VODAFONE GROUP PUBLIC LTD CO
Form 6-K
May 19, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 under
the Securities Exchange Act of 1934

Dated May 19, 2010

Commission File Number: 001-10086

VODAFONE GROUP
PUBLIC LIMITED COMPANY
(Translation of registrant s name into English)

VODAFONE HOUSE, THE CONNECTION, NEWBURY, BERKSHIRE, RG14 2FN, ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F__ü___ Form 40-F_____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):____

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes_____ No__ü__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__ .

This Report on Form 6-K contains a news release issued by Vodafone Group Plc on May 18, 2010, entitled **VODAFONE ANNOUNCES RESULTS FOR THE YEAR ENDED 31 MARCH 2010**.

18 May 2010

VODAFONE ANNOUNCES RESULTS FOR THE YEAR ENDED 31 MARCH 2010

2010 guidance exceeded, revenue trends improve in fourth quarter

- Group revenue increased by 8.4% to £44.5 billion. Group service revenue increased by 8.9% to £41.7 billion. Q4 organic service revenue fell 0.2%(*)(1), a second successive quarterly improvement
- Europe service revenue declined 3.5%(*) to £28.3 billion. In Q4 service revenue declined 1.7%(*)(1), an improvement on Q3. Strong revenue growth continued in data and fixed broadband. In mobile, improvements were driven by data, enterprise and roaming, with voice usage and price trends broadly similar to the previous quarter
- Africa and Central Europe service revenue declined 1.2%(*) to £7.4 billion. In Q4 service revenue increased by 2.4%(*), a 2.9 percentage point improvement on Q3, driven by strong revenue growth in Turkey (+31.3%(*)) and continued growth at Vodacom (+4.6%(*))
- Asia Pacific and Middle East service revenue increased by 9.8%(*) to £6.1 billion. In Q4 service revenue increased by 5.0%(*), on lower than the previous quarter due to the start-up of Indus Towers in Q1 2009. India again generated quarter on quarter revenue growth. Its customer base now exceeds 100 million
- Group EBITDA was £14.7 billion, up 1.7%. The EBITDA margin declined in line with expectations
- Verizon Wireless posted another set of strong results for the financial year with service revenue growth of 6.3%(*)
- Adjusted operating profit was £11.9 billion using guidance assumptions(2), exceeding revised guidance. On a reported basis adjusted operating profit was £11.5 billion
- Although our operational performance in India since acquisition in 2007 has been strong, the award of six new national licences in the market one year after our entry and the resulting intense price competition have led to an impairment charge of £2.3 billion, partially offset by a £0.2 billion reversal related to Turkey
- Adjusted earnings per share was 16.11 pence with growth impacted by the inclusion of a tax benefit and associated interest credit in the prior year. Excluding this benefit adjusted earnings per share increased by 6.6%
- Free cash flow grew 26.5% to £7.2 billion, exceeding guidance and reflecting the benefits of a working capital improvement programme. Capital investment was maintained at prior year levels
- Proportionate mobile customer base was 341 million with 8.5 million net additions during Q4

Positive results on our strategic priorities

- In Europe we targeted commercial investment in high value and data customers, increased our range of value enhancement products and improved our device portfolio to increase competitiveness; in India we increased revenue market share; and the impact of our turnaround strategy is now evident in Turkey
- Data revenue exceeded £4 billion for the first time, up 19.3%(*), with increased take up of data-enabled smartphones across Europe. The Group s active data users now exceed 50 million

- Fixed line revenue grew by 7.9%(*) to £3.3 billion with strong broadband customer growth and increased market share. The Group s fixed broadband customer base is now 5.6 million
- We have launched integrated services for enterprise customers across Europe. Vodafone Global Enterprise delivered organic revenue growth and now has a customer base of over 550 multinational businesses
- £1 billion cost savings programme delivered one year ahead of schedule, partially used to finance growth initiatives and volume increases. New two-year £1 billion cost programme, announced in November 2009, now under execution

Final dividend +9%; 3 year dividend per share growth target of 7% per annum(3)

