Vodafone India as soon as market conditions allow. We do not expect this to take place during the current financial year.

FINANCIAL RESULTS

Vodacom

Service revenue grew 4.2%* (Q1: 4.4%*, Q2: 4.1%*), with continued strong customer and data growth in South Africa offset by a slowdown in International customer growth which was impacted by a change in customer registration processes.

South Africa service revenue grew 5.6%* (Q1: 5.7%*, Q2: 5.6%*), supported by strong customer net additions in all segments. Total customer net additions over the period were 1.9 million and consumer churn reached a historic low (Q1: 5.3%, Q2: 4.8%). Data revenue growth remained strong at 19.5%*, supported by active data customer growth, increased data bundle sales, and higher usage. Overall, data now contributes 38.8% of South Africa's service revenues. The success of our 'Just 4 You' targeted individual pricing strategy continues to support voice revenues, with 8.1 million customers now using this proposition. We continued to maintain and expand our market leading network position with 4G population coverage at 69%, and now have 4.2 million 4G customers. In July, we launched South Africa's best network campaign offering customers free minutes in the event they experienced a dropped call on our network.

Vodacom's International operations outside South Africa, which now represent 23.7% of Vodacom Group service revenue, saw a slowdown in growth to 3.5%* (Q1: 4.4%*, Q2: 2.6%*). Customer growth was impacted by changes in customer registration requirements in Tanzania, the DRC and Mozambique, while competitive intensity increased in Tanzania. Customer additions began to improve later in the period as registration procedures became more efficient across all channels. M-Pesa continues to perform well, with over 8.5 million customers (up from 6.8 million a year ago).

Vodacom Group EBITDA grew 4.0%*, with a 1.5 percentage point EBITDA margin improvement to 38.6%. This reflects a change in accounting treatment for certain transactions in the indirect channel, which boosted equipment sales and corresponding direct expenses in prior financial years, with no impact on EBITDA. Excluding this effect, EBITDA margins were marginally up as our continued focus on cost savings offset inflationary pressures, network site growth and the adverse impact from foreign currency denominated costs.

Other AMAP

Service revenue grew by 11.3%* (Q1: 11.5%*, Q2: 11.2%*), with strong growth in Turkey, Egypt and Ghana.

Service revenue in Turkey was up 17.5%* (Q1: 19.5%*, Q2: 15.7%*), supported by strong growth in consumer contract and Enterprise and an increased contribution from fixed line. While underlying growth remained strong throughout the period, organic service revenue growth was lower in the second quarter, reflecting a tougher prior financial year comparator relating to several data initiatives which drove incremental revenue. EBITDA grew 29.9%*, with an EBITDA margin improvement of 1.7 percentage points to 20.8% driven principally by lower commercial spend.

Egypt grew 12.3%* (Q1: 9.4%*, Q2: 15.1%*), driven by sustained growth in data usage and mobile ARPU expansion. The acceleration in quarterly trends reflects successful market segment campaigns that drove increased usage and a higher active base. EBITDA grew 19.5%*, with a 2.4 percentage point EBITDA margin improvement to 44.7% driven by accelerating service revenue, tight cost control, and a favourable trading foreign exchange movement compared to last year. Following recent negotiations with the regulator, Vodafone Egypt and all other operators have acquired 4G licenses and spectrum.

In New Zealand, service revenue was up 1.5%* (Q1: 1.8%*, Q2: 1.3%), driven by strong fixed line performance and mobile customer growth across both consumer and enterprise. In June we announced our intention to merge with Sky Network Television in New Zealand, thereby creating the country's leading integrated telecommunications and media group. Sky shareholders have voted in favour of the transaction but completion is still subject to local regulatory approvals.

Associates and joint ventures

Safaricom, Vodafone's 40% associate, which is the number one mobile operator in Kenya, achieved local currency service revenue growth of 15.4% and EBITDA growth of 30.8%, driven by data and M-Pesa. 32 out of 42 targeted regions now have 4G coverage.

Vodafone Hutchison Australia ('VHA'), in which Vodafone owns a 50% stake, continued to perform solidly in a competitive environment. VHA continued to grow service revenue (excluding MTRs), driven by growth in our contract customer base and ARPU. EBITDA growth was driven by an increase in underlying revenue and strong commercial cost discipline.

Indus Towers, the Indian towers company in which Vodafone has a 42% interest, achieved local currency revenue growth of 5.0%. Indus owns 121,330 towers as at 30 September 2016, with a tenancy ratio of 2.27. Our share of Indus' EBITDA in H1 was €194 million and its contribution to Vodafone Group adjusted operating profit was €23 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows and funding

| | Six months ended 30 September | |
|--|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| EBITDA | 7,906 | 8,039 |
| Working capital | (2,939) | (2,485) |
| Capital additions ¹ | (3,973) | (5,149) |
| Disposal of property, plant and equipment | 10 | 44 |
| Other | 53 | 78 |
| Operating free cash flow² | 1,057 | 527 |
| Taxation | (534) | (597) |
| Dividends received from associates and investments | 129 | – |
| Dividends paid to non-controlling shareholders in subsidiaries | (274) | (182) |
| Interest received and paid | (363) | (504) |
| Free cash flow | 15 | (756) |
| Licence and spectrum payments | (166) | (2,913) |
| Acquisitions and disposals | (41) | (87) |
| Equity dividends paid | (2,449) | (2,901) |
| Foreign exchange | (333) | 1,383 |
| Other ³ | (797) | (3,057) |
| Net debt increase | (3,771) | (8,331) |
| Opening net debt | (36,897) | (30,812) |
| Closing net debt | (40,668) | (39,143) |

Notes:

- Capital additions includes the purchase of property, plant and equipment and intangible assets, other than licence and spectrum, during the period.
- Operating free cash flow for the period ended 30 September 2016 excludes €142 million (2015: €97 million) of restructuring costs.
- Other cash flows for the year ended 30 September 2016 include €nil (2015: €2,797 million of debt recognised in respect of spectrum in India and Germany) and €142 million (2015: €97 million) of restructuring costs.

Operating free cash flow increased €0.5 billion as lower EBITDA, seasonal working capital movements and outflows relating to the final payments for Project Spring were offset by lower capital additions, which decreased by €1.2 billion to €4.0 billion following the completion of the Project Spring investment programme last financial year.

Free cash flow was €15 million, an increase of €0.8 billion from the prior period, driven by higher operating free cash flow and the resumption of dividends from Indus Towers.

Licence and spectrum payments include amounts relating to the purchase of spectrum in Germany of €0.1 billion (2015: €1.9 billion in Germany, €0.9 billion in India). In addition, net debt includes liabilities of €5.5 billion (2015: €5.1 billion) relating to acquisitions or renewals of spectrum in India and €1.9 billion (2015: €1.8 billion) of liabilities relating to minority holdings in KDG.

A foreign exchange loss of €0.3 billion was recognised on net debt largely due to losses arising from movements in Sterling against the euro.

LIQUIDITY AND CAPITAL RESOURCES

Analysis of net debt:

| | 30 September 2016 €m | Restated 31 March 2016 €m |
|--|----------------------------|------------------------------------|
| Cash and cash equivalents¹ | 8,605 | 12,940 |
| Short-term borrowings | | |
| Bonds | (2,956) | (2,571) |
| Commercial paper ² | (5,712) | (9,353) |
| Put options over non-controlling interests | (1,865) | (1,809) |
| Bank loans | (2,369) | (2,851) |
| Other short-term borrowings ³ | (3,007) | (3,676) |
| | (15,909) | (20,260) |
| Long-term borrowings | | |
| Put options over non-controlling interests | – | (6) |
| Bonds, loans and other long-term borrowings | (39,573) | (37,083) |
| | (39,573) | (37,089) |
| Other financial instruments ⁴ | 6,209 | 7,512 |
| Net debt | (40,668) | (36,897) |

Notes:

- Includes cash and cash equivalents of €21 million (31 March 2016: €18 million) in respect of assets held for sale.
- At 30 September 2016 US\$1,203 million (31 March 2016: US\$471 million) was drawn under the US commercial paper programme and €4,630 million and US\$13 million (31 March 2016: €8,907 million and US\$38 million) was drawn under the euro commercial paper programme.
- At 30 September 2016 the amount includes €2,858 million (31 March 2016: €3,588 million) in relation to cash received under collateral support agreements.
- Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (30 September 2016: €5,268 million; 31 March 2016 €5,444 million) and trade and other payables (30 September 2016: €2,644 million; 31 March 2016: €1,981 million) and short-term investments primarily in index linked government bonds, collateral passed and managed investment funds included as a component of other investments (30 September 2016: €3,585 million; 31 March 2016: €4,049 million).

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

| | Maturity | 30 September 2016 €m |
|--|---------------|----------------------------|
| US\$4.1 billion committed revolving credit facility ^{1,2} | February 2021 | 3,643 |
| €4.0 billion committed revolving credit facility ^{1,2} | March 2021 | 4,010 |
| Other committed credit facilities | Various | 1,043 |
| Undrawn committed facilities | | 8,696 |

Notes:

- Both facilities support US and euro commercial paper programmes of up to US\$15 billion and €8 billion, respectively.
- US\$155 million and €150 million of the US\$ and € facilities mature in February 2020 and March 2020 respectively.

Post employment benefits

During the six months ended 30 September 2016, the net deficit arising from the Group's obligations in respect of its defined benefit schemes increased to €1.3 billion compared to €0.3 billion at 31 March 2016 primarily due to returns on plan assets of €0.9 billion during the period being offset by actuarial losses arising from changes in financial assumptions of €1.9 billion principally due to a decrease in the discount rates used for defined benefit schemes in the UK and Eurozone.

Dividends

For the six months ended 30 September 2016 and beyond, dividends are declared in euros and will be paid in euros, pounds sterling and US dollars, aligning the Group's shareholder returns with the primary currency in which we generate free cash flow. The foreign exchange rate at which future dividends declared in euros will be converted into pounds sterling and US dollars will be calculated based on the average exchange rate over the five business days during the week prior to the payment of the dividend. In May 2016, the Board determined that future dividend growth would be calculated from the level of 14.48 eurocents per share for the year ended 31 March 2016 (six months ended 30 September 2015: 4.65 eurocents per share), which is equivalent to the total dividend payout of 11.45 pence for the year ended 31 March 2016 (six months ended 30 September 2015: 3.68 pence) at the 31 March 2016 foreign exchange conversion rate of £:€1.2647.

The directors have announced an interim dividend per share of 4.74 eurocents, representing a 1.9% increase over the prior financial year's interim dividend based on the 31 March 2016 foreign exchange conversion rate of £1:€1.2647. The ex-dividend date for the interim dividend is 24 November 2016 for ordinary shareholders, the record date is 25 November 2016 and the dividend is payable on 3 February 2017. Dividend payments on ordinary shares will be paid directly into a nominated bank or building society account.

RISK FACTORS

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

1. Cyber threat

A successful cyber-attack or internal event could result in us not being able to deliver service to our customers and/or failing to protect their data. This could include a terrorist attack, state sponsored hacking, hacktivists or threats from individuals.

2. Failure to deliver on convergence

We face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, TV content and mobile) on their existing infrastructure. If we fail to deliver converged services in key markets, due to inability to access infrastructure or content at a reasonable price, this could potentially lead to higher customer churn and/or significant downward pressure on our prices.

3. Adverse political measures

We operate under licence in most markets. Increased financial pressures on governments may lead them to target foreign investors for further licence fees or to charge unreasonably high prices to obtain or renew spectrum.

Similarly we could be exposed to additional liabilities if we faced a new challenge from tax or competition authorities or if local or international tax laws were to change, for example as a result of the OECD's recommendations on base erosion and profit shifting or the proposed EU tax and financial reporting Directives.

4. EMF related health risks

Concerns have been expressed that electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. Authorities, including the World Health Organization ('WHO') agree there is no evidence that convinces experts that exposure to radio frequency fields from mobile devices and base stations operated within guideline limits has any adverse health effects. A change to this view could result in a range of impacts from a change to national legislation, to a major reduction in mobile phone usage or to major litigation.

5. Major enterprise contracts

We have a number of high-value, ongoing contracts with corporate customers, including some government agencies and departments. Successful and profitable delivery of our major enterprise contracts is dependent on complex technologies deployed across multiple geographies, as well as relative stability in the requirements, strategies and businesses of our customers.

6. Unstable economic conditions

As a multinational business, we operate in many countries and currencies, so changes to global economic conditions and increasing geo-political instability can impact us. This could be because another global crisis would result in reduced spending power for customers or because a relative strengthening or weakening of the major currencies in which we transact could impact our profitability.

It is too early to assess the detailed implications of the Brexit referendum for Vodafone Group. Our operating companies are standalone, local businesses – incorporated and licensed in the jurisdictions in which they operate – and each is able to adapt to a wide range of local conditions. As such, we do not expect that Brexit will have a significant impact on their ability to continue to serve customers in their respective markets. The referendum does not change our commitment to our UK customers, our investment plans for our UK business or have any immediate material impact or change to any of our principal risks, however we have a set up a cross functional working group to monitor the implications of the Brexit negotiations for us.

