VODAFONE GROUP PUBLIC LTD CO
Form 6-K
December 17, 2004

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

Dated December 17, 2004

VODAFONE GROUP PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

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 ý Form 40-F o

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 o No ý

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 SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN EACH OF AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-110941) AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-81825) OF VODAFONE GROUP PUBLIC LIMITED COMPANY AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

This Report on Form 6-K contains the following items:

(a) Chief Executive s Statement;

(b) Operating and Financial Review;

(c) summary of Vodafone s mobile telecommunications businesses customer information at 30 September 2004;

(d) a brief description of recent transactions and other developments of Vodafone Group Plc and its subsidiary undertakings and other recent business developments; and

(e) unaudited interim consolidated financial information for Vodafone as of and for the six month periods ended 30 September 2004 and 2003, including comparative consolidated financial information for Vodafone as of and for the year ended 31 March 2004 including:

(i) Interim consolidated financial statements;

(ii) Report of Independent Registered Public Accounting Firm to the Board of Directors regarding the unaudited interim consolidated financial statements.

Exhibit

Letter from Deloitte & Touche LLP in respect of its Report of Independent Registered Public Accounting Firm to the Board of Directors regarding the unaudited interim consolidated financial statements for the six month periods ended 30 September 2004 and 2003.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This document 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 the statements under Chief Executive s Statement regarding returns to shareholders, free cash flow in this and future financial years and the impact thereof on future financial performance, organic growth in average proportionate customers, number of Vodafone live! with 3G customers and share purchases; the statements under Trend Information regarding Vodafone s expectations for the years ending 31 March 2005 and 2006 as to average proportionate mobile customer organic growth, number of Vodafone live! with 3G customers, depreciation and licence amortisation, capitalised fixed asset additions, free cash flow, cash expenditure on fixed assets, tax payments, share purchases and guidance under IFRS; the statements under United Kingdom regarding Vodafone UK s restructuring programme and its impact on support costs and operations; the statements under Americas regarding expansion of certain Verizon Wireless services; the statements under Japan with respect to expected availability of 3G handsets, the expected impact on margins and market position once the handsets are available and the expected outcome of the plans announced to improve Vodafone Japan s performance and competitive position; the statements under Taxation with respect to the expected effective tax rates; the statements under Dividends with respect to dividend payments and increases in the level of dividends; and the statements under One Vodafone regarding anticipated benefits to the Group of the One Vodafone programme, including statements related to revenue generation, speed to market for new services and the Group s strategic cost position, free cash flow, cost savings and revenue enhancements, combined mobile operating expenses and tangible fixed asset additions. These forward-looking statements are made on the basis of certain assumptions which Vodafone believes to be reasonable in light of Vodafone s operating experience in recent years. The principal assumptions on which these statements are based relate to exchange rates, customer numbers, usage and pricing, take-up of new services, revenue growth, profit margins, termination and interconnect rates, customer acquisition and retention costs, network opening and operating costs and the availability of handsets.

The document also contains other forward-looking statements including statements with respect to Vodafone s expectations as to launch and roll-out dates for products and services, including, for example, 3G services and handsets, Vodafone live! and Vodafone s business services; intentions regarding the development of products and services; 3G penetration rates; acquisitions and disposals; expectations with respect to shareholder value growth; share purchases; our ability to be a mobile market leader; mobile call termination rates; the Group s adoption and implementation of IFRS and the impact thereof on the Group s effective tax rate; dividend payments by Vodafone Italy; the impact of recent US GAAP pronouncements; maintenance of credit ratings and overall market trends. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as anticipates , aims , could , may , should , expects , believes , intends , pla