- Final dividend per share 5.65 pence up 9% making total dividends 8.31 pence per share, up 7% reflecting strong underlying business performance and cash generation
- Expect free cash flow to be between £6.0 billion and £7.0 billion per annum for the next three financial years, reflecting strong operational performance and delivery in emerging markets over this time period
- Annual dividend per share growth target of no less than 7% for the next three financial years
- We expect that total dividends per share will be no less than 10.18 pence per share for the 2013 financial year

Guidance for the 2011 financial year(3)

- Adjusted operating profit expected to be in the range of £11.2 billion to £12.0 billion

  Return to organic service revenue growth expected during 2011 financial year

  Capital expenditure should be similar to 2010 financial year, adjusted for foreign exchange

- Free cash flow expected to be in excess of £6.5 billion consistent with three year target

Vittorio Colao, Chief Executive, commented:

Vodafone s financial results exceeded our upgraded guidance on all measures. Revenue trends have improved again in Q4 driven by growth in mobile data and fixed broadband. Cost reduction targets were delivered ahead of schedule enabling commercial reinvestment to improve market share and further strengthen our technology platforms. Free cash flow of £7.2 billion and confidence in Vodafone s prospects have enabled us to increase dividends by 7% and to target 7% per annum growth in total dividends per share for the next three years. We are creating a stronger Vodafone, which is positioned to return to revenue growth during the 2011 financial year, as economic recovery should benefit our key markets.

Notes:

(*) All amounts in this document marked with an (*) represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates.

(1) Excluding the impact of IFRIC 13 (accounting for customer incentive schemes) in Italy in Q4, Europe service revenue declined 2.4% and Group service revenue declined by 0.6%.
(2) Adjusted operating profit recalculated to reflect assumptions used in the guidance issued for the 2010 financial year including foreign exchange rates of £1: 1.12 and £1:US$1.50 and excluding Alltel restructuring costs of c.£0.2 billion.
(3) For the 2011 financial year and three year guidance and dividend assumptions see page 8.

2

CHIEF EXECUTIVE S STATEMENT

Financial review of the year

We have made significant progress in implementing our strategy. We now generate 33% of service revenue from products other than mobile voice reflecting the shift of Vodafone to a total communications provider. In particular, mobile data and fixed broadband services continue to grow while we increased the contribution being made by our operations in emerging economies, primarily by gaining market share. We have reduced costs and working capital to manage better in the recessionary environment while maintaining investment in our networks.

As a result, Vodafone s financial results are ahead of the guidance range we issued in May 2009 and the upgraded guidance we issued in February 2010. The Group generated free cash flow of approximately £1 billion ahead of our medium-term target established in November 2008 even after adjusting for beneficial foreign exchange.

The economic situation has remained challenging throughout the year affecting our business in several ways. In our more mature European and Central European operations, voice and messaging revenue declined and roaming revenue fell due to lower business and leisure travel. In addition, enterprise revenue declined in Europe as our business customers reduced activity and headcount. However, results in Africa and India remained robust driven by continued, albeit lower, GDP growth and increasing market penetration. During the course of the financial year the impact of the global slowdown on the Group s financial performance has diminished somewhat with Group service revenue declining in the fourth quarter by only 0.2%(*), better than the preceding three quarters and the second successive quarterly improvement.

In the full year **Group** revenue increased by 8.4% to £44.5 billion, declining 2.3%(*) after excluding benefits from foreign exchange and acquisitions. The Group s EBITDA margin declined by 2.2 percentage points to 33.1%, in line with our expectations, primarily as a result of lower revenue in Europe and the greater weight of lower margin operations in emerging economies. Group adjusted operating profit was £11.5 billion, with a growing contribution from Verizon Wireless and foreign exchange benefits offsetting weaker performance in Europe.

Group free cash flow was £7.2 billion, up 26.5%, benefiting from significant improvements in working capital management and a deferred dividend from Verizon Wireless. This exceptional level of cash flow was generated whilst maintaining capital investment, developing fixed broadband services in Europe, funding the turnaround in Turkey and Ghana, and expanding in India.

At the year end we had 341 million proportionate mobile customers worldwide.