7. Market disruption

We face increased competition from a variety of new technology providers, new market entrants and competitor consolidation.

8. Network/IT infrastructure failure

If our network or IT systems fail, voice, video or data transmissions may be significantly interrupted. We need to ensure that our critical assets are protected and our systems are resilient, so that impact on our customers is minimised, particularly during our major IT transformation projects

9. Non-compliance with laws and regulation

We must comply with a multitude of local and international laws as well as regulations. These encompass but are not limited to, licence requirements, customer registration, data privacy, anti-money laundering, competition law, anti-bribery and economic sanctions. Non-compliance with these requirements exposes us to financial and reputational risk.

10. Customer Experience

If we fail to deliver a differentiated and superior experience to our customers in store, online and on the phone, this could diminish our brand and reputation, weakening our relationship with customers and reducing their loyalty to us.

These risk factors and uncertainties have not changed significantly since 31 March 2016, except for the risk factor in relation to unstable economic conditions as detailed above. Further information on risk factors can be found on pages 22 to 28 of the Group's annual report for the financial year ended 31 March 2016, which is available at <http://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 Guidance and Transparency Rules Sourcebook 4.2.7R and Disclosure Guidance and Transparency Rules Sourcebook 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 and schedule 10A of the Financial Services and Markets Act 2000.

The names and functions of the Vodafone Group Plc board can be found at:

<http://www.vodafone.com/board>

By Order of the Board
Rosemary Martin
Group General Counsel and Company Secretary
15 November 2016

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

| | Note | Six months ended 30 September | |
|---|------|----------------------------------|-------------------------------------|
| | | 2016 €m | Restated ¹ 2015 €m |
| Revenue | 2 | 27,054 | 28,151 |
| Cost of sales | | (19,925) | (20,686) |
| Gross profit | | 7,129 | 7,465 |
| Selling and distribution expenses | | (2,316) | (2,396) |
| Administrative expenses | | (3,155) | (3,663) |
| Share of result of equity accounted associates and joint ventures | | 73 | (5) |
| Impairment loss | 3 | (6,375) | – |
| Other income and expense | | (58) | (286) |
| Operating (loss)/profit | 2 | (4,702) | 1,115 |
| Non-operating income and expense | | – | (2) |
| Investment income | | 480 | 182 |
| Financing costs | | (1,165) | (1,146) |
| (Loss)/profit before taxation | | (5,387) | 149 |
| Income tax credit/(expense) | 4 | 384 | (2,493) |
| Loss for the financial period | | (5,003) | (2,344) |
| Attributable to: | | | |
| – Owners of the parent | | (5,129) | (2,503) |
| – Non-controlling interests | | 126 | 159 |
| Loss for the financial period | | (5,003) | (2,344) |
| Loss per share | | | |
| – Basic | 5 | (18.38c) | (9.43c) |
| – Diluted | 5 | (18.38c) | (9.43c) |

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

Consolidated statement of comprehensive income

| | Six months ended 30 September | |
|--|----------------------------------|-------------------------------------|
| | 2016 €m | Restated ¹ 2015 €m |
| Loss for the financial period | (5,003) | (2,344) |
| Other comprehensive income: | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods</i> | | |
| Gains on revaluation of available-for-sale investments, net of tax | – | 1 |
| Foreign exchange translation differences, net of tax | (1,326) | (1,657) |
| Foreign exchange losses transferred to the income statement | – | 282 |
| Fair value losses transferred to the income statement | 4 | – |
| Other, net of tax | 229 | 150 |
| Total items that may be reclassified to profit or loss in subsequent periods | (1,093) | (1,224) |
| <i>Items that will not be reclassified to profit or loss in subsequent periods</i> | | |
| Net actuarial (losses)/gains on defined benefit pension schemes, net of tax | (869) | 210 |
| Total items that will not be reclassified to profit or loss in subsequent periods | (869) | 210 |
| Other comprehensive expense | (1,962) | (1,014) |
| Total comprehensive expense for the financial period | (6,965) | (3,358) |
| Attributable to: | | |
| – Owners of the parent | (7,127) | (3,309) |
| – Non-controlling interests | 162 | (49) |
| | (6,965) | (3,358) |

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

Note:

1. See Note 1 "Basis of preparation" for further details.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

| | Note | 30 September 2016 €m | Restated ¹ 31 March 2016 €m |
|---|------|----------------------------|---|
| Non-current assets | | | |
| Goodwill | | 26,736 | 28,238 |
| Other intangible assets | | 25,115 | 30,326 |
| Property, plant and equipment | | 33,183 | 35,515 |
| Investments in associates and joint ventures | 8 | 244 | 479 |
| Other investments | | 4,705 | 4,631 |
| Deferred tax assets | | 29,121 | 28,306 |
| Post employment benefits | | 5 | 224 |
| Trade and other receivables | | 5,895 | 5,793 |
| | | 125,004 | 133,512 |
| Current assets | | | |
| Inventory | | 681 | 716 |
| Taxation recoverable | | 1,450 | 1,402 |
| Trade and other receivables | | 11,833 | 11,561 |
| Other investments | | 4,983 | 5,337 |
| Cash and cash equivalents | | 8,584 | 12,922 |
| Assets held for sale | | 3,794 | 3,657 |
| | | 31,325 | 35,595 |
| Total assets | | 156,329 | 169,107 |
| Equity | | | |
| Called up share capital | | 4,796 | 4,796 |
| Additional paid-in capital | | 151,749 | 151,694 |
| Treasury shares | | (8,628) | (8,777) |
| Accumulated losses | | (103,398) | (95,683) |
| Accumulated other comprehensive income | | 29,297 | 31,295 |
| Total attributable to owners of the parent | | 73,816 | 83,325 |
| Non-controlling interests | | 1,723 | 1,817 |
| Put options over non-controlling interests | | (4) | (6) |
| Total non-controlling interests | | 1,719 | 1,811 |
| Total equity | | 75,535 | 85,136 |
| Non-current liabilities | | | |
| Long-term borrowings | | 39,573 | 37,089 |
| Deferred tax liabilities | | 534 | 564 |
| Post employment benefits | | 1,319 | 565 |
| Provisions | | 1,699 | 1,619 |
| Trade and other payables | | 2,606 | 1,899 |
| | | 45,731 | 41,736 |
| Current liabilities | | | |
| Short-term borrowings | | 15,909 | 20,260 |
| Taxation liabilities | | 526 | 683 |
| Provisions | | 811 | 958 |
| Trade and other payables | | 17,376 | 19,896 |
| Liabilities held for sale | | 441 | 438 |
| | | 35,063 | 42,235 |
| Total equity and liabilities | | 156,329 | 169,107 |

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

Note:

1. See Note 1 "Basis of preparation" for further details.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

| | Share capital €m | Additional paid-in capital ¹ €m | Treasury shares €m | Accumulated comprehensive income ² €m | Equity attributable to the owners €m | Non-controlling interests €m | Total equity €m |
|---|---------------------|---|-----------------------|---|---|---------------------------------|--------------------|
| 1 April 2015 restated ³ | 5,246 | 161,801 | (9,747) | (65,789) | 91,511 | 2,198 | 93,709 |
| Issue or reissue of shares | – | 2 | 127 | (114) | 15 | – | 15 |
| Share-based payments | – | 78 | – | – | 78 | – | 78 |
| Transactions with non-controlling interests in subsidiaries | – | – | – | (42) | (42) | (19) | (61) |
| Comprehensive expense | – | – | – | (3,309) | (3,309) | (49) | (3,358) |
| Dividends | – | – | – | (2,852) | (2,852) | (193) | (3,045) |
| Other ⁴ | (114) | (3,491) | 207 | 3,404 | 6 | (2) | 4 |
| 30 September 2015 restated | 5,132 | 158,390 | (9,413) | (68,702) | 85,407 | 1,935 | 87,342 |
| 1 April 2016 | 4,796 | 151,694 | (8,777) | (64,388) | 83,325 | 1,811 | 85,136 |
| Issue or reissue of shares | – | 2 | 149 | (132) | 19 | – | 19 |
| Share-based payments | – | 53 | – | – | 53 | – | 53 |
| Transactions with non-controlling interests in subsidiaries | – | – | – | (7) | (7) | 18 | 11 |
| Comprehensive (expense)/income | – | – | – | (7,127) | (7,127) | 162 | (6,965) |
| Dividends | – | – | – | (2,447) | (2,447) | (272) | (2,719) |
| 30 September 2016 | 4,796 | 151,749 | (8,628) | (74,101) | 73,816 | 1,719 | 75,535 |

Notes:

1. Includes share premium, capital redemption reserve, merger reserve and share-based payment reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.
2. Includes accumulated losses and accumulated other comprehensive income.
3. See Note 1 "Basis of preparation" for further details.
4. Includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the change in the Group's presentation currency.

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of cash flows

| | Note | Six months ended 30 September | |
|---|------|----------------------------------|-------------------------------------|
| | | 2016 €m | Restated ¹ 2015 €m |
| Net cash flow from operating activities | 9 | 5,820 | 5,735 |
| Cash flows from investing activities | | | |
| Purchase of interests in subsidiaries, net of cash acquired | 7 | (18) | (17) |
| Purchase of interests in associates and joint ventures | | (27) | (3) |
| Purchase of intangible assets | | (1,120) | (3,931) |
| Purchase of property, plant and equipment | | (4,495) | (4,939) |
| Purchase of investments | | (1,345) | (132) |
| Disposal of property, plant and equipment | | 10 | 44 |
| Disposal of investments | | 1,116 | 2,984 |
| Dividends received from associates and joint ventures | | 129 | – |
| Interest received | | 211 | 167 |
| Net cash flow from investing activities | | (5,539) | (5,827) |
| Cash flows from financing activities | | | |
| Issue of ordinary share capital and reissue of treasury shares | | 19 | 14 |
| Net movement in short-term borrowings | | 1,078 | (132) |
| Proceeds from issue of long-term borrowings | | 4,643 | 2,525 |
| Repayment of borrowings | | (6,747) | (2,242) |
| Equity dividends paid | 6 | (2,449) | (2,901) |
| Dividends paid to non-controlling shareholders in subsidiaries | | (274) | (182) |
| Other transactions with non-controlling interests in subsidiaries | | 4 | (66) |
| Other movements in loans with associates and joint ventures | | 32 | (24) |
| Interest paid | | (574) | (671) |
| Net cash flow used in financing activities | | (4,268) | (3,679) |
| Net cash flow | | (3,987) | (3,771) |
| Cash and cash equivalents at beginning of the financial period | 11 | 12,911 | 9,492 |
| Exchange loss on cash and cash equivalents | | (325) | (17) |
| Cash and cash equivalents at end of the financial period | 11 | 8,599 | 5,704 |

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

Note:

1. See Note 1 "Basis of preparation" for further details.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

1 Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2016:

- were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ('IAS 34') as issued by the International Accounting Standards Board and as adopted by the European Union;
- are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the Group's annual report for the year ended 31 March 2016;
- apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2016, except for the change in the Group's presentation currency set out below, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and were also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations. Income taxes are accrued using the tax rate that is expected to be applicable for the full financial year, adjusted for certain discrete items which occurred in the interim period in accordance with IAS 34;
- include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented;
- do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006; and
- were approved by the Board of directors on 15 November 2016.

With effect from 1 April 2016 the functional currency of the Company was changed from pounds sterling to the euro and applied prospectively from the date of change, as this is now the primary currency in which the Company's financing activities and investments returns are denominated.

Similarly with effect from 1 April 2016, the Group's presentation currency was changed from pounds sterling to the euro and applied retrospectively, to better align with the geographic split of the Group's operations and the Group reclassified €580 million from goodwill to investments in associates and joint ventures in respect of Indus Towers within the consolidated statement of financial position. Prior periods, including the amounts presented for the six months ended 30 September 2015 and year ended 31 March 2016 together with all disclosed alternative performance measures, have been restated into euros using closing rates at the relevant balance sheet date for assets, liabilities, share capital, share premium and other capital reserves and the income statement has been restated at the average rate for the comparative period or the spot rate for significant transactions.

The information relating to the year ended 31 March 2016 is an extract from the Group's published annual report for that year, restated to reflect the change in the Group's presentation currency as detailed above, which has been delivered to the Registrar of Companies, and on which the auditors' report was unqualified and did not contain any emphasis of matter or statements under section 498(2) or 498(3) of the UK Companies Act 2006.

After reviewing the Group's budget for the remainder of the financial year, and longer term plans, the directors are satisfied that, at the time of approving the unaudited condensed consolidated financial statements, it is appropriate to continue to adopt a going concern basis of accounting.