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 will 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 particularly the statements under Chief Executive s Statement , Trend Information , United Kingdom , Americas , Japan , Taxation , Dividends and One Vodafone referred to above. These include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group that would adversely affect the level of demand for mobile services; greater than anticipated competitive activity requiring changes in pricing models and/or new product offerings or resulting in higher costs of acquiring new customers or providing new services; the impact on capital spending from investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology; slower customer growth or reduced customer retention; the possibility that technologies, including mobile internet platforms, and services, including 3G services, will not perform according to expectations or that vendors performance will not meet the Group s requirements; changes in the projected growth rates of the mobile telecommunications industry; the Group s ability to realise expected synergies and benefits associated with 3G technologies and the integration of our operations and those of acquired companies; future revenue contributions of both voice and non-voice services offered by the Group; lower than expected impact of GPRS, 3G and Vodafone live! and the Group s business offerings on the Group s future revenue, cost structure and capital expenditure outlays; the ability of the Group to harmonise mobile platforms and any delays, impediments or other problems associated with the roll-out and scope of 3G technology and services and Vodafone live! and the Group s business or service offerings in new markets; the ability of the Group to offer new services and secure the timely delivery of high-quality, reliable GPRS and 3G handsets, network equipment and other key products from suppliers; greater than anticipated prices of new mobile handsets; the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing; the possibility that the pursuit of new, unexpected strategic opportunities may have a negative impact on one or more of the measurements of our financial performance or the level of dividends; any unfavourable conditions, regulatory or otherwise, imposed in connection with pending or future acquisitions or dispositions; changes in the regulatory framework in which the Group operates, including possible action by regulators in markets in which the Group operates or by the European Commission regulating rates the Group is permitted to charge; the Group s ability to develop competitive data content and services which will attract new customers and increase average usage; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; the possibility that new marketing campaigns or efforts are not an effective expenditure; the possibility that the Group s integration efforts do not increase the speed-to-market of new products or improve the Group s cost position; changes in exchange rates, including particularly the exchange rate of pound sterling to the euro, US dollar and the Japanese yen; the risk that, upon obtaining control of certain investments, the Group discovers additional information relating to the businesses of that investment leading to restructuring charges or write-offs or with other negative implications; changes in statutory tax rates and profit mix which would impact the weighted average tax rate; changes in tax legislation in the jurisdictions in which the Group operates; timing and amount of any tax payments depending upon the outcome of negotiations with the relevant tax authorities; and loss of suppliers or disruption of supply chains.

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 Risk Factors contained in our Annual Report on Form 20-F with respect to the financial year ended 31 March 2004. 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 assurance can be given that the forward-looking statements in this document will be realised. Neither Vodafone Group nor any of its affiliates intends to update these forward-looking statements.

PRESENTATION OF INFORMATION

In the discussion of the Group s reported financial position and results for the six month period to 30 September 2004, information in addition to that contained within the unaudited interim consolidated financial statements is presented on the basis that it provides readers with access to additional financial information regularly reviewed by management. This information is provided to assist investor assessment of the Group s performance from period to period. However, the additional information presented is not uniformly defined by all companies in the Group s industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Definitions of the terms and measures presented are shown on page 19.

In presenting and discussing the Group s reported financial position, operating results and cash flows, the Group uses certain non-GAAP measures. An explanation as to the use of these measures and a reconciliation to the nearest equivalent GAAP measure can be found on page 34. Each of these measures is not intended to be a substitute for, or superior to, the closest equivalent GAAP measures.

CHIEF EXECUTIVE S STATEMENT

Our first half results demonstrate a robust operational performance, which reflects Vodafone s industry leading position and global footprint.

Organic revenue growth in the first half in our controlled mobile businesses was 6%, with reported growth of total Group turnover of 4%. A key driver has been the continued strong growth in customers across many of our controlled businesses, principally the UK, Spain and Germany, offset by weaker performance in Japan.

We continue to be excited about the future growth opportunities for our business. We have recently launched a compelling set of new services on our 3G platform in 13 markets with a wide range of industry leading new handsets. With new and attractive pricing for both data and voice services, Vodafone is delivering on its promise to delight the customer. Our 3G launch gives us a market leading, differentiated customer proposition in Europe and significantly improves our competitive position in Japan.

As we announced on 10 November, we expect 3G to deliver a material benefit to our business over time and are targeting more than 10 million Vodafone live! with 3G customers in our controlled operations by the end of March 2006.

Another core focus of the Group is to leverage our scale and scope advantage through the One Vodafone programme. In September we announced financial targets to quantify the benefits from One Vodafone. We are targeting to realise £2.5 billion of annual pre-tax operating free cash flow in the 2008 financial year through both increased productivity and revenue enhancements. This annual benefit is made up of cost savings of £1.4 billion and revenue based enhancements of £1.1 billion and which we expect to have a significant impact on our financial performance in the future.

In order to deliver on our 3G and One Vodafone objectives, we have announced changes in management responsibilities and a new organisational structure. These changes will enable us to better respond to the high expectations of our customers. In an increasingly competitive environment, faster execution will enable us to continue to deliver benefits to our customers, our employees and our shareholders.