Europe service revenue declined by 3.5%(*). Data and fixed line revenue growth was strong but this was more than offset by ongoing voice price reduction and lower volume growth in our core voice products. Europe s EBITDA margin declined by 1.0 percentage point, at about the same rate as the previous year, reflecting lower revenue, increased commercial activity, reduced cost and the increased contribution from lower margin fixed broadband. Operating free cash flow was strong at £8.2 billion.

Africa and Central Europe service revenue declined by 1.2%(*), with good revenue growth at Vodacom and a much stronger result in Turkey being offset by the impact of weaker economies in Central Europe. The EBITDA margin declined by around 2 percentage points, due to lower profitability in Turkey where we have focused on investment in the network, distribution, driving market share and brand visibility.

Asia Pacific and Middle East service revenue increased by 9.8%(*), reflecting another strong contribution from India where service revenue grew by 14.7%(*). During the 2010 financial year we attracted 32 million customers in India and in March we exceeded the 100 million customer mark. In a very competitive pricing environment we were pleased to have confirmed our number two position in the market. Since Vodafone s entry into India in 2007, our performance has been strong. We have gained about 1 percentage point per annum in revenue market share, added 72 million customers, moved the business into operating free cash flow generation and launched Indus Towers, the world s largest tower company with more than 100,000 towers under management. However the introduction of six additional national mobile licences one year after our entry and the resulting intense price competition have led to a £2.3 billion impairment charge. In Australia our joint venture company with Hutchison continues to perform in line with the merger plan with pro-forma revenue growth of 8%. The EBITDA margin for the region declined by 2.2 percentage points, primarily reflecting lower margins in India caused by the competitive pricing environment and operating investment in new circles.

Verizon Wireless posted another set of strong results for the financial year. Service revenue growth was 6.3%(*) driven by increased customer penetration and data, although price competition has increased and growth rates have

CHIEF EXECUTIVE S STATEMENT

slowed in the second half of the year. We have established joint initiatives with Verizon Wireless around LTE technology and enterprise customers during the year.

We maintained capital investment at a similar level to the previous financial year and invested £6.2 billion, consistent with our guidance in May 2009. Capital expenditure in Europe was slightly higher than in the 2009 financial year as we took advantage of our strong cash generation to accelerate investment in fixed and mobile broadband networks, and in services to enterprise customers.

Adjusted earnings per share was 16.11 pence, lower than last year primarily as the result of a one-off tax and associated interest benefit in the prior year. Excluding this adjusted earnings per share increased by 6.6%.

Total dividends per share have increased by 7% to 8.31 pence with a final dividend of 5.65 pence per share, up 9% reflecting the strong cash performance of the Group.

Strategy

Vodafone continues to evolve towards being a total communications provider, rebalancing mobile voice in mature economies with increasing revenue from broadband data services. We have also increased the proportion of revenue we generate from emerging economies. In parallel we continued to reduce our cost base to finance growth and commercial competitiveness primarily by leveraging our Group scale.

1. Drive operational performance

We have reinforced the commercial focus of our operating companies by emphasizing relative market share of quality customers, exploitation of the data opportunity and expansion into converged services. Progress in all areas has become more evident in the second half of the year.

At the same time we accelerated our £1 billion cost reduction programme, announced in 2008, and delivered its full benefits one year ahead of plan. The majority of these savings were generated by our European operations and from cost reductions in our central functions. Despite growth in mobile voice minutes and a significant increase in data usage, Europe s overheads declined enabling commercial investment to be increased.

In November we announced a further £1 billion cost saving programme to be delivered by the 2013 financial year. This will help us to offset inflationary pressures and the competitive environment and enable us to invest in our revenue growth opportunities. Around half of these savings will be available for commercial reinvestment or margin enhancement.

We will continually update our programme to identify further ways in which the Group can benefit from its regional scale and further reduce costs in order to offset external pressures and competitor action and to invest in growth.

2. Pursue growth opportunities in total communications

Data revenue grew by 19.3%(*) and is now over £4 billion. In addition to driving continued growth in PC connectivity services, we have been particularly successful in increasing smartphone penetration across our customer base and in ensuring that smartphone customers subscribed for additional data services.