The preparation of the unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

On 1 April 2016, the Group adopted certain new accounting policies where necessary to comply with amendments to IFRS, none of which had a material impact on the consolidated results, financial position or cash flows of the Group; further details are provided in the Group's annual report for the year ended 31 March 2016.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

2 Segmental analysis

The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue.

| | Segment revenue €m | Intra-region revenue €m | Regional revenue €m | Inter-region revenue €m | Group revenue €m | EBITDA €m |
|--|--------------------------|-------------------------------|---------------------------|-------------------------------|------------------------|--------------|
| Six months ended 30 September 2016 | | | | | | |
| Germany | 5,265 | (18) | 5,247 | (10) | 5,237 | 1,788 |
| Italy | 3,006 | (17) | 2,989 | (1) | 2,988 | 1,104 |
| UK | 3,575 | (11) | 3,564 | (2) | 3,562 | 674 |
| Spain | 2,496 | (23) | 2,473 | – | 2,473 | 692 |
| Other Europe | 3,304 | (34) | 3,270 | (2) | 3,268 | 1,040 |
| Europe | 17,646 | (103) | 17,543 | (15) | 17,528 | 5,298 |
| India | 3,015 | (5) | 3,010 | (9) | 3,001 | 892 |
| Vodacom | 2,464 | – | 2,464 | – | 2,464 | 952 |
| Other AMAP | 3,422 | – | 3,422 | (8) | 3,414 | 940 |
| AMAP | 8,901 | (5) | 8,896 | (17) | 8,879 | 2,784 |
| Other ¹ | 670 | (1) | 669 | (22) | 647 | (176) |
| Group | 27,217 | (109) | 27,108 | (54) | 27,054 | 7,906 |
| Six months ended 30 September 2015 restated | | | | | | |
| Germany | 5,308 | (16) | 5,292 | (6) | 5,286 | 1,736 |
| Italy | 2,934 | (13) | 2,921 | (1) | 2,920 | 1,001 |
| UK | 4,287 | (10) | 4,277 | (1) | 4,276 | 930 |
| Spain | 2,489 | (15) | 2,474 | – | 2,474 | 659 |
| Other Europe | 3,306 | (30) | 3,276 | (1) | 3,275 | 1,019 |
| Europe | 18,324 | (84) | 18,240 | (9) | 18,231 | 5,345 |
| India | 3,086 | (10) | 3,076 | (9) | 3,067 | 917 |
| Vodacom | 2,877 | – | 2,877 | – | 2,877 | 1,068 |
| Other AMAP | 3,231 | – | 3,231 | (12) | 3,219 | 829 |
| AMAP | 9,194 | (10) | 9,184 | (21) | 9,163 | 2,814 |
| Other ¹ | 790 | – | 790 | (33) | 757 | (120) |
| Group | 28,308 | (94) | 28,214 | (63) | 28,151 | 8,039 |

Note:

1. The "Other" segment primarily represents the results of partner markets and the net result of unallocated central Group costs.

The Group's measure of segment profit, EBITDA, excludes depreciation, amortisation, loss on disposal of fixed assets, impairment loss, restructuring costs, the Group's share of results in associates and joint ventures and other income and expense. A reconciliation of EBITDA to operating (loss)/profit is shown below. For a reconciliation of operating (loss)/profit to loss for the financial period, see the consolidated income statement on page 23.

| | Six months ended 30 September | |
|---|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| EBITDA | 7,906 | 8,039 |
| Depreciation, amortisation and loss on disposal of fixed assets | (6,211) | (6,477) |
| Impairment loss | (6,375) | – |
| Restructuring costs | (37) | (156) |
| Share of results in associates and joint ventures | 73 | (5) |
| Other income and expense | (58) | (286) |
| Operating (loss)/profit | (4,702) | 1,115 |

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

3 Impairment review

Impairment testing was performed as at 30 September 2016 and 30 September 2015. The methodology adopted for impairment testing for the six months ended 30 September 2016 was consistent with that disclosed on page 93 and pages 100 to 103 of the Group's annual report for the year ended 31 March 2016.

During the six months ended 30 September 2016, an impairment charge of €6,375 million (2015: €nil) was recorded in respect of the Group's investment in India which, together with the recognition of an associated €1,375 million deferred tax asset, led to an overall €5.0 billion reduction in the carrying value of Vodafone India. The impairment charge relates to goodwill, other intangible assets and property, plant and equipment. The impairment charge was driven by lower projected cash flows within the business plans resulting from our reassessment of expected future business performance following the recent change in competitive dynamics. A new entrant has recently launched free trial services for an extended time period and commercial price plans that were at a significant discount to prevailing market pricing, resulting in competitive responses from other operators. This has created a high degree of uncertainty over a range of commercial planning assumptions including future pricing, profitability and market structure. Accordingly there are a wide range of potential outcomes which the group has had to assess to derive its current view of future business performance and cash flows for impairment valuation purposes. To the extent that future commercial outcomes are different to those assumed within our plan, this valuation may need to be revised.

The table below shows key assumptions used in the value in use calculations at 30 September 2016.

| | Assumptions used in value in use calculation | | | | |
|--|--|------------|------------|--------------|------------|
| | Germany % | Italy % | Spain % | Romania % | India % |
| Pre-tax risk adjusted discount rate | 8.3 | 10.4 | 9.7 | 9.0 | 13.3 |
| Long-term growth rate | 0.5 | 1.5 | 1.5 | 1.0 | 4.9 |
| Projected EBITDA ¹ | 3.1 | 1.5 | 8.8 | (0.3) | 7.8 |
| Projected capital expenditure ² | 14.5-16.2 | 12.5-17.1 | 11.2-19.3 | 11.5-18.9 | 14.2-22.4 |

Sensitivity analysis

The estimated recoverable amount of the Group's operations in Germany, Spain and Romania exceed their carrying values by €4.1 billion, €1.3 billion and €0.1 billion respectively.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an impairment loss being recognised for the six months ended 30 September 2016:

| | Change required for carrying value to equal the recoverable amount | | |
|--|--|--------------|----------------|
| | Germany pps | Spain pps | Romania pps |
| Pre-tax risk adjusted discount rate | 1.1 | 0.9 | 0.7 |
| Long-term growth rate | (1.2) | (1.0) | (0.8) |
| Projected EBITDA ¹ | (1.9) | (1.5) | (0.9) |
| Projected capital expenditure ² | 9.9 | 6.6 | 3.6 |

The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an (increase)/decrease to the aggregate impairment loss recognised in the six months ended 30 September 2016.

| | India | |
|--|----------------------------|----------------------------|
| | Increase by 2pps €bn | Decrease by 2pps €bn |
| Pre-tax risk adjusted discount rate | (2.6) | 4.3 |
| Long-term growth rate | 4.4 | (2.4) |
| Projected EBITDA ¹ | 2.2 | (2.1) |
| Projected capital expenditure ² | (0.5) | 0.5 |

Notes:

1. Projected EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing. Growth rates are not linear in this five year period, particularly in the case of Vodafone India.
2. Projected capital expenditure, which excludes licences and spectrum, is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash generating units of the plans used for impairment testing.

The recoverable amounts for Vodafone UK, Portugal, Ireland, Czech Republic and Qatar are not materially greater than their carrying value.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

4 Taxation

| | Six months ended 30 September | |
|--|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| United Kingdom corporation tax credit/(expense): ¹ | | |
| Current year | – | – |
| Adjustments in respect of prior years | 4 | (8) |
| Overseas current tax (expense)/credit | | |
| Current year | (398) | (505) |
| Adjustments in respect of prior years | 38 | (21) |
| Total current tax expense | (356) | (534) |
| Deferred tax on origination and reversal of temporary differences: | | |
| United Kingdom deferred tax | (57) | (22) |
| Overseas deferred tax | 797 | (1,937) |
| Total deferred tax credit/(expense) | 740 | (1,959) |
| Total income tax credit/(expense) | 384 | (2,493) |

Note:

- UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the €6.8 billion of spectrum payments to the UK government in 2000 and 2013.

Overseas deferred tax charge for the six months ended 30 September 2016 includes an increase in the deferred tax assets in Luxembourg of €319 million (2015: decrease of €2,015 million) resulting from the tax treatment of the revaluation of investments following the completion and approval of the Luxembourg statutory accounts and tax returns. It also includes the write off of €907 million (2015: nil) in relation to losses in Luxembourg expected to be used beyond 60 years due to lower interest rates increasing the length of time over which these losses would be utilised.

The Group expects to use its losses in Luxembourg over a period of between 50 and 60 years and the losses in Germany over a period of between 10 and 15 years; the actual use of these losses, and the period over which they may be used, is dependent on many factors which may change. These factors include the level of profitability in both Luxembourg and Germany, changes in tax law and changes to the structure of the Group. Further details about the Group's tax losses can be found in note 6 of the Group's consolidated financial statements for the year ended 31 March 2016.

In February 2016 the Luxembourg government announced its intention to reduce the corporate tax rate (including municipal business tax) to 27.1% for the year ending 31 March 2017 and 26.0% for the year ending 31 March 2018. The impact of the announced decrease in the corporate tax rate would reduce the value of our deferred tax assets by approximately €2.6 billion.

5 Earnings per share

| | Six months ended 30 September | |
|--|-------------------------------|-----------------------------|
| | 2016 Million | Restated 2015 Million |
| Weighted average number of shares for basic earnings per share | 27,912 | 26,529 |
| Effect of dilutive potential shares: restricted shares and share options | – | – |
| Weighted average number of shares for diluted earnings per share | 27,912 | 26,529 |
| | €m | €m |
| Loss for basic and diluted earnings per share | (5,129) | (2,503) |
| | Eurocents | Eurocents |
| Basic loss per share | (18.38c) | (9.43c) |
| Diluted loss per share | (18.38c) | (9.43c) |

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

6 Equity dividends

| | Six months ended 30 September | |
|---|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| <i>Declared during the financial period:</i> | | |
| Final dividend for the year ended 31 March 2016: 7.77 pence per share (2015: 7.62 pence per share) | 2,447 | 2,852 |
| <i>Proposed after the end of the reporting period and not recognised as a liability:</i> | | |
| Interim dividend for the year ending 31 March 2017: 4.74 eurocents per share (2016: 3.68 pence per share) | 1,262 | 1,381 |

7 Acquisitions

The aggregate cash consideration in respect of purchases in subsidiaries, net of cash acquired, is as follows:

| | Six months ended 30 September | |
|--|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| Cash consideration paid: | | |
| Acquisitions during the year | 9 | 18 |
| Acquisitions completed in previous years | 9 | – |
| Net cash acquired | 18 | 18 |
| | – | (1) |
| | 18 | 17 |

During the six month period ended 30 September 2016 the Group completed a number of acquisitions for an aggregate net cash consideration of €9 million. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were €1 million, €18 million and €10 million, respectively.

8 Investment in associates and joint arrangements

| | 30 September | Restated ¹ |
|------------------------------|--------------|------------------------|
| | 2016 €m | 31 March 2016 €m |
| Investment in joint ventures | (105) | 29 |
| Investment in associates | 349 | 450 |
| | 244 | 479 |

Note:

- The Group reclassified €580 million from goodwill to investments in associates and joint ventures relating to Indus Towers within the consolidated statement of financial position. Comparatives have been restated accordingly.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

9 Reconciliation of net cash flow from operating activities

| | Note | Six months ended 30 September | |
|---|------|-------------------------------|------------------------|
| | | 2016 €m | Restated 2015 €m |
| Loss for the financial period | | (5,003) | (2,344) |
| Non-operating income and expense | | – | 2 |
| Investment income | | (480) | (182) |
| Financing costs | | 1,165 | 1,146 |
| Income tax (credit)/expense | 4 | (384) | 2,493 |
| Operating (loss)/profit | | (4,702) | 1,115 |
| Adjustments for: | | | |
| Share based payments | | 53 | 78 |
| Depreciation and amortisation | | 6,208 | 6,457 |
| Loss on disposal of property, plant and equipment | | 3 | 20 |
| Share of result of equity accounted associates and joint ventures | | (73) | 5 |
| Impairment loss | | 6,375 | – |
| Other income and expense | | 58 | 286 |
| Decrease/(increase) in inventory | | 7 | (154) |
| Increase in trade and other receivables | | (562) | (1,020) |
| Decrease in trade and other payables | | (1,013) | (386) |
| Cash generated by operations | | 6,354 | 6,401 |
| Net tax paid | | (534) | (666) |
| Net cash flow from operating activities | | 5,820 | 5,735 |

10 Related party transactions

The Group has a number of related parties including joint arrangements and associates, pension schemes, directors and Executive Committee members. Related party transactions with the Group's joint arrangements and associates primarily comprise fees for the use of products and services including network airtime and access charges, and cash pooling arrangements. No related party transactions have been entered into during the period which might reasonably affect any decisions made by the users of these unaudited condensed consolidated financial statements except as disclosed below.

| | Six months ended 30 September | |
|--|-------------------------------|------------------------|
| | 2016 €m | Restated 2015 €m |
| Sales of goods and services to associates | 17 | 2 |
| Purchase of goods and services from associates | 54 | 62 |
| Sales of goods and services to joint arrangements | 2 | 2 |
| Purchase of goods and services from joint arrangements | 417 | 403 |
| Net interest income receivable from joint arrangements | 39 | 50 |

| | 30 September | |
|---|--------------|------------------------------------|
| | 2016 €m | Restated 31 March 2016 €m |
| Trade balances owed: | | |
| by associates | 3 | 1 |
| to associates | 8 | 4 |
| by joint arrangements | 187 | 232 |
| to joint arrangements | 225 | 71 |
| Other balances owed by joint arrangements | 82 | 108 |
| Other balances owed to joint arrangements | 114 | 106 |

In the six months ended 30 September 2016 the Group made contributions to defined benefit pension schemes of €27 million (six months ended 30 September 2015: €24 million).