Overall the business is performing well and on track with our expectations at the beginning of the year. For the full year, we expect double digit organic growth in average proportionate customers. Free cash flow is expected to be around £7 billion.

Supported by strong underlying cash flow generation and strong growth prospects for the business, we have announced on 16 November a rebasing of the interim dividend to 1.91 pence per share and have increased the share purchase programme from £3 billion to around £4 billion, completing by the end of March 2005. This is consistent with our stated intention to increase returns to our shareholders and our statement that we do not wish to delever the Group any further, but wish to retain financial flexibility to pursue selective, value enhancing opportunities that may arise.

These are exciting times for Vodafone as we lead the way in delivering an enhanced customer experience that we believe will deliver superior returns for our shareholders.

Arun Sarin

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OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements for the six month periods to 30 September 2004 and to 30 September 2003 included in this document and the Group s Annual Report on Form 20-F for the year ended 31 March 2004. Any references to financial information for the year ended or as of 31 March 2004 are derived from the Group s audited consolidated financial statements contained in the Group s Annual Report on Form 20-F for the year ended 31 March 2004.

The unaudited interim consolidated financial statements for both six month periods and any information derived from the Group s audited consolidated financial statements for the financial year ended 31 March 2004 are prepared in accordance with UK GAAP. Accounting principles generally accepted in the United Kingdom vary in significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 9 to the interim consolidated financial statements.

Results of operations

The following tables of summarised financial information, and the discussion below, compare the results of operations for the six months ended 30 September 2004 with the six months ended 30 September 2003.

	Six months to 30 September	
	2004	2003
	£m	£m
	(unaudited)	(unaudited)
Group turnover(1)		
- Continuing operations	**16,796**	16,081
- Discontinued operations		818
	16,796	16,899
Total Group operating loss(1)		
- Continuing operations	**(1,615)**	(1,644)
- Discontinued operations		66
	(1,615)	(1,578)
Loss on ordinary activities before interest and taxation	**(1,593)**	(1,636)
Loss on ordinary activities before taxation	**(1,884)**	(1,992)
Loss for the financial period	**(3,195)**	(4,254)
Basic and diluted loss per share	**(4.77)p**	(6.24)p
Dividend per share	**1.91p**	0.9535p

(1) Turnover and operating loss are analysed in more detail in the table below.

The analysis of turnover and operating loss below is used by management to give a more detailed understanding of the turnover of the Group and to enhance insight into the costs of the business. These measures are presented to enhance the discussion of turnover and expenses that follows and to enable a reader to better understand the components of revenue and associated costs.

The Group has amended its segmental disclosure of turnover to a gross of intercompany turnover basis, rather than a net of intercompany turnover basis as previously disclosed, in order to facilitate analysis of the performance of the Group and as part of the Group s preparations for the introduction of International Financial Reporting Standards (IFRS). There is no impact on total Group turnover, which continues to be stated on a net of intercompany turnover basis. In addition, a more detailed analysis of the results of the Group s mobile telecommunications business and certain key markets has been provided, consistent with internal measures to facilitate management s discussion of the results.

		Six months to 30 September			
		2004	2003	% change	
		£m	£m	£	Organic
Turnover	Mobile telecommunications				
	- Total service revenue	**14,546**	14,114	3	5
	- Other revenue(1)	**1,817**	1,592	14	12
		16,363	15,706	4	6
	Other operations	**513**	1,607	(68)	
	Less: turnover between mobile and other operations	**(80)**	(414)	(81)	
		16,796	16,899	(1)	7
Total Group operating loss		**(1,615)**	(1,578)	2	
	Mobile telecommunications(2)(3)	**5,670**	5,684		4
	Other operations(2)(3)	**15**	38	(61)	
		5,685	5,722	(1)	5
	Goodwill amortisation	**(7,300)**	(7,651)	(5)	
	Exceptional operating items		351		
<u>Mobile telecommunications</u>					
Trading results	Voice services	**12,157**	11,926	2	4
	Non-voice services	**2,389**	2,188	9	12
	Total service revenue	**14,546**	14,114	3	5
	Net other revenue(1)	**283**	164	73	
	Other direct costs	**(964)**	(921)	5	
	Interconnect costs	**(2,189)**	(2,102)	4	
	Net acquisition costs(1)	**(983)**	(866)	14	
	Net retention costs(1)	**(883)**	(721)	22	
	Payroll	**(1,044)**	(1,006)	4	
	Other operating expenses	**(2,344)**	(2,346)		
	Depreciation and amortisation(3)	**(2,314)**	(1,995)	16	
	Share of operating profit in associated undertakings(2)(3)	**1,562**	1,363	15	
		5,670	5,684		4