During the financial year our active data users across the Group increased to around 50 million and within this the number of mobile internet users to around 31 million. These achievements, while significant, highlight the huge potential of data as we increase penetration of the remaining part of our 341 million proportionate customer base.

Fixed line revenue increased by 7.9%(*) during the year. We now have 5.6 million fixed broadband customers, an increase of around 1 million during the year. In Europe EBITDA margins of the fixed activities remained stable at around 14% and the business was broadly free cash flow neutral after capital expenditure of approximately £450 million.

Europe s enterprise revenue declined by 4.1%(*) during the year as a consequence of the significant impact of the economic downturn on our enterprise customers. In contrast Vodafone Global Enterprise, which serves our larger enterprise customers on a Group-wide basis, had a good year and delivered revenue growth of around 2%(*) demonstrating the strength of Vodafone services to multinational corporations. During the year we launched fixed mobile convergent products such as Vodafone One Net specifically for smaller and medium enterprise customers which will position us well for recovery in due course.

CHIEF EXECUTIVE S STATEMENT

3. Execute in emerging markets

In India we have secured the number two position in the market by revenue despite fierce price competition stimulated by new entrants. Indus Towers is now the world s largest tower company with over 100,000 towers under management.

Vodacom increased service revenue by 4.6%(*) and maintained its leadership in South Africa. In Turkey service revenue increased by 31.3%(*) in the last quarter and 5.3%(*) in the full year. The turnaround plan has brought the company back to growth and we now have to focus on continuing this momentum in the forthcoming financial year.

While we look at opportunities to expand as they are presented, we remain cautious with respect to future footprint expansion. Our primary focus remains on driving results from our existing emerging markets.

4. Strengthen capital discipline to drive shareholder returns

Cash generation by the Group has been strong throughout the recession, reflecting significant cost reductions and the success of the Group wide working capital improvement plan in its first of two years.

During the year we returned approximately £4.1 billion of free cash flow to shareholders in the form of dividends. The remaining free cash flow was used to fund the Vodacom stake purchase completed in May 2009 and spectrum purchases in Turkey, Egypt and Italy. Net debt declined to £33.3 billion primarily as a result of foreign exchange movements. The Group has retained a low single A credit rating.

We now expect that annual free cash flow for the Group will be between £6.0 billion and £7.0 billion (using guidance foreign exchange rates) for the next three financial years ending 31 March 2013 reflecting the successful execution of the Group s strategy and our expectations for improving operating free cash flow from our emerging markets and fixed line investments.

The Board is therefore targeting dividend per share growth of at least 7% per annum for the next three financial years ending on 31 March 2013(1). We expect that total dividends per share will therefore be no less than 10.18p for the 2013 financial year.

Performance-driven organisation

Significant changes have been made to the Group s internal structure, organisation and incentive systems in the last 12 months. Head office functions and management layers have been reduced significantly, simplifying our business processes and increasing the speed with which we can respond to the changing environment.

The specific responsibilities of Group Technology, Group Marketing and our local operating companies have been simplified, eliminating overlapping areas and coordination activities. We are also shifting progressively into incentive schemes which emphasise reward for competitive performance and cash generation.

Prospects for the year ahead(1)

We expect the Group to return to organic revenue growth during the 2011 financial year although this will be dependent upon the strength of the economic environment and the level of unemployment within Europe. In contrast, revenue growth in other emerging economies, in particular India and Africa, is expected to continue as the Group drives penetration and data in these markets.

EBITDA margins are expected to decline at a significantly lower rate than in the 2010 financial year. This reflects the continuing benefit of the Group s cost saving programme which is enabling us to increase commercial activity and drive increased revenue in data and fixed line.

Adjusted operating profit is expected to be in the range of £11.2 billion to £12.0 billion. Performance will be determined by actual economic trends and the extent to which we decide to reinvest cost savings into total communications growth opportunities.

Free cash flow is expected to be in excess of £6.5 billion, consistent with our new three year target.

CHIEF EXECUTIVE S STATEMENT

We intend to maintain capital expenditure at a similar level to last year, adjusted for foreign exchange, ensuring that we continue to invest in high speed data networks, enhancing our customers experience and increasing the attractiveness of the Group s data products.