In addition, €2.2 million of dividends were paid to Board members and executive committee members (six months ended 30 September 2015: €2.4 million). Dividends received from associates are disclosed in the consolidated statement of cash flows.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

11 Fair value of financial instruments

The table below sets out the valuation basis¹ of the financial instruments held at fair value by the Group.

| | Level 1 ² | | Level 2 ³ | | Total | |
|---|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | 30 September 2016 €m | Restated 31 March 2016 €m | 30 September 2016 €m | Restated 31 March 2016 €m | 30 September 2016 €m | Restated 31 March 2016 €m |
| Financial assets: | | | | | | |
| Fair value through the income statement | – | – | 2,549 | 2,466 | 2,549 | 2,466 |
| Derivative financial instruments: | | | | | | |
| Interest rate swaps | – | – | 3,184 | 3,049 | 3,184 | 3,049 |
| Cross currency interest rate swaps | – | – | 1,903 | 2,056 | 1,903 | 2,056 |
| Options | – | – | 120 | 46 | 120 | 46 |
| Foreign exchange contracts | – | – | 61 | 292 | 61 | 292 |
| Interest rate futures | – | – | 6 | 5 | 6 | 5 |
| | – | – | 7,823 | 7,914 | 7,823 | 7,914 |
| Financial investments available for sale: | | | | | | |
| Listed equity securities ⁴ | 4 | 4 | – | – | 4 | 4 |
| Unlisted equity securities ⁴ | – | – | 85 | 104 | 85 | 104 |
| | 4 | 4 | 85 | 104 | 89 | 108 |
| | 4 | 4 | 7,908 | 8,018 | 7,912 | 8,022 |
| Financial liabilities: | | | | | | |
| Derivative financial instruments: | | | | | | |
| Interest rate swaps | – | – | 1,492 | 1,147 | 1,492 | 1,147 |
| Cross currency interest rate swaps | – | – | 1,061 | 675 | 1,061 | 675 |
| Options | – | – | 57 | 81 | 57 | 81 |
| Foreign exchange contracts | – | – | 34 | 75 | 34 | 75 |
| | – | – | 2,644 | 1,978 | 2,644 | 1,978 |

Notes:

- There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.
- Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
- Listed and unlisted securities are classified as held for sale financial assets and fair values are derived from observable quoted market prices or observable quoted market prices for similar items respectively.

Carrying value and fair value information¹

The fair value and carrying value of the Group's financial assets and financial liabilities held at amortised cost are set out in the table below:

| | Fair value | | Carrying value | |
|---|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | 30 September 2016 €m | Restated 31 March 2016 €m | 30 September 2016 €m | Restated 31 March 2016 €m |
| Cash and cash equivalents ² | 8,584 | 12,922 | 8,584 | 12,922 |
| Cash and other investment held in restricted deposits | 1,096 | 1,000 | 1,096 | 1,000 |
| Other debt and bonds | 5,947 | 6,389 | 5,947 | 6,389 |
| | 15,627 | 20,311 | 15,627 | 20,311 |
| Short-term borrowings: | | | | |
| Bonds | (2,961) | (2,575) | (2,956) | (2,571) |
| Commercial paper | (5,712) | (9,353) | (5,712) | (9,353) |
| Bank loans and other short-term borrowings ³ | (7,255) | (8,346) | (7,241) | (8,336) |
| | (15,928) | (20,274) | (15,909) | (20,260) |
| Long-term borrowings: | | | | |
| Bonds | (31,672) | (27,435) | (31,383) | (27,993) |
| Bank loans and other long-term borrowings | (8,253) | (9,182) | (8,190) | (9,096) |
| | (39,925) | (36,617) | (39,573) | (37,089) |
| | (40,226) | (36,580) | (39,855) | (37,038) |

Notes:

- The Group's trade and other receivables and trade and other payables are not shown in the table above. The carrying amounts of both categories approximate their fair values.
- Cash and cash equivalents are held by the Group on a short term basis with all having a maturity of three months or less. Included in the figure is €190 million of cash restricted due to a legal dispute. The carrying value approximates their fair value.
- Includes a liability for payment to holders of equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement of EUR 1,861 million (March 2016: EUR 1,808 million). The carrying value approximates the fair value.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

12 Commitments, contingent liabilities and legal proceedings

There have been no material changes to the Group's commitments, contingent liabilities or legal proceedings during the period, except as disclosed below.

Telecom Egypt arbitration

In October 2009 Telecom Egypt began an arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of lower interconnection rates paid to Vodafone Egypt by Mobinil. Telecom Egypt also sought to join Vodafone International Holdings BV ('VIHBV'), Vodafone Europe BV ('VEBV') and Vodafone Group Plc to the arbitration. In January 2015 the arbitral tribunal issued its decision. It held unanimously that it had no jurisdiction to arbitrate the claim against VIHBV, VEBV and Vodafone Group Plc. The tribunal also held by a three to two majority that Telecom Egypt had failed to establish any liability on the part of Vodafone Egypt. Telecom Egypt applied to the Egyptian court to set aside the decision. On 15 March 2016 the Court of Appeal dismissed Telecom Egypt's application to annul the arbitration award. Telecom Egypt had 60 days to appeal to the Cour de Cassation, which has now expired. Vodafone Egypt has received a certificate confirming that no appeal has been filed.

Indian tax case

In August 2007 and September 2007, Vodafone India Limited ('VIL') and VIHBV respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VIL. In January 2012 the Indian Supreme Court handed down its judgement, holding that VIHBV's interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that consequently, VIHBV had no obligation to withhold tax from consideration paid to HTIL in respect of the transaction. The Indian Supreme Court quashed the relevant notices and demands issued to VIHBV in respect of withholding tax and interest. On 20 March 2012 the Indian Government returned VIHBV's deposit of INR 25 billion and released the guarantee for INR 85 billion, which was based on the demand for payment issued by the Indian tax authority in October 2010, for tax of INR 79 billion plus interest.

On 28 May 2012 the Finance Act 2012 became law. The Finance Act 2012 contained provisions intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIHBV's transaction with HTIL in 2007. Further it seeks to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax. VIHBV received a letter on 3 January 2013 reminding it of the tax demand raised prior to the Indian Supreme Court's judgement and purporting to update the interest element of that demand to a total amount of INR 142 billion. On 17 January 2014, VIHBV served an amended trigger notice on the Indian Government under the Dutch-India Bilateral Investment Treaty ('Dutch BIT'), supplementing a trigger notice filed on 17 April 2012, immediately prior to the Finance Act 2012 becoming effective, to add claims relating to an attempt by the Indian Government to tax aspects of the transaction with HTIL under transfer pricing rules.

VIHBV arbitration proceedings

On 17 April 2014, VIHBV served its notice of arbitration under the Dutch BIT, formally commencing the Dutch BIT arbitration proceedings. In June 2016, the tribunal was fully constituted.

On 15 June 2015, Vodafone Group Plc and Vodafone Consolidated Holdings Limited served a trigger notice on the Indian Government under the United Kingdom-India Bilateral Investment Treaty ('UK BIT') in respect of retrospective tax claims under the Finance Act 2012.

On 4 February 2016, VIHBV received a reminder of an outstanding tax demand of INR 221 billion. The latest reminder threatens enforcement action if the demand is not satisfied. Separate proceedings in the Bombay High Court taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, were listed for hearing at the request of the Indian Government on 21 April 2016 despite the issue having been ruled upon by the Indian Supreme Court.

Should a further demand for taxation be received by VIHBV or any member of the Group as a result of the retrospective legislation, we believe it is probable that we will be able to make a successful claim under the Dutch BIT and/or UK BIT. We did not carry a provision for this litigation or in respect of the retrospective legislation at 30 September 2016, or at previous reporting dates.

Other Indian tax cases

VIL and Vodafone India Services Private Limited ('VISPL') (formerly 3GSPL) are involved in a number of tax cases with total claims exceeding €2.2 billion plus interest, and penalties of up to 300% of the principal.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

Indian regulatory cases

Litigation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal ('TDSAT'), High Courts and the Indian Supreme Court in relation to a number of significant regulatory issues including mobile termination rates ('MTRs'), spectrum and licence fees, licence extension and 3G intra-circle roaming ('ICR').

Adjusted Gross Revenue ('AGR') dispute before the Indian Supreme Court: VIL and others v Union of India

VIL has challenged the tribunal's judgement dated 23 April 2015 to the extent that it dealt with the calculation of AGR, upon which license fees and spectrum usage charges are based. The cumulative impact of the inclusion of these components is approximately Rs. 2,200 Crores (€0.3 billion). The DoT also moved cross appeals challenging the tribunal's judgement. In the hearing before the Indian Supreme Court, the Court orally directed the DoT not to take any coercive steps in the matter, which was adjourned. On 29 February 2016, the Supreme Court ordered that the DoT may continue to raise demands for fees and charges, but may not enforce them until a final decision on the matter. A directions hearing is scheduled for November 2016.

Other cases in the Group

Patent litigation

Germany

The telecoms industry is currently involved in significant levels of patent litigation brought by non-practising entities ('NPEs') which have acquired patent portfolios from current and former industry companies. Vodafone is currently a party to patent litigation cases in Germany brought against Vodafone Germany by IPCom, St Lawrence Communications LLC (a subsidiary of Acacia Research Corporation), and by Intellectual Ventures, all NPEs. Vodafone has contractual indemnities from suppliers which have been invoked in relation to the alleged patent infringement liability.

Spain

Vodafone Group has recently been sued in Spain by TOT Power Control ("TOT"), an affiliate of Top Optimized Technologies. The claim makes a number of allegations including patent infringement, with TOT seeking over €500 million from Vodafone as well as an injunction against using the technology in question. A preliminary hearing is scheduled for 24 November 2016.

Italy: British Telecom (Italy) v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to allegations that it had abused its dominant position in the wholesale market for mobile termination. In 2010, British Telecom (Italy) brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. British Telecom (Italy) seeks damages in the amount of €280 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market for the period from 1999 to 2007. A court appointed expert delivered an opinion to the Court that the range of damages in the case should be in the region of €10 million to €25 million which was reduced in a further supplementary report published in September 2014 to a range of €8 million to €11 million. Judgement was handed down by the court in August 2015, awarding €12 million, (including interest) to British Telecom (Italy). British Telecom (Italy) has appealed the amount of the damages to the Court of Appeal of Milan. In addition, British Telecom (Italy) has asked again for a reference to the European Court of Justice for an interpretation of the European community law on antitrust damages. Vodafone Italy has filed an appeal and the hearing is scheduled for July 2017.

Italy: FASTWEB v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to allegations it had abused its dominant position in the wholesale market for mobile termination. In 2010, FASTWEB brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. FASTWEB sought damages in the amount of €360 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market. A court appointed expert delivered an opinion to the Court that the range of damages in the case should be in the region of €0.5 million to €2.3 million. On 15 October 2014, the Court decided to reject FASTWEB's damages claim in its entirety. FASTWEB appealed the decision and the first appeal hearing took place in September 2015. The final hearing took place in September 2016, and judgment is expected by March 2017.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

Netherlands: Consumer credit/handset case

In February 2016, the Dutch Supreme Court ruled on the Dutch implementation of the EU Consumer Credit Directive and "instalment sales agreements" (a Dutch law concept), holding that bundled 'all-in' mobile subscription agreements (i.e. device along with mobile services) are considered consumer credit agreements. As a result, Vodafone Netherlands, together with the industry, has been working with the Ministry of Finance and the Competition Authority on compliance requirements going forward for such offers. The ruling also has retrospective effect.

India

Reliance Jio ('RJIL') filed a complaint with the Indian regulator (the 'TRAI') requesting additional interconnection points from all major operators in India. In October 2016, the TRAI recommended that the Department of Telecommunications (the 'DoT') fine Idea Rs 9.5 billion and each of Airtel and Vodafone Rs 10.5 billion for stifling competition. Vodafone has taken up the matter with the DoT. The DoT has referred the fine proposal to the Justice Department to evaluate the legal basis.