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(1) Turnover for the mobile telecommunications business includes revenue of £1,534 million (2003: £1,428 million), an increase of 7% or 10% on an organic basis at constant exchange rates, which has been deducted from acquisition and retention costs and excluded from other revenue in the trading results

(2) Before exceptional items

(3) Before goodwill amortisation

See page 19 for definition of terms

Group

Turnover decreased by 1% to £16,796 million in the six months ended 30 September 2004, comprising organic growth of 7%, offset by unfavourable movements in exchange rates of 4% and the effect of acquisitions and disposals of 4%, principally the disposal of Japan Telecom. The foreign exchange impact primarily arose due to the relative strength of Sterling against the Euro and Yen compared to the prior period.

After goodwill amortisation and exceptional items, the Group reported a total operating loss of £1,615 million, compared with a loss of £1,578 million for the prior period. The charges for goodwill amortisation, which do not affect the cash flows of the Group or the ability of the Company to pay dividends, fell by 5% to £7,300 million, principally as a result of the impact of foreign exchange movements. Total Group operating profit, before goodwill amortisation and exceptional items, decreased by 1% to £5,685 million, with underlying organic growth of 5%, as unfavourable exchange rate movements, particularly the strengthening of Sterling against the Euro and the US Dollar, reduced this growth by 5% and the effect of acquisitions and disposals led to a further reduction of 1%.

Mobile telecommunications

Turnover in the mobile telecommunications businesses increased by 4%, or 6% on an organic basis at constant exchange rates. The increase in turnover was driven principally by organic service revenue growth, at constant exchange rates, of 5%, which improved principally as a result of growth of 8% in the Group s average controlled customer base compared to the prior period.

Voice revenue improved by 4% on an organic basis at constant exchange rates, following an increase in total voice usage in controlled mobile businesses of 9% to 83.7 billion minutes for the six months ended 30 September 2004, offset by competitive pressures resulting in tariff reductions and lower termination rates reducing incoming revenue.

Non-voice revenue increased to £2,389 million for the six months ended 30 September 2004, or 12% on an organic basis at constant exchange rates. Messaging revenue continues to represent the largest component of non-voice revenue. Data revenue as a percentage of non-voice revenue increased to 26.7% compared to 25.6% for the prior period as the Group continues to drive adoption of new consumer services, such as Vodafone live!, and business offerings, including Vodafone Mobile Connect datacard and BlackBerry from Vodafone.

Other revenue increased to £1,817 million, or 12% on an organic basis at constant exchange rates. The increase has arisen from higher levels of gross additions and upgrades in the period and revenue from non-Vodafone customers acquired as a result of the acquisition of UK service providers in the prior year. Other revenue related to acquisition and retention activities increased to £1,534 million, or 10% on an organic basis at constant exchange rates.

Acquisition and retention costs, net of attributable revenues, increased by 18% to £1,866 million. The increase was primarily driven by higher customer growth in the UK and Spain and increased investment in retention activities in the UK and Japan. Other operating expenses as a percentage of service revenue reduced from 16.6% to 16.1% as the Group continued to realise cost efficiencies, particularly in network and IT costs.

Depreciation and licence amortisation charges increased by 16% following the commencement of 3G services in a number of the Group s controlled mobile businesses. Licence amortisation amounted to £204 million in the period compared to £22 million in the prior period.

Total Group operating profit, before goodwill amortisation and exceptional items, for the mobile businesses decreased by less than 1% to £5,670 million, with organic growth of 4%, as unfavourable exchange rate movements, particularly the strengthening of Sterling against the Euro and the US Dollar, reduced this growth by 5%. The acquisition of service providers in the UK in the prior year increased growth by 1%.

Amortisation of goodwill

The charges for goodwill amortisation, which do not affect the cash flows of the Group or the ability of the Company to pay dividends, decreased by 5% to £7,300 million, principally as a result of the impact of foreign exchange movements.