Summary

In an extremely challenging economic environment, we have improved Vodafone s commercial focus and cost efficiency with visible results.

We have made good progress in our growth areas mobile data, broadband and enterprise and exceeded our improved guidance, generating strong free cash flow of £7.2 billion. As a result of greater confidence in Vodafone s prospects and cash generation ability, the Board has adopted a revised dividend policy, delivering attractive growth for shareholders over the next three years(1).

Economic growth remains fragile in many of our largest markets but we remain confident that our strategy is creating a stronger Vodafone.

Note:

(1) For the 2011 financial year and three year free cash flow guidance and dividend assumptions see page 8.

GROUP FINANCIAL HIGHLIGHTS

	Page	2010 £m	2009 £m	% change Reported	% change Organic
Financial information(1)					
Revenue		**44,472**	41,017	8.4	(2.3)
Operating profit		**9,480**	5,857	61.9	
Profit before taxation		**8,674**	4,189	107.1	
Profit for the financial year		**8,618**	3,080	179.8	
Basic earnings per share (pence)		**16.44p**	5.84p	181.5	
Capital expenditure(2)		**6,192**	5,909	4.8	
Cash generated by operations		**15,337**	14,634	4.8	
Performance reporting(1)(2)					
Group EBITDA		**14,735**	14,490	1.7	(7.4)
Adjusted operating profit		**11,466**	11,757	(2.5)	(7.0)
Adjusted profit before tax		**10,564**	10,468	0.9	
Adjusted effective tax rate		**24.0%**	16.7%		
Adjusted profit attributable to equity shareholders		**8,471**	9,057	(6.5)	
Adjusted earnings per share (pence)		**16.11p**	17.17p	(6.2)	
Free cash flow(3)		**7,241**	5,722	26.5	
Net debt		**33,316**	34,223	(2.7)	

Notes:

(1) Amounts presented at 31 March or for the year then ended.

(2) See page 30 for use of non-GAAP financial information and page 36 for definition of terms .

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

GUIDANCE AND DIVIDEND GROWTH TARGET

Please see page 30 for use of non-GAAP financial information , page 36 for definition of terms and page 37 for forward-looking statements .

	2010 financial year	**2011 financial year**	**Three year**
	Actual performance	**Guidance**	**Guidance**
	£ billion	**£ billion**	**£ billion**
Adjusted operating profit	11.5	**11.2 12.0**	**n/a**
Free cash flow	7.2	**In excess of 6.5**	**6.0 to 7.0**

2011 financial year

We expect the Group to return to low levels of organic revenue growth during the 2011 financial year although this will be dependent upon the strength of the economic environment and the level of unemployment within Europe. In contrast revenue growth in emerging economies, in particular India and Africa, is expected to continue as the Group drives penetration and data in these markets.

EBITDA margins are expected to decline but at a significantly lower rate than that experienced in the previous year. Adjusted operating profit is expected to be in the range of £11.2 billion to £12.0 billion. Total depreciation and amortisation charges are expected to be slightly higher than the prior year, before the impact of licence and spectrum purchases, if any, during the 2011 financial year.

Free cash flow is expected to be in excess of £6.5 billion reflecting a continued but lower level of benefit from the working capital improvement programme launched in the 2010 financial year. We intend to maintain capital expenditure at a similar level to last year, adjusted for foreign exchange, ensuring that we continue to invest in high speed data networks, enhancing our customer experience and increasing the attractiveness of the Group s data services.

The adjusted tax rate percentage is expected to be in the mid 20s for the 2011 financial year with the Group targeting a similar level in the medium-term. The Group continues to seek resolution of the UK Controlled Foreign Company and India tax cases.

Three year free cash flow and dividend per share growth target

We expect that annual free cash flow will be between £6.0 billion and £7.0 billion, in each of the financial years in the period ending 31 March 2013, underpinning a dividend per share growth target of at least 7% per annum for each of these financial years. We therefore expect that total dividends per share will be no less than 10.18p for the 2013 financial year.

Assumptions

Guidance is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1: 1.15 and £1:US$1.50 throughout this three year period. It excludes the impact of licence and spectrum purchases, if any, material one-off tax settlements and restructuring costs and assumes no material change to the current structure of the Group.