South Africa: GH Investments (GHI) v Vodacom Congo

Vodacom Congo contracted with GHI to install ultra-low cost base stations on a revenue share basis. After rolling out three sites, GHI stopped and sought to renegotiate the terms. Vodacom Congo refused. GHI accused it of bad faith and infringement of intellectual property rights. In April 2015, GHI issued a formal notice for a claim of US\$1.16 billion, although there does not seem to be a proper basis nor any substantiation for the compensation claimed. The dispute was submitted to mediation under the International Chamber of Commerce. A mediator was appointed in September 2015 who convened a first meeting which took place in early November 2015. A follow-up mediation meeting was scheduled for December 2015 but was postponed without a new date having been fixed. In July 2016, Vodacom filed a request for arbitration with the International Chamber of Commerce's International Court of Arbitration.

South Africa: Makate v Vodacom (Proprietary) Limited ('Vodacom')

In 2008, Mr. Makate instituted legal proceedings to claim compensation for a business idea that led to a product known as 'Please Call Me'. On 1 July 2014, the South Gauteng High Court, Johannesburg ('the High Court') found that Mr. Makate had proven the existence of a contract. However, the High Court ruled that the Company was not bound by that contract because the responsible director of product development and services did not have authority to enter into any such agreement on the Company's behalf. The High Court also rejected Mr. Makate's claim on the basis that it had lapsed in terms of the Prescription Act 68 of 1969.

The High Court and Supreme Court of Appeal turned down Mr Makate's application for leave to appeal on 11 December 2014 and 2 March 2015, respectively. Mr. Makate applied for leave to appeal in the Constitutional Court. On 26 April 2016, after having heard the application on 1 September 2015, the Constitutional Court granted leave to appeal and upheld Mr Makate's appeal. In doing so, the Constitutional Court ordered that:

- (i) the Company is bound by the agreement concluded between Mr. Makate and the then director of product development and services;
- (ii) the Company is to commence negotiations in good faith with Mr. Makate to determine reasonable compensation; and
- (iii) in the event of the parties failing to agree on the reasonable compensation, the matter must be submitted to Vodacom's Chief Executive Officer for determination of the amount within a reasonable time.

Negotiations between the Company and Mr. Makate have commenced in accordance with the order of the Constitutional Court.

Guarantees

During the period, Vodafone Group Plc provided a guarantee of approximately €1.2 billion as part of collateral arrangements for certain financial instruments. Vodafone India issued a guarantee of €0.4 billion to support a spectrum bid process.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2016

13 Other matters

Vodafone Netherlands

On 15 February 2016, Vodafone announced that Liberty Global Europe Holding B.V. and Vodafone International Holdings B.V. had reached an agreement to merge their operating businesses in the Netherlands to form a 50:50 joint venture. On 3 August 2016, the European Commission gave conditional clearance to the transaction, subject to a commitment to divest Vodafone Netherlands' consumer fixed business ("Vodafone Thuis"), prior to closing of the proposed merger of the two companies' Dutch operations. On 4 November 2016, Vodafone announced that Vodafone Netherlands had agreed to sell Vodafone Thuis to T-Mobile Netherlands Holding B.V. for an undisclosed sum. The transaction is conditional on approval from the Dutch competition authority, the European Commission approving T-Mobile Netherlands Holding B.V. as a suitable purchaser of Vodafone Thuis and consultations with Works Councils. The transaction is expected to close in December 2016.

Vodafone New Zealand

On 9 June 2016, Vodafone announced its intention to merge with Sky Network Television in New Zealand, thereby creating the country's leading integrated telecommunications and media group. Vodafone will become a 51% shareholder in the combined group, will receive NZ\$1.25 billion in cash and will look to realise the benefits of an estimated NZ\$850 million NPV from synergies. Sky shareholders have voted in favour of the transaction but completion is still subject to local regulatory approvals.

Vodacom: South Africa

On 2 October 2016, the Minister of Telecommunications and Postal Services published the National Integrated information and communication technology ('ICT') Policy White Paper ('White Paper'), as approved by the cabinet. The White Paper sets out a framework on how the government wants to provide access to modern communications infrastructure and services to facilitate the entry of new players and the meaningful participation of all citizens, including those in rural areas. Its adoption will require various amendments to existing laws and regulations flowing from the Electronic Communications Act.

Vodafone India

On 6 October 2016, Vodafone India acquired spectrum with a 20-year term in all of its key telecom circles in the spectrum auction for a total cost of INR 202.8 billion (€2.74 billion) of which INR 101.4 billion (€1.36 billion) is payable up-front. The spectrum acquired has a 20-year term.

Vodafone Egypt

On 16 October 2016, Vodafone Egypt acquired a spectrum licence for 2x5MHz at 2.1GHz for 15 years and extended the existing 2G/3G licences to the same 2031 expiry year at a cost of US\$335million, enabling the launch of 4G services. Telecom Egypt was awarded a licence to provide 4G services in addition to 2G and 3G services via "national roaming" in August 2016 and is required to commence services within six months from the date of the licence award.

Seasonality or cyclicity of interim operations

The Group's financial results have not, historically, been subject to significant seasonal trends.

INDEPENDENT REVIEW REPORT TO VODAFONE GROUP PLC

Report on the unaudited condensed consolidated financial statements

Our conclusion

We have reviewed Vodafone Group Plc's unaudited condensed consolidated financial statements (the "interim financial statements") in the half-year financial report of Vodafone Group Plc for the six month period ended 30 September 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union, and the Disclosure Guidance and Transparency Rules Sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated statement of financial position as at 30 September 2016;
- the Consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of cash flows for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-year financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-year financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year financial report in accordance with the Disclosure Guidance and Transparency Rules Sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-year financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules Sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

15 November 2016

London

Notes:

1. The maintenance and integrity of the Vodafone Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ALTERNATIVE PERFORMANCE MEASURES

In the discussion of the Group's reported operating results, alternative performance measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Further information on the use of alternative performance measures is outlined on pages 190 to 194 of the Group's annual report for the financial year ended 31 March 2016.

Service revenue

Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls. We believe that it is both useful and necessary to report this measure for the following reasons:

- It is used for internal performance reporting;
- It is used in setting director and management remuneration; and
- It is useful in connection with discussion with the investment analyst community.

A reconciliation of reported service revenue to the respective closest equivalent GAAP measure, revenue, are provided in the section "Financial results" beginning on page 8.

EBITDA

EBITDA is operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. We use EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive to assess internal performance in conjunction with EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because EBITDA does not take into account certain items that affect operations and performance, EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance.

A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided in note 2 "Segmental analysis" to the unaudited condensed consolidated financial statements.

Group adjusted operating profit and adjusted earnings per share

Group adjusted operating profit excludes non-operating income of associates, impairment losses, restructuring costs, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used for internal performance reporting;
- these measures are used in setting director and management remuneration; and
- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

Reconciliations of adjusted operating profit and adjusted earnings per share to the respective closest equivalent GAAP measures, operating profit and basic earnings per share, respectively, are provided in the section "Financial results" beginning on page 8.

Cash flow measures and capital additions

In presenting and discussing our reported results, free cash flow, capital additions and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow and capital additions do not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies, although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;

ALTERNATIVE PERFORMANCE MEASURES

- these measures are used by management for planning, reporting and incentive purposes; and
- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided below.

| | 2016 | Restated 2015 |
|--|--------------|------------------|
| | €m | €m |
| Cash generated by operations (refer to note 9) | 6,354 | 6,401 |
| Capital additions | (3,973) | (5,149) |
| Working capital movement in respect of capital additions | (1,476) | (808) |
| Disposal of property, plant and equipment | 10 | 44 |
| Restructuring costs | 142 | 97 |
| Other | – | (58) |
| Operating free cash flow | 1,057 | 527 |
| Taxation | (534) | (597) |
| Dividends received from associates and investments | 129 | – |
| Dividends paid to non-controlling shareholders in subsidiaries | (274) | (182) |
| Interest received and paid | (363) | (504) |
| Free cash flow | 15 | (756) |

Other

A summary of certain other alternative performance measures included in this results announcement, together with details of where additional information and reconciliation to the nearest equivalent GAAP measure can be found, is shown below.

| Alternative performance measure | Closest equivalent GAAP measure | Location in this results announcement of reconciliation and further information |
|--|--|---|
| Adjusted profit before tax | Profit before taxation | Taxation on page 10 |
| Adjusted effective tax rate | Income tax expense as a percentage of profit before taxation | Taxation on page 10 |
| Adjusted income tax expense | Income tax expense | Taxation on page 10 |
| Adjusted profit attributable to owners of the parent | Profit attributable to owners of the parent | Earnings per share on page 11 |

Certain of the statements within the section titled “Chief Executive’s statement” on pages 3 to 5 contain forward-looking alternative performance measures for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information. Certain of the statements within the section titled “Guidance” on page 7 contain forward-looking alternative performance measures which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Organic growth and change at constant exchange rates¹

All amounts in this document marked with an “*” represent “organic growth”, which presents performance on a comparable basis in terms of merger and acquisition activity and foreign exchange rates. “Change at constant exchange rates” presents performance on a comparable basis in terms of foreign exchange rates only. Whilst neither “of these measures are neither intended to be a substitute for reported growth, nor are they superior to reported growth, we believe that these measures provide useful and necessary information to investors and other interested parties for the following reasons.

- they provide additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- they are used for internal performance analysis; and
- they facilitate comparability of underlying growth with other companies (although the term “organic” is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

With effect from 1 April 2016, the Group changed the reporting of certain dealer commissions in India. The impact on revenues for the current and prior half year and quarters was not material. Organic service revenue growth rates for the for the quarter ended 30 June 2016 and the quarter and half year ended 30 September 2016 of Vodafone India and the Group have been amended to exclude the impact of this change, which had no effect on earnings or cash flows. In addition, for the quarter and six months ended 30 September 2016, the Group’s and Vodafone UK’s organic service revenue growth rate has been adjusted to exclude the beneficial impact of a settlement of an historical interconnect rate dispute in the UK.

Note:

1. We have not provided a comparative in respect of organic growth rates as the current rates describe the change between the beginning and end of the current period, with such changes being explained by the commentary in this news release. If comparatives were provided, significant sections of the commentary from the news release for the prior period would also need to be included, reducing the usefulness and transparency of this document.

ALTERNATIVE PERFORMANCE MEASURES

Reconciliations of organic growth to reported growth are shown where used or in the tables below.

| | 2016 €m | Restated 2015 €m | Reported % | Other activity (including M&A) pps | Foreign exchange pps | Organic % |
|---|---------------|------------------------|---------------|--|----------------------------|--------------|
| Six months ended 30 September | | | | | | |
| Revenue | | | | | | |
| Germany | 5,265 | 5,308 | (0.8) | – | – | (0.8) |
| Italy | 3,006 | 2,934 | 2.5 | – | – | 2.5 |
| UK | 3,575 | 4,287 | (16.6) | 2.6 | 11.4 | (2.6) |
| Spain | 2,496 | 2,489 | 0.3 | – | – | 0.3 |
| Other Europe | 3,304 | 3,306 | (0.1) | – | – | (0.1) |
| Eliminations | (103) | (84) | | | | |
| Europe | 17,543 | 18,240 | (3.8) | 0.5 | 2.8 | (0.5) |
| India | 3,015 | 3,086 | (2.3) | 2.7 | 5.4 | 5.8 |
| Vodacom | 2,464 | 2,877 | (14.4) | 3.6 | 14.0 | 3.2 |
| Other AMAP | 3,422 | 3,231 | 5.9 | – | 7.5 | 13.4 |
| <i>Turkey</i> | <i>1,611</i> | <i>1,447</i> | <i>11.3</i> | <i>–</i> | <i>8.4</i> | <i>19.7</i> |
| <i>Egypt</i> | <i>796</i> | <i>818</i> | <i>(2.7)</i> | <i>–</i> | <i>15.9</i> | <i>13.2</i> |
| <i>Other</i> | <i>1,015</i> | <i>966</i> | | | | |
| Eliminations | (5) | (10) | | | | |
| AMAP | 8,896 | 9,184 | (3.1) | 2.1 | 8.9 | 7.9 |
| Other | 669 | 790 | | | | |
| Eliminations | (54) | (63) | | | | |
| Total | 27,054 | 28,151 | (3.9) | 1.0 | 4.7 | 1.8 |
| EBITDA | | | | | | |
| Germany | 1,788 | 1,736 | 3.0 | – | – | 3.0 |
| Italy | 1,104 | 1,001 | 10.3 | – | – | 10.3 |
| UK | 674 | 930 | (27.5) | 10.5 | 10.5 | (6.5) |
| Spain | 692 | 659 | 5.0 | – | (0.1) | 4.9 |
| Other Europe | 1,040 | 1,019 | 2.1 | – | (0.1) | 2.0 |
| Europe | 5,298 | 5,345 | (0.9) | 1.8 | 2.2 | 3.1 |
| India | 892 | 917 | (2.7) | – | 5.3 | 2.6 |
| Vodacom | 952 | 1,068 | (10.9) | – | 14.9 | 4.0 |
| Other AMAP | 940 | 829 | 13.4 | – | 9.6 | 23.0 |
| <i>Turkey</i> | <i>335</i> | <i>276</i> | <i>21.4</i> | <i>–</i> | <i>8.5</i> | <i>29.9</i> |
| <i>Egypt</i> | <i>356</i> | <i>346</i> | <i>2.9</i> | <i>–</i> | <i>16.6</i> | <i>19.5</i> |
| <i>Other</i> | <i>249</i> | <i>207</i> | | | | |
| AMAP | 2,784 | 2,814 | (1.1) | – | 10.3 | 9.2 |
| Other | (176) | (120) | | | | |
| Total | 7,906 | 8,039 | (1.7) | 1.3 | 4.7 | 4.3 |
| Percentage point change in EBITDA margin | | | | | | |
| Group | 29.2% | 28.6% | 0.6 | 0.1 | – | 0.7 |
| <i>UK</i> | <i>18.9%</i> | <i>21.7%</i> | <i>(2.8)</i> | <i>2.0</i> | <i>0.1</i> | <i>(0.7)</i> |
| <i>Turkey</i> | <i>20.8%</i> | <i>19.1%</i> | <i>1.7</i> | | | |
| <i>Egypt</i> | <i>44.7%</i> | <i>42.3%</i> | <i>2.4</i> | | | |
| Adjusted operating profit | | | | | | |
| Germany | 298 | 342 | (12.9) | – | – | (12.9) |
| Italy | 474 | 407 | 16.5 | – | 0.1 | 16.6 |
| UK | (170) | (6) | (2,733.3) | 1,435.1 | 1,232.1 | (66.1) |
| Spain | 108 | 85 | 27.1 | – | 0.7 | 27.8 |
| Other Europe | 502 | 326 | 54.0 | 0.3 | (0.3) | 54.0 |
| Europe | 1,212 | 1,154 | 5.0 | 9.2 | 0.5 | 14.7 |
| India | 246 | 325 | (24.3) | – | 4.0 | (20.3) |
| Vodacom | 642 | 713 | (10.0) | – | 15.6 | 5.6 |
| Other AMAP | 395 | 216 | 82.9 | – | 28.4 | 111.3 |
| AMAP | 1,283 | 1,254 | 2.3 | – | 14.0 | 16.3 |
| Other | (212) | (127) | | | | |
| Total | 2,283 | 2,281 | 0.1 | 4.7 | 6.6 | 11.4 |