Exceptional items

There were no exceptional operating items in the six months ended 30 September 2004. Exceptional operating income for the six months ended 30 September 2003 comprised £351 million of expected recoveries and provision releases in relation to a contribution tax levy on Vodafone Italy.

The exceptional non-operating credit for the six months ended 30 September 2004 was £22 million (2003: charge of £58 million). The current period credit is primarily due to the profit on disposal of certain fixed asset investments in Japan. The prior period charge principally related to a loss on disposal of the Japan Telecom fixed line operations, which was partially offset by a profit on disposal of Grupo Iusacell.

Interest

Total Group net interest payable, including the Group s share of the net interest expense of associated undertakings, decreased from £356 million for the six months ended 30 September 2003 to £291 million for the six months ended 30 September 2004.

The Group net interest cost, excluding the net interest expense of associated undertakings, and including returns on investments for the current period of £18 million, decreased to £191 million, including £120 million (2003: £97 million) relating to potential interest charges arising on settlement of tax balances, from £251 million for the prior year and was covered 39 times by operating cash flow plus dividends received from associated undertakings. The Group s share of the net interest expense of associated undertakings decreased from £105 million to £100 million.

Taxation

The effective rate of taxation for the period ended 30 September 2004, which is based on the expected effective tax rate for the year ending 31 March 2005, is (52.4)% compared to (62.5)% for the year ended 31 March 2004. This rate includes the impact of goodwill amortisation and exceptional items, which may not be deductible for tax purposes or taxable. Aside from non-tax deductible goodwill, which results in a negative effective tax rate, the Group s tax charge has benefited from the finalisation of the reorganisation of the Group s German operations in the current period, which has outweighed the impact of reduced tax incentives in Italy and the absence of last year s one-off benefit from the restructuring of the Group s associated undertakings in France. The Group s tax charge has also benefited from an exceptional deferred tax credit of £572 million, which relates to tax losses in Vodafone Holdings K.K. becoming eligible for offset against the profits of Vodafone Japan following the merger of the two entities on 1 October 2004. The deferred tax credit was recognised following shareholder and regulatory approval of the transaction in the six month period.

Basic and diluted loss per share

Basic and diluted loss per share, after goodwill amortisation and exceptional items, improved from a loss per share of 6.24 pence to a loss per share of 4.77 pence for the six months ended 30 September 2004. The loss per share includes a charge of 10.91 pence per share (2003: 11.22 pence per share) in relation to the amortisation of goodwill and a credit of 0.86 pence per share (2003: credit of 0.20 pence per share) in relation to exceptional items.

Balance sheet

Total fixed assets reduced from £133,980 million at 31 March 2004 to £130,194 million at 30 September 2004. The decrease of £3,786 million comprised a reduction in intangible assets of £3,223 million, a decrease in investments of £550 million and a decrease in tangible fixed assets of £13 million.

The reduction in intangible assets was primarily due to the amortisation of goodwill of £6,373 million, offset by goodwill capitalisation principally in respect of the stake increase in Vodafone Japan of £1,705 million during the period and foreign exchange movements. Tangible fixed assets was, broadly, unchanged as capital expenditure was offset by the depreciation charge. The decrease in fixed asset investments of £550 million was primarily due to amortisation of goodwill on the Group s interests in associated undertakings of £927 million offset by foreign exchange movements on goodwill in associated undertakings.

Current assets reduced from £13,149 million at 31 March 2004 to £12,023 million at 30 September 2004, principally due to a decrease in current asset investments from £4,381 million at 31 March 2004 to £1,998 million at 30 September 2004 and an increase in cash at bank and in hand from £1,409 million at 31 March 2004 to £2,652 million at 30 September 2004.

Equity shareholders funds

Total equity shareholders funds at 30 September 2004 decreased from £111,924 million at 31 March 2004 to £107,774 million. The decrease comprises the loss for the period of £3,195 million, dividends of £1,263 million and purchases of treasury shares of £1,748 million offset by the issue of new share capital of £51 million and net currency translation gains of £1,976 million.

Inflation

Inflation has not had a significant effect on the consolidated results of operations and financial conditions during the six months to 30 September 2004.