With respect to the dividend growth target, as the Group s free cash flow is predominantly generated by companies operating within the euro currency zone, we have assumed that the euro to sterling rate remains within 10% of the above guidance exchange rate.

A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by approximately £70 million and free cash flow by approximately £60 million.

CONTENTS

FINANCIAL RESULTS

Group(1)(2)

	Europe	Africa and Central Europe	Asia Pacific and Middle East	Verizon Wireless	Common Functions(3)	Eliminations	2010	2009	% change	
	£m	£m	£m	£m	£m	£m	**£m**	£m	£	Organic(4)
Voice revenue	17,546	5,729	4,734				**28,009**	26,906		
Messaging revenue	3,698	598	498		1		**4,795**	4,473		
Data revenue	3,082	532	436		1		**4,051**	3,046		
Fixed line revenue	2,950	254	85				**3,289**	2,727		
Other service revenue	1,034	292	393		4	(148)	**1,575**	1,142		
Service revenue	**28,310**	**7,405**	**6,146**		**6**	**(148)**	**41,719**	**38,294**	**8.9**	**(1.6)**
Other revenue	1,568	621	335		263	(34)	**2,753**	2,723		
Revenue	**29,878**	**8,026**	**6,481**		**269**	**(182)**	**44,472**	**41,017**	**8.4**	**(2.3)**
Direct costs	(6,862)	(2,229)	(1,852)		(10)	148	**(10,805)**	(9,970)		
Customer costs	(8,660)	(2,003)	(1,320)		(267)	1	**(12,249)**	(10,951)		
Operating expenses	(3,429)	(1,467)	(1,469)		(351)	33	**(6,683)**	(5,606)		
EBITDA	**10,927**	**2,327**	**1,840**		**(359)**		**14,735**	**14,490**	**1.7**	**(7.4)**
Depreciation and amortisation:										
Acquired intangibles	(23)	(818)	(383)		(2)		**(1,226)**	(799)		
Purchased licences	(980)	(38)	(110)				**(1,128)**	(1,018)		
Other	(3,580)	(992)	(995)		(90)		**(5,657)**	(5,007)		
Share of result in associates	574	48	6	4,112	2		**4,742**	4,091		
Adjusted operating profit	**6,918**	**527**	**358**	**4,112**	**(449)**		**11,466**	**11,757**	**(2.5)**	**(7.0)**
Impairment losses, net							**(2,100)**	(5,900)		
							114			

Other income and expense											
Operating profit								**9,480**	5,857		
Non-operating income and expense								**(10)**	(44)		
Net financing costs								**(796)**	(1,624)		
Income tax expense								**(56)**	(1,109)		
Profit for the financial year								**8,618**	**3,080**		

Notes:

(1) The Group revised how it determines and discloses segmental EBITDA and adjusted operating profit during the year. Further details of this change are provided under the heading change in presentation on page 36.

(2) Current year results reflect average exchange rates of £1: 1.13 and £1:US$1.60.

(3) Common functions primarily represents the results of the partner markets and the net result of unallocated central Group costs and excludes income from intercompany royalty fees.

(4) Organic growth includes India and Vodacom (except the results of Gateway) at the current level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009. See acquisitions on page 24 for further details.

FINANCIAL RESULTS

Revenue

Group revenue increased by 8.4% to £44,472 million, with favourable exchange rates contributing 5.7 percentage points of growth and merger and acquisition activity contributing 5.0 percentage points. During the year the Group acquired an additional 15% stake in Vodacom and fully consolidated its results from 18 May 2009.

Group service revenue increased by 8.9% to £41.7 billion, while organic service revenue declined by 1.6%(*). Service revenue was impacted by challenging economic conditions in Europe and Central Europe offset by growth in Africa, Asia Pacific and the Middle East.

In Europe service revenue fell 3.5%(*), a 1.8 percentage point decline on the previous year reflecting challenging economic conditions in most markets offset by growth in Italy and the Netherlands. The decline was primarily driven by reduced voice revenue resulting from continued market and regulatory pressure on pricing and slower usage growth partially offset by growth in data and fixed line. Data revenue grew by 17.7%(*) due to an increase in data plans sold with smartphones and good PC connectivity revenue across the region. Fixed line revenue increased by 7.7%(*) with the number of fixed broadband customers reaching 5.4 million at 31 March 2010, a net increase of 960,000 customers during the financial year.