ALTERNATIVE PERFORMANCE MEASURES

| | 2016 €m | Restated 2015 €m | Reported % | Other activity (including M&A) pps | Foreign exchange pps | Organic % |
|---|---------------|------------------------|---------------|--|----------------------------|--------------|
| Six months ended 30 September | | | | | | |
| Service revenue | | | | | | |
| Germany | 5,009 | 4,895 | 2.3 | – | – | 2.3 |
| <i>Mobile service revenue</i> | 3,055 | 3,040 | 0.5 | – | – | 0.5 |
| <i>Fixed service revenue</i> | 1,954 | 1,855 | 5.3 | – | 0.1 | 5.4 |
| Italy | 2,619 | 2,575 | 1.7 | – | – | 1.7 |
| <i>Mobile service revenue</i> | 2,191 | 2,158 | 1.5 | – | – | 1.5 |
| <i>Fixed service revenue</i> | 428 | 417 | 2.6 | – | – | 2.6 |
| UK | 3,401 | 4,086 | (16.8) | 2.7 | 11.4 | (2.7) |
| <i>Mobile service revenue</i> | 2,634 | 3,076 | (14.4) | – | 11.6 | (2.8) |
| <i>Fixed service revenue</i> | 767 | 1,010 | (24.1) | 11.1 | 10.7 | (2.3) |
| Spain | 2,273 | 2,258 | 0.7 | – | – | 0.7 |
| Other Europe | 3,117 | 3,080 | 1.2 | – | – | 1.2 |
| <i>Netherlands</i> | 860 | 884 | (2.7) | – | – | (2.7) |
| <i>Portugal</i> | 458 | 452 | 1.3 | – | (0.1) | 1.2 |
| <i>Other</i> | 1,799 | 1,744 | | | | |
| Eliminations | (100) | (81) | | | | |
| Europe | 16,319 | 16,813 | (2.9) | 0.6 | 2.9 | 0.6 |
| <i>Mobile service revenue</i> | 12,052 | 12,482 | (3.4) | – | 2.9 | (0.5) |
| <i>Fixed service revenue</i> | 4,267 | 4,331 | (1.5) | 2.5 | 2.9 | 3.9 |
| India | 3,005 | 3,074 | (2.2) | 2.7 | 5.4 | 5.9 |
| Vodacom | 2,084 | 2,320 | (10.2) | – | 14.4 | 4.2 |
| <i>South Africa</i> | 1,563 | 1,735 | (9.9) | – | 15.5 | 5.6 |
| <i>International operations</i> | 493 | 542 | (9.0) | – | 12.5 | 3.5 |
| <i>Other</i> | 28 | 43 | | | | |
| Other AMAP | 2,907 | 2,797 | 3.9 | – | 7.4 | 11.3 |
| <i>Turkey</i> | 1,203 | 1,100 | 9.4 | – | 8.1 | 17.5 |
| <i>Egypt</i> | 766 | 793 | (3.4) | – | 15.7 | 12.3 |
| <i>New Zealand</i> | 567 | 553 | 2.5 | – | (1.0) | 1.5 |
| <i>Other</i> | 371 | 351 | | | | |
| Eliminations | (5) | (10) | | | | |
| AMAP | 7,991 | 8,181 | (2.3) | 1.1 | 8.6 | 7.4 |
| Other | 549 | 669 | | | | |
| Eliminations | (54) | (62) | | | | |
| Total service revenue | 24,805 | 25,601 | (3.1) | 0.8 | 4.6 | 2.3 |
| Other revenue | 2,249 | 2,550 | | | | |
| Revenue | 27,054 | 28,151 | (3.9) | 1.0 | 4.7 | 1.8 |
| Other revenue metrics | | | | | | |
| Group - Enterprise service revenue | 6,822 | 7,002 | (2.6) | 1.0 | 4.5 | 2.9 |
| Group - Enterprise mobile service revenue | 4,961 | 5,137 | (3.4) | 1.6 | 4.1 | 2.3 |
| Group - Enterprise fixed service revenue | 1,861 | 1,865 | (0.2) | (0.7) | 5.5 | 4.6 |
| Europe - Enterprise service revenue | 5,171 | 5,437 | (4.9) | 1.2 | 3.7 | – |
| Europe - Consumer service revenue | 10,311 | 10,383 | (0.7) | (0.7) | 2.3 | 0.9 |
| AMAP - Enterprise service revenue | 1,420 | 1,359 | 4.5 | – | 8.6 | 13.1 |
| AMAP - Consumer service revenue | 6,290 | 6,443 | (2.4) | 1.3 | 9.0 | 7.9 |
| Group - IoT revenues | 269 | 219 | 22.8 | (5.9) | 0.3 | 17.2 |
| Vodafone Global Enterprise service revenue | 1,591 | 1,593 | (0.1) | (1.2) | 5.6 | 4.3 |
| South Africa - Data revenue | 607 | 594 | 2.2 | – | 17.3 | 19.5 |
| Group - Service revenue excluding the impact of MTR cuts | 24,805 | 25,601 | (3.1) | 1.0 | 4.6 | 2.5 |
| Europe - Service revenue excluding the impact of MTR cuts | 16,319 | 16,813 | (2.9) | 0.8 | 2.9 | 0.8 |
| Spain - Service revenue excluding the impact of handset financing | 2,273 | 2,258 | 0.7 | 3.4 | – | 4.1 |

ALTERNATIVE PERFORMANCE MEASURES

| | 2016 €m | Restated 2015 €m | Reported % | Other activity (including M&A) pps | Foreign exchange pps | Organic % |
|--|---------------|------------------------|---------------|--|----------------------------|--------------|
| Quarter ended 30 September | | | | | | |
| Service revenue | | | | | | |
| Germany | 2,530 | 2,454 | 3.1 | – | – | 3.1 |
| <i>Mobile service revenue</i> | 1,545 | 1,525 | 1.3 | – | – | 1.3 |
| <i>Fixed service revenue</i> | 985 | 929 | 6.0 | – | 0.1 | 6.1 |
| Italy | 1,338 | 1,310 | 2.1 | – | 0.1 | 2.2 |
| <i>Mobile service revenue</i> | 1,120 | 1,103 | 1.5 | – | 0.1 | 1.6 |
| <i>Fixed service revenue</i> | 218 | 207 | 5.3 | – | (0.1) | 5.2 |
| UK | 1,643 | 2,107 | (22.0) | 5.5 | 14.4 | (2.1) |
| <i>Mobile service revenue</i> | 1,281 | 1,547 | (17.2) | – | 15.3 | (1.9) |
| <i>Fixed service revenue</i> | 362 | 560 | (35.4) | 20.6 | 11.9 | (2.9) |
| Spain | 1,145 | 1,145 | – | – | – | – |
| Other Europe | 1,589 | 1,568 | 1.3 | – | (0.1) | 1.2 |
| <i>Netherlands</i> | 434 | 449 | (3.3) | – | – | (3.3) |
| <i>Portugal</i> | 237 | 232 | 2.2 | – | – | 2.2 |
| <i>Other</i> | 918 | 887 | | | | |
| Eliminations | (55) | (44) | | | | |
| Europe | 8,190 | 8,540 | (4.1) | 1.3 | 3.8 | 1.0 |
| <i>Mobile service revenue</i> | 6,065 | 6,319 | (4.0) | 0.1 | 3.7 | (0.2) |
| <i>Fixed service revenue</i> | 2,125 | 2,221 | (4.3) | 4.9 | 3.9 | 4.5 |
| India | 1,495 | 1,505 | (0.7) | 2.7 | 3.4 | 5.4 |
| Vodacom | 1,092 | 1,148 | (4.9) | – | 9.0 | 4.1 |
| <i>South Africa</i> | 829 | 855 | (3.0) | – | 8.6 | 5.6 |
| <i>International operations</i> | 250 | 274 | (8.8) | – | 11.4 | 2.6 |
| <i>Other</i> | 13 | 19 | | | | |
| Other AMAP | 1,500 | 1,398 | 7.3 | – | 3.9 | 11.2 |
| <i>Turkey</i> | 618 | 557 | 11.0 | – | 4.7 | 15.7 |
| <i>Egypt</i> | 404 | 400 | 1.0 | – | 14.1 | 15.1 |
| <i>New Zealand</i> | 293 | 262 | 11.8 | – | (10.5) | 1.3 |
| <i>Other</i> | 185 | 179 | | | | |
| Eliminations | (2) | (5) | | | | |
| AMAP | 4,085 | 4,046 | 1.0 | 1.0 | 5.1 | 7.1 |
| Other | 286 | 343 | | | | |
| Eliminations | (34) | (27) | | | | |
| Total service revenue | 12,527 | 12,902 | (2.9) | 1.2 | 4.1 | 2.4 |
| Other revenue | 1,150 | 1,242 | | | | |
| Revenue | 13,677 | 14,144 | (3.3) | 1.4 | 4.1 | 2.2 |
| Revenue | | | | | | |
| Germany | 2,680 | 2,656 | 0.9 | – | – | 0.9 |
| Italy | 1,533 | 1,480 | 3.6 | – | – | 3.6 |
| UK | 1,733 | 2,207 | (21.5) | 5.3 | 14.5 | (1.7) |
| Spain | 1,251 | 1,254 | (0.2) | – | – | (0.2) |
| Europe | 8,828 | 9,235 | (4.4) | 1.1 | 3.7 | 0.4 |
| India | 1,496 | 1,513 | (1.1) | 2.6 | 3.4 | 4.9 |
| Vodacom | 1,289 | 1,413 | (8.8) | 3.3 | 8.6 | 3.1 |
| AMAP | 4,531 | 4,529 | – | 1.9 | 5.3 | 7.2 |
| Other revenue metrics | | | | | | |
| Group - Enterprise service revenue | 3,413 | 3,491 | (2.2) | 1.0 | 4.5 | 3.3 |
| Europe - Enterprise service revenue | 2,566 | 2,713 | (5.4) | 1.2 | 4.8 | 0.6 |
| India - Data browsing revenue | 319 | 285 | 11.9 | – | 4.0 | 15.9 |
| India - Voice revenue | 988 | 995 | (0.7) | – | 3.4 | 2.7 |
| Spain - Service revenue excluding the impact of handset financing | 1,145 | 1,145 | – | 3.5 | – | 3.5 |
| India - Service revenue excluding the impact of MTR cuts and other | 1,495 | 1,505 | (0.7) | 3.6 | 3.4 | 6.3 |

ALTERNATIVE PERFORMANCE MEASURES

| | 2016 €m | Restated 2015 €m | Reported % | Other activity (including M&A) pps | Foreign exchange pps | Organic % |
|--|---------------|------------------------|---------------|--|----------------------------|--------------|
| Quarter ended 30 June | | | | | | |
| Service revenue | | | | | | |
| Germany | 2,479 | 2,441 | 1.6 | – | – | 1.6 |
| <i>Mobile service revenue</i> | 1,510 | 1,515 | (0.3) | – | – | (0.3) |
| <i>Fixed service revenue</i> | 969 | 926 | 4.6 | – | 0.1 | 4.7 |
| Italy | 1,281 | 1,265 | 1.3 | – | (0.1) | 1.2 |
| <i>Mobile service revenue</i> | 1,071 | 1,055 | 1.5 | – | (0.1) | 1.4 |
| <i>Fixed service revenue</i> | 210 | 210 | – | – | 0.1 | 0.1 |
| UK | 1,758 | 1,979 | (11.2) | – | 8.0 | (3.2) |
| <i>Mobile service revenue</i> | 1,353 | 1,529 | (11.5) | – | 7.9 | (3.6) |
| <i>Fixed service revenue</i> | 405 | 450 | (10.0) | – | 8.2 | (1.8) |
| Spain | 1,128 | 1,113 | 1.3 | – | – | 1.3 |
| Other Europe | 1,528 | 1,512 | 1.1 | – | 0.1 | 1.2 |
| <i>Netherlands</i> | 426 | 435 | (2.1) | – | (0.1) | (2.2) |
| <i>Portugal</i> | 221 | 220 | 0.5 | – | (0.3) | 0.2 |
| <i>Other</i> | 881 | 857 | | | | |
| Eliminations | (45) | (37) | | | | |
| Europe | 8,129 | 8,273 | (1.7) | 0.1 | 1.9 | 0.3 |
| <i>Mobile service revenue</i> | 5,987 | 6,163 | (2.9) | – | 2.1 | (0.8) |
| <i>Fixed service revenue</i> | 2,142 | 2,110 | 1.5 | – | 1.8 | 3.3 |
| India | 1,510 | 1,569 | (3.8) | 2.8 | 7.4 | 6.4 |
| Vodacom | 992 | 1,172 | (15.4) | – | 19.8 | 4.4 |
| <i>South Africa</i> | 734 | 880 | (16.6) | – | 22.3 | 5.7 |
| <i>International operations</i> | 243 | 268 | (9.3) | – | 13.7 | 4.4 |
| <i>Other</i> | 15 | 24 | | | | |
| Other AMAP | 1,407 | 1,399 | 0.6 | – | 10.9 | 11.5 |
| <i>Turkey</i> | 585 | 543 | 7.7 | – | 11.8 | 19.5 |
| <i>Egypt</i> | 362 | 393 | (7.9) | – | 17.3 | 9.4 |
| <i>New Zealand</i> | 274 | 291 | (5.8) | – | 7.6 | 1.8 |
| <i>Other</i> | 186 | 172 | | | | |
| Eliminations | (3) | (5) | | | | |
| AMAP | 3,906 | 4,135 | (5.5) | 1.1 | 12.1 | 7.7 |
| Other | 263 | 326 | | | | |
| Eliminations | (20) | (35) | | | | |
| Total service revenue | 12,278 | 12,699 | (3.3) | 0.4 | 5.1 | 2.2 |
| Other revenue | 1,099 | 1,308 | | | | |
| Revenue | 13,377 | 14,007 | (4.5) | 0.7 | 5.3 | 1.5 |
| Other revenue metrics | | | | | | |
| Group - Enterprise service revenue | 3,409 | 3,511 | (2.9) | 1.0 | 4.4 | 2.5 |
| India - Data browsing revenue | 311 | 274 | 13.5 | – | 8.8 | 22.3 |
| India - Voice revenue | 1,012 | 1,067 | (5.2) | – | 7.4 | 2.2 |
| Spain - Service revenue excluding the impact of handset financing | 1,128 | 1,113 | 1.3 | 3.6 | – | 4.9 |
| India - Service revenue excluding the impact of MTR cuts and other | 1,510 | 1,569 | (3.8) | 4.1 | 7.4 | 7.7 |

ADDITIONAL INFORMATION

Regional results for the six months ended 30 September¹

| | Revenue | | EBITDA | | Adjusted operating profit | | Capital additions | | Operating free cash flow | |
|---------------------|---------------|---------------|--------------|--------------|---------------------------|--------------|-------------------|--------------|--------------------------|--------------|
| | 2016 €m | 2015 €m | 2016 €m | 2015 €m | 2016 €m | 2015 €m | 2016 €m | 2015 €m | 2016 €m | 2015 €m |
| Europe | | | | | | | | | | |
| Germany | 5,265 | 5,308 | 1,788 | 1,736 | 298 | 342 | 880 | 1,159 | 445 | 157 |
| Italy | 3,006 | 2,934 | 1,104 | 1,001 | 474 | 407 | 307 | 617 | 385 | 172 |
| UK | 3,575 | 4,287 | 674 | 930 | (170) | (6) | 438 | 520 | (73) | 13 |
| Spain | 2,496 | 2,489 | 692 | 659 | 108 | 85 | 322 | 458 | 14 | (132) |
| Other Europe | | | | | | | | | | |
| Netherlands | 909 | 963 | 316 | 336 | 295 | 130 | 121 | 149 | 47 | 42 |
| Portugal | 494 | 491 | 172 | 178 | 28 | 48 | 113 | 151 | 6 | (32) |
| Greece | 432 | 433 | 130 | 115 | 48 | 42 | 59 | 61 | 24 | 21 |
| Other | 1,476 | 1,426 | 422 | 390 | 131 | 106 | 227 | 259 | 53 | 10 |
| Eliminations | (7) | (7) | – | – | – | – | – | – | – | – |
| Other Europe | 3,304 | 3,306 | 1,040 | 1,019 | 502 | 326 | 520 | 620 | 130 | 41 |
| Eliminations | (103) | (84) | – | – | – | – | – | – | – | – |
| Europe | 17,543 | 18,240 | 5,298 | 5,345 | 1,212 | 1,154 | 2,467 | 3,374 | 901 | 251 |
| AMAP | | | | | | | | | | |
| India | 3,015 | 3,086 | 892 | 917 | 246 | 325 | 447 | 506 | 438 | 407 |
| Vodacom | 2,464 | 2,877 | 952 | 1,068 | 642 | 713 | 350 | 442 | 478 | 401 |
| Other AMAP | | | | | | | | | | |
| Turkey | 1,611 | 1,447 | 335 | 276 | 113 | 98 | 184 | 191 | (438) | (523) |
| Egypt | 796 | 818 | 356 | 346 | 205 | 177 | 104 | 194 | 223 | 226 |
| Other | 1,016 | 967 | 249 | 208 | 77 | (59) | 114 | 133 | 99 | 83 |
| Eliminations | (1) | (1) | – | (1) | – | – | – | – | – | – |
| Other AMAP | 3,422 | 3,231 | 940 | 829 | 395 | 216 | 402 | 518 | (116) | (214) |
| Eliminations | (5) | (10) | – | – | – | – | – | – | – | – |
| AMAP | 8,896 | 9,184 | 2,784 | 2,814 | 1,283 | 1,254 | 1,199 | 1,466 | 800 | 594 |
| Other | 669 | 790 | (176) | (120) | (212) | (127) | 307 | 309 | (644) | (318) |
| Eliminations | (54) | (63) | – | – | – | – | – | – | – | – |
| Group | 27,054 | 28,151 | 7,906 | 8,039 | 2,283 | 2,281 | 3,973 | 5,149 | 1,057 | 527 |

Note:

1. With effect from 1 April 2016, the Group's presentation currency was changed from pounds sterling to the euro to better align with the geographic split of the Group's operations. The amounts presented for the half year ended 30 September 2015 have been restated into euros.

ADDITIONAL INFORMATION

Service revenue – quarter ended 30 September

| Group and Regions | Group | | Europe | | AMAP | |
|----------------------|---------------|------------------------|--------------|------------------------|--------------|------------------------|
| | 2016 €m | Restated 2015 €m | 2016 €m | Restated 2015 €m | 2016 €m | Restated 2015 €m |
| Mobile in-bundle | 5,525 | 5,434 | 4,054 | 4,045 | 1,475 | 1,336 |
| Mobile out-of-bundle | 2,990 | 3,327 | 1,210 | 1,443 | 1,776 | 1,882 |
| Mobile incoming | 774 | 816 | 395 | 431 | 380 | 385 |
| Fixed line | 2,582 | 2,690 | 2,125 | 2,221 | 307 | 275 |
| Other | 656 | 635 | 406 | 400 | 147 | 168 |
| Service revenue | 12,527 | 12,902 | 8,190 | 8,540 | 4,085 | 4,046 |
| Other revenue | 1,150 | 1,242 | 638 | 695 | 446 | 483 |
| Revenue | 13,677 | 14,144 | 8,828 | 9,235 | 4,531 | 4,529 |

| | Change | | | | | |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Group | | Europe | | AMAP | |
| | Reported % | Organic* % | Reported % | Organic* % | Reported % | Organic* % |
| Revenue | (3.3) | 2.2 | (4.4) | 0.4 | – | 7.2 |
| Service revenue | (2.9) | 2.4 | (4.1) | 1.0 | 1.0 | 7.1 |

| Operating Companies | Germany | | Italy | | UK | |
|----------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|
| | 2016 €m | Restated 2015 €m | 2016 €m | Restated 2015 €m | 2016 €m | Restated 2015 €m |
| Mobile in-bundle | 1,103 | 1,074 | 727 | 663 | 816 | 947 |
| Mobile out-of-bundle | 235 | 256 | 228 | 275 | 301 | 385 |
| Mobile incoming | 71 | 74 | 89 | 89 | 83 | 109 |
| Fixed line | 985 | 929 | 218 | 207 | 362 | 560 |
| Other | 136 | 121 | 76 | 76 | 81 | 106 |
| Service revenue | 2,530 | 2,454 | 1,338 | 1,310 | 1,643 | 2,107 |
| Other revenue | 150 | 202 | 195 | 170 | 90 | 100 |
| Revenue | 2,680 | 2,656 | 1,533 | 1,480 | 1,733 | 2,207 |

| | Change | | | | | |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Germany | | Italy | | UK | |
| | Reported % | Organic* % | Reported % | Organic* % | Reported % | Organic* % |
| Revenue | 0.9 | 0.9 | 3.6 | 3.6 | (21.5) | (1.7) |
| Service revenue | 3.1 | 3.1 | 2.1 | 2.2 | (22.0) | (2.1) |

| | Spain | | India | | Vodacom | |
|----------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|
| | 2016 €m | Restated 2015 €m | 2016 €m | Restated 2015 €m | 2016 €m | Restated 2015 €m |
| Mobile in-bundle | 570 | 546 | 397 | 357 | 383 | 385 |
| Mobile out-of-bundle | 121 | 154 | 811 | 858 | 565 | 600 |
| Mobile incoming | 37 | 36 | 164 | 161 | 53 | 61 |
| Fixed line | 354 | 355 | 70 | 68 | 39 | 46 |
| Other | 63 | 54 | 53 | 61 | 52 | 56 |
| Service revenue | 1,145 | 1,145 | 1,495 | 1,505 | 1,092 | 1,148 |
| Other revenue | 106 | 109 | 1 | 8 | 197 | 265 |
| Revenue | 1,251 | 1,254 | 1,496 | 1,513 | 1,289 | 1,413 |

| | Change | | | | | |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Spain | | India | | Vodacom | |
| | Reported % | Organic* % | Reported % | Organic* % | Reported % | Organic* % |
| Revenue | (0.2) | (0.2) | (1.1) | 4.9 | (8.8) | 3.1 |
| Service revenue | – | – | (0.7) | 5.4 | (4.9) | 4.1 |

Note:

* 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 movements in foreign exchange rates. "Change at constant exchange rates" presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are alternative performance measures. See "Alternative performance measures" on page 39 for further details and reconciliations to the respective closest equivalent GAAP measure.