In Africa and Central Europe service revenue fell by 1.2%(*), a 4.3 percentage point decline on the previous year resulting from challenging economic conditions in Central Europe, mobile termination rate cuts across the region and competition led pricing movements in Romania partially offset by strong growth in Vodacom. Turkey returned to growth in the second half of the financial year with service revenue growing 31.3%(*) in the fourth quarter. Romania experienced intense competition throughout the year with service revenue declining 19.9%(*). Mobile termination rate cuts across Central Europe, which became effective during the year, contributed 3.4 percentage points to the decline in service revenue.

In Asia Pacific and Middle East service revenue increased by 9.8%(*). India s service revenue increased by 14.7%(*), 4.7 percentage points of which was delivered by the network sharing joint venture Indus Towers with the remainder being driven by a 46.7% increase in the mobile customer base offset in part by a decline in mobile voice pricing. In Egypt service revenue grew by 1.3%(*) and Qatar increased its mobile customer base to 465,000, following the launch of services in July.

Operating profit

EBITDA increased by 1.7% to £14,735 million, with favourable exchange rates contributing 5.8 percentage points and the impact of merger and acquisition activity, primarily the full consolidation of Vodacom, contributing 3.3 percentage points to EBITDA growth.

In Europe, EBITDA decreased by 7.3%(*), with a decline in the EBITDA margin of 1.0 percentage point, primarily driven by the downward revenue trend and the growth of lower margin fixed line operations partially offset by operating and direct cost savings.

Africa and Central Europe s EBITDA decreased by 5.8%(*) resulting from reduced EBITDA margins across the majority of Central Europe due to challenging economic conditions and investment in Turkey to drive growth in the second half of the financial year. Strong revenue growth in Vodacom, combined with direct and customer cost savings partially offset the decline in Central Europe.

In Asia Pacific and Middle East EBITDA increased by 1.4%(*), with growth in India being partially offset by declines in other markets due to pricing and recessionary pressure and the start-up in Qatar.

Operating profit increased primarily due to changes in impairment losses. In the 2010 financial year, the Group recorded net impairment losses of £2,100 million. Vodafone India was impaired by £2,300 million primarily due to intense price competition following the entry of a number of new operators into the market. This was partially offset by a £200 million reversal in relation to Vodafone Turkey resulting primarily from movements in discount rates. In the prior year impairment losses of £5,900 million were recorded.

Adjusted operating profit decreased by 2.5%, or 7.0%(*) on an organic basis, with a 6.0 percentage point contribution from favourable exchange rates, whilst the impact of merger and acquisition activity reduced adjusted operating profit growth by 1.5 percentage points.

The share of results in Verizon Wireless, the Group s associate in the US, increased by 8.0%(*) primarily due to the expanding customer base, robust data revenue and operating expenses efficiencies partially offset by higher customer acquisition and retention costs.

FINANCIAL RESULTS

Net financing costs

	2010 £m	2009 £m
Investment income	**716**	795
Financing costs	**(1,512)**	(2,419)
Net financing costs	**(796)**	(1,624)
Analysed as:		
Net financing costs before dividends from investments	**(1,024)**	(1,480)
Potential interest charges arising on settlement of outstanding tax issues(1)	**(23)**	81
Dividends from investments	**145**	110
	(902)	(1,289)
Foreign exchange(2)	**(1)**	235
Equity put rights and similar arrangements(3)	**(94)**	(570)
Interest on settlement of German tax claim(4)	**201**	
	(796)	(1,624)

Notes:

(1) Excluding interest on settlement of German tax claim.

(2) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank in April 2006.

(3) Primarily represents foreign exchange movements and accretion expense. Further details of these options are provided on page 44 of the Group s annual report for the year ended 31 March 2009.

(4) See taxation below for further details.

Net financing costs before dividends from investments decreased from £1,480 million to £1,024 million primarily due to the impact of significantly lower interest rates given our preference for floating rate borrowing, partially offset by the 13.4% increase in average net debt being offset by changes in the currency mix of debt. At 31 March 2010 the provision for potential interest charges arising on settlement of outstanding tax issues was £1,312 million (31 March 2009: £1,635 million).

Taxation

	2010 £m	2009 £m
Income tax expense	**56**	1,109
Tax on adjustments to derive adjusted profit before tax	**(39)**	300
Tax benefit arising on settlement of German tax loss claim	**2,103**	
Adjusted income tax expense	**2,120**	1,409
Share of associates tax	**572**	422
Adjusted income tax expense for purposes of calculating adjusted tax rate	**2,692**	1,831

Profit before tax	**8,674**	4,189
Adjustments to derive adjusted profit before tax(1)	**1,890**	6,279
Adjusted profit before tax	**10,564**	10,468
Add: Share of associates tax and non-controlling interest	**652**	495
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**11,216**	10,963
Adjusted effective tax rate	**24.0%**	16.7%

Note:

(1) See earnings per share on page 12.

The adjusted effective tax rate for the year ended 31 March 2010 was 24.0% compared to 16.7% for the prior year. This rate is higher than that of the prior year primarily due to the inclusion in the prior year of a benefit of £767 million following the resolution of long standing tax issues relating to the Group s acquisition and subsequent restructuring of the Mannesmann Group.

Income tax expense includes a credit of £2,103 million arising from the German tax authorities decision that 15 billion of losses booked by a German subsidiary in 2001 are tax deductible. The credit includes benefits claimed in respect of prior years as well as the recognition of a deferred tax asset for the potential use of losses in future tax years.

FINANCIAL RESULTS

Earnings per share

Adjusted earnings per share decreased by 6.2% to 16.11 pence for the year ended 31 March 2010 due the prior year tax benefit discussed on page 11. Basic earnings per share increased to 16.44 pence primarily due to the impairment losses of £5,900 million in relation to Spain, Turkey and Ghana in the prior year compared to net impairment losses of £2,100 million in the current year and the income tax credit arising from the German tax settlement discussed above.

	2010	2009
	£m	£m
Profit attributable to equity shareholders	**8,645**	3,078
Pre-tax adjustments:		
Impairment losses, net	**2,100**	5,900
Other income and expense	**(114)**	
Non-operating income and expense	**10**	44
Investment income and financing costs(1)	**(106)**	335
	1,890	6,279
Taxation	**(2,064)**	(300)
Adjusted profit attributable to equity shareholders	**8,471**	9,057
	Million	Million
Weighted average number of shares outstanding basic	**52,595**	52,737
Weighted average number of shares outstanding diluted	**52,849**	52,969

Note:

(1) See notes 1 and 2 in net financing costs on page 11.

12

FINANCIAL RESULTS

Europe(1)

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	**Europe £m**	% change £	Organic
2010									
Voice revenue	3,895	3,658	3,859	2,681	3,454	(1)	**17,546**		
Messaging revenue	778	894	400	1,020	606		**3,698**		
Data revenue	1,018	516	488	593	467		**3,082**		
Fixed line revenue	1,900	540	318	31	161		**2,950**		
Other service revenue	131	172	233	386	358	(246)	**1,034**		
Service revenue	**7,722**	**5,780**	**5,298**	**4,711**	**5,046**	**(247)**	**28,310**	**1.5**	**(3.5)**
Other revenue	286	247	415	314	308	(2)	**1,568**		
Revenue	**8,008**	**6,027**	**5,713**	**5,025**	**5,354**	**(249)**	**29,878**	**0.8**	**(4.1)**
Direct costs	(1,728)	(1,359)	(1,161)	(1,521)	(1,340)	247	**(6,862)**		
Customer costs	(2,221)	(1,150)	(2,035)	(1,813)	(1,443)	2	**(8,660)**		
Operating expenses	(937)	(675)	(561)	(550)	(706)		**(3,429)**		
EBITDA	**3,122**	**2,843**	**1,956**	**1,141**	**1,865**		**10,927**	**(2.0)**	**(7.3)**
Depreciation and amortisation:									