ADDITIONAL INFORMATION

Reconciliation of adjusted earnings

| | Reported €m | Adjustments €m | Adjusted €m |
|--|----------------|-------------------|----------------|
| Six months ended 30 September 2016 | | | |
| Operating (loss)/profit ¹ | (4,702) | 6,470 | 1,768 |
| Amortisation of acquired customer base and brand intangible assets | – | 515 | 515 |
| Non-operating income and expense | – | – | – |
| Net financing costs | (685) | (328) | (1,013) |
| (Loss)/profit before taxation | (5,387) | 6,657 | 1,270 |
| Income tax credit/(expense) ² | 384 | (661) | (277) |
| (Loss)/profit for the financial period | (5,003) | 5,996 | 993 |
| Attributable to: | | | |
| – Owners of the parent | (5,129) | 5,988 | 859 |
| – Non-controlling interests | 126 | 8 | 134 |
| Basic (loss)/earnings per share | (18.38c) | | 3.08c |

Notes:

1. Adjustment primarily relates to the impairment charge of €6,375 million recorded in respect of the Group's investment in India.
2. Adjustments include €588 million arising from the tax treatment of the revaluation of investments based upon the local GAAP financial statements and tax returns in Luxembourg offset by a reduction in the deferred tax asset as a result of lower interest rates. It also includes an increase in the deferred tax asset of €1,375 million following the impairment charge in respect of the Group's investment in India.

| | Reported €m | Adjustments €m | Adjusted €m |
|--|----------------|-------------------|----------------|
| Six months ended 30 September 2015 restated | | | |
| Operating profit | 1,115 | 442 | 1,557 |
| Amortisation of acquired customer base and brand intangible assets | – | 724 | 724 |
| Non-operating income and expense | (2) | 2 | – |
| Net financing costs | (964) | 200 | (764) |
| Profit before taxation | 149 | 1,368 | 1,517 |
| Income tax expense ¹ | (2,493) | 2,076 | (417) |
| (Loss)/profit for the financial period | (2,344) | 3,444 | 1,100 |
| Attributable to: | | | |
| – Owners of the parent | (2,503) | 3,431 | 928 |
| – Non-controlling interests | 159 | 13 | 172 |
| Basic (loss)/earnings per share | (9.43c) | | 3.50c |

Note:

1. Adjustments include €2,015 million arising from the tax treatment of the revaluation of investments based upon the local GAAP financial statements and tax returns in Luxembourg.

ADDITIONAL INFORMATION

Mobile customers - quarter ended 30 September 2016

(in thousands)

| Country | 1 July 2016 | Contract net additions/ (disconnections) | Prepay net additions/ (disconnections) | 30 September 2016 | Contract |
|----------------------|----------------|--|--|----------------------|--------------|
| Europe | | | | | |
| Germany | 30,270 | 20 | 218 | 30,508 | 54.5% |
| Italy | 23,825 | (8) | (281) | 23,536 | 19.1% |
| UK | 17,974 | 92 | (56) | 18,010 | 68.2% |
| Spain | 14,346 | 91 | 74 | 14,511 | 78.7% |
| | 86,415 | 195 | (45) | 86,565 | 51.8% |
| Other Europe | | | | | |
| Netherlands | 5,031 | (12) | (56) | 4,963 | 77.2% |
| Ireland | 1,967 | 14 | (16) | 1,965 | 51.5% |
| Portugal | 4,788 | 2 | 41 | 4,831 | 39.3% |
| Romania | 8,488 | 31 | 164 | 8,683 | 40.8% |
| Greece | 5,790 | 7 | 72 | 5,869 | 27.2% |
| Czech Republic | 3,467 | 42 | 35 | 3,544 | 67.2% |
| Hungary | 2,798 | 38 | (4) | 2,832 | 61.3% |
| Albania | 1,855 | (2) | 249 | 2,102 | 3.7% |
| Malta | 308 | 2 | (6) | 304 | 22.0% |
| | 34,492 | 122 | 479 | 35,093 | 46.0% |
| Europe | 120,907 | 317 | 434 | 121,658 | 50.1% |
| AMAP | | | | | |
| India | 199,383 | 692 | 646 | 200,721 | 7.7% |
| Vodacom ¹ | 70,934 | 96 | 2,100 | 73,130 | 7.3% |
| | 270,317 | 788 | 2,746 | 273,851 | 7.6% |
| Other AMAP | | | | | |
| Turkey | 22,375 | 200 | 6 | 22,581 | 46.0% |
| Egypt | 39,043 | 76 | 547 | 39,666 | 6.7% |
| New Zealand | 2,401 | 17 | (39) | 2,379 | 40.6% |
| Qatar | 1,458 | 7 | (8) | 1,457 | 16.7% |
| Ghana | 8,084 | 10 | 54 | 8,148 | 2.0% |
| | 73,361 | 310 | 560 | 74,231 | 19.4% |
| AMAP | 343,678 | 1,098 | 3,306 | 348,082 | 10.1% |
| Group | 464,585 | 1,415 | 3,740 | 469,740 | 20.5% |

Note:

1. Vodacom refers to the Group's interests in Vodacom Group Limited and its subsidiaries, including those located outside of South Africa.

ADDITIONAL INFORMATION

Fixed broadband customers - quarter ended 30 September 2016

(in thousands)

| Country | 1 July 2016 | Net additions/ (disconnections) | 30 September 2016 |
|----------------------|---------------|------------------------------------|-------------------|
| Europe | | | |
| Germany | 5,933 | 92 | 6,025 |
| Italy | 2,016 | 33 | 2,049 |
| UK | 137 | 30 | 167 |
| Spain | 3,023 | 40 | 3,063 |
| | 11,109 | 195 | 11,304 |
| Other Europe | | | |
| Netherlands | 123 | 20 | 143 |
| Ireland | 247 | 10 | 257 |
| Portugal | 466 | 27 | 493 |
| Romania | 58 | 3 | 61 |
| Greece | 571 | 15 | 586 |
| Czech Republic | 14 | – | 14 |
| Hungary | – | – | – |
| Albania | – | – | – |
| Malta | 3 | 1 | 4 |
| | 1,482 | 76 | 1,558 |
| Europe | 12,591 | 271 | 12,862 |
| AMAP | | | |
| India | – | – | – |
| Vodacom ¹ | 2 | – | 2 |
| | 2 | – | 2 |
| Other AMAP | | | |
| Turkey | 424 | 41 | 465 |
| Egypt | 231 | 9 | 240 |
| New Zealand | 424 | 1 | 425 |
| Qatar | 5 | 1 | 6 |
| Ghana | 44 | 4 | 48 |
| | 1,128 | 56 | 1,184 |
| AMAP | 1,130 | 56 | 1,186 |
| Group | 13,721 | 327 | 14,048 |

Note:

1. Vodacom refers to the Group's interests in Vodacom Group Limited and its subsidiaries, including those located outside of South Africa.

OTHER INFORMATION

Definition of terms

| Term | Definition |
|--|--|
| Adjusted operating profit | Group adjusted operating profit excludes impairment losses, restructuring costs, amortisation of customer bases and brand intangible assets and other income and expense. |
| ARPU | Average revenue per user, defined as customer revenue and incoming revenue divided by average customers. |
| Capital additions | Comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the period. |
| Converged customer | A customer who receives both fixed and mobile services (also known as unified communications). |
| Customer costs | Customer costs include acquisition costs, retention costs and expenses related to ongoing commissions. |
| Depreciation and other amortisation | The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant and equipment and computer software. |
| Direct costs | Direct costs include interconnect costs and other direct costs of providing services. |
| EBITDA | Operating profit excluding share of results in associates and joint ventures, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs and other operating income and expense. The Group's definition of EBITDA may not be comparable with similarly titled measures and disclosures by other companies. |
| Enterprise | The Group's customer segment for businesses. |
| Fixed service revenue | Service revenue relating to provision of fixed line and carrier services. |
| Free cash flow | Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries, but before restructuring costs and licence and spectrum payments. For the six months ended 30 September 2015 free cash flow also excluded payments in respect of the Group's historical UK tax settlement. |
| Incoming revenue | Comprises revenue from termination rates for voice and messaging to Vodafone customers. |
| Internet of Things ('IoT') (formerly Machine-to-Machine ('M2M')) | The network of physical objects embedded with electronics, software, sensors, and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database. |
| Mobile in-bundle revenue | Represents revenue from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge, with some expectation of recurrence. Includes revenue from all contract bundles and add-ons lasting 30 days or more as well as revenue from prepay bundles lasting seven days or more. |
| Mobile out-of-bundle revenue | Revenue from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles. |
| Mobile service revenue | Service revenue relating to the provision of mobile services. |
| Net debt | Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents. |
| Operating expenses | Operating expenses comprise primarily sales and distribution costs, network and IT related expenditure and business support costs. |
| Operating free cash flow | Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment, but before restructuring costs. |
| Organic growth | An alternative performance measure which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. See "Alternative performance measures" on page 39 for further details. |
| Other revenue | Other revenue includes revenue from connection fees and equipment sales. |
| Reported growth | Reported growth is based on amounts reported in euros as determined under IFRS. |
| RGUs/sub | Revenue Generating Units / unique subscriber ratio ('RGUs/sub') describes the average number of fixed line services taken by subscribers. |
| Service revenue | Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls. See "Alternative performance measures" on page 39 for further details. |
| VGE | Vodafone Global Enterprise (VGE), which serves the Group's biggest multi-national customers. |

For definitions of other terms please refer to pages 200 to 201 of the Group's annual report for the financial year ended 31 March 2016.

OTHER INFORMATION

- 1) Copies of this document are available from the Company's registered office at Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN.
- 2) The half-year results will be available on the Vodafone Group Plc website, vodafone.com/investor, from 15 November 2016.

Notes:

1. Vodafone, the Vodafone Portrait, the Vodafone Speechmark, Vodacom, Vodafone One and M-Pesa, are trademarks of the Vodafone Group. The Vodafone Rhombus is a registered design of the Vodafone Group. Other product and company names mentioned herein may be the trademarks of their respective owners.
2. All growth rates reflect a comparison to the six months ended 30 September 2015 unless otherwise stated.
3. References to "Q1" and "Q2" are to the quarters ended 30 June 2016 and 30 September 2016, respectively, unless otherwise stated. References to "half year", "first half" or "H1" are to the six months ended 30 September 2016 unless otherwise stated. References to the "year", "financial year" or "2017 financial year" are to the financial year ending 31 March 2017 and references to the "last year" or "last financial year" are to the financial year ended 31 March 2016 unless otherwise stated.
4. All amounts marked with an "*" represent "organic growth", which presents performance on a comparable basis, both in terms of merger and acquisition activity as well as in terms of movements in foreign exchange rates.
5. Vodacom refers to the Group's interest in Vodacom Group Limited ('Vodacom') in South Africa as well as its subsidiaries, including its operations in the DRC, Lesotho, Mozambique and Tanzania.
6. The financial results for India have been derived from our consolidated financial results and this may differ from Vodafone India's financial statements prepared under Indian GAAP, Indian Accounting Standards or IFRS.
7. Quarterly historical information, including information for service revenue, mobile customers, churn, voice usage, messaging volumes, data volumes, ARPU, smartphones and fixed broadband customers, is provided in a spread sheet available at vodafone.com/investor.

OTHER INFORMATION

Forward-looking statements

This report contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group’s financial condition, results of operations and businesses and certain of the Group’s plans and objectives.

In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group’s financial condition or results of operations, including the Group Chief Executive’s statement and financial review of the half year on pages 2 to 5 of this report and the guidance for EBITDA and free cash flow for the 2017 financial year (and the related underlying assumptions) on page 7; expectations for the Group’s future performance generally, including growth and capital expenditure; expectations regarding the operating environment and market conditions and trends, including customer usage, competitive position and macroeconomic pressures, spectrum auctions and awards, price trends and opportunities in specific geographic markets; intentions and expectations regarding the development, launch and expansion of products, services and technologies, either introduced by Vodafone or by Vodafone in conjunction with third parties or by third parties independently including the rollout of TV in the United Kingdom; expectations regarding free cash flow, foreign exchange rate movements and tax rates; expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses; expectations regarding MTR rates in the jurisdictions in which Vodafone operates; expectations regarding Vodafone India, the outcome and impact of regulatory and legal proceedings involving Vodafone and of scheduled or potential legislative and regulatory changes, including approvals, reviews and consultations.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans”, “prepares” or “targets” (including in their negative form or other variations). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: general economic and political conditions of the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments; increased competition; levels of investment in network capacity and the Group’s ability to deploy new technologies, products and services; rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations; the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services; the Group’s ability to generate and grow revenue; a lower than expected impact of new or existing products, services or technologies on the Group’s future revenue, cost structure and capital expenditure outlays; slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure; the Group’s ability to expand its spectrum position, win 3G and 4G allocations and realise expected synergies and benefits associated with 3G and 4G; the Group’s ability to secure the timely delivery of high-quality products from suppliers; loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets; changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes; the impact of a failure or significant interruption to the Group’s telecommunications, networks, IT systems or data protection systems; the Group’s ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the Group’s ability to integrate acquired business or assets; the extent of any future write-downs or impairment charges on the Group’s assets, or restructuring charges incurred as a result of an acquisition or disposition; a developments in the Group’s financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends; the Group’s ability to satisfy working capital requirements; changes in foreign exchange rates; changes in the regulatory framework in which the Group operates; the impact of legal or other proceedings against the Group or other companies in the communications industry and changes in statutory tax rates and profit mix.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under “Forward-looking statements” and “Principal risk factors and uncertainties” in the Group’s annual report for the financial year ended 31 March 2016. The annual report can be found on the Group’s website (vodafone.com/investor). All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

For further information:

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www.vodafone.com/media/contact

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