MOBILE TELECOMMUNICATIONS   REGIONAL REVIEW

In October 2004, the Group announced changes to the regional structure of its operations, effective from 1 January 2005. The following results are presented in accordance with the current regional structure. The Annual Report on Form 20-F for the year ending 31 March 2005 will be presented in accordance with the new regional structure.

UNITED KINGDOM AND IRELAND

Financial highlights

		Six months to 30 September		
		2004	2003	% change
		£m	£m	
Turnover	United Kingdom(1)	**2,563**	2,167	18
	Ireland	**406**	383	6
	Less: intra-segment turnover	**(9)**	(7)	
		2,960	2,543	16
Total Group operating profit(2)	United Kingdom	**491**	549	(11)
	Ireland	**146**	136	7
		637	685	(7)
United Kingdom				
Trading results	Voice services	**1,879**	1,718	9
	Non-voice services	**404**	302	34
	Total service revenue	**2,283**	2,020	13
	Net other revenue(1)	**94**	19	
	Other direct costs	**(189)**	(112)	69
	Interconnect costs	**(410)**	(380)	8
	Net acquisition costs(1)	**(186)**	(117)	59
	Net retention costs(1)	**(198)**	(147)	35
	Payroll	**(201)**	(198)	2
	Other operating expenses	**(339)**	(299)	13
	Depreciation and amortisation(2)	**(363)**	(237)	53
	Total Group operating profit(2)	**491**	549	(11)
KPIs	Closing customers (000)	**14,600**	13,483	8
	Average monthly ARPU	**£ 26.6**	£ 25.1	6
	Churn	**29.3%**	29.4%	

(1) Turnover for UK includes revenue of £186 million (2003: £128 million) which has been excluded from other revenue and deducted from acquisition and retention costs in the trading results

(2) Before goodwill amortisation

See page 19 for definition of terms

United Kingdom

The United Kingdom market continued to be one of the most competitive in which Vodafone operates in Europe. Nevertheless, Vodafone has been successful in attracting high value customers through differentiated products, service quality and network performance.

Turnover increased by 18% to £2,563 million, comprising underlying growth of 7% and the effect of the acquisition of a number of service providers in the prior year, including Singlepoint (4U) Limited, which contributed growth of 11%. Growth in voice revenue resulted from an increase of 7% in the average number of customers for the six months ended 30 September 2004 compared to the prior period and the impact of the service provider acquisitions. Non-voice revenue improved to 17.7% of service revenue for the six months ended 30 September 2004 compared to 15.0% for the prior period as usage levels of messaging and other non-voice offerings, including Vodafone live!, Vodafone Mobile Connect datacards and BlackBerry from Vodafone devices increased. The number of Vodafone live! customers grew to 2,403,000 at 30 September 2004.

Average monthly ARPU increased compared to the prior period, driven by growth in contract ARPU. The increase was primarily due to rising non-voice revenue and the impact of service provider acquisitions in the prior year.

Registered customers increased by 4% over the six month period to 14,600,000, compared to 1% in the six month period to 30 September 2003, demonstrating Vodafone UK s increased focus on acquisition and retention activities and the success of new tariffs and services for the corporate and business segments. The contract customer base was maintained at 40% of total registered customers.

In September 2004, Vodafone UK, along with the other mobile network operators, excluding the third generation operator, reduced its termination charges by approximately 30% following the publication by OFCOM, the national regulator, in June 2004 of its Statement on Wholesale Mobile Voice Call Termination . The current regulation extends to 31 March 2006 and no further reduction in termination rates is anticipated during this period. During the period an agreement was reached to provide wholesale services to BT and at the end of September 2004, 5,000 BT customers were connected to the Vodafone network under this agreement.

The fall in operating profit before goodwill amortisation resulted from increased investment in acquisition and retention activity, leading to higher levels of customer additions and equipment upgrades, and from an increase in both depreciation and licence amortisation charges, primarily due to the commencement of 3G services towards the end of the previous financial year. Payroll costs reduced as a percentage of turnover following the restructuring programme announced in the second half of the previous financial year. Vodafone UK has launched and is executing a structured plan to drive revenue and margin growth. The key elements of this plan are to sustainably differentiate and segment the customer base allowing more effective targeted marketing, a drive to lower costs and to position the organisation for the future. Under the drive to lower costs, Vodafone UK is continuing to consolidate and simplify its network and customer service operations. Support costs are also expected to be reduced. The full benefits from this programme are expected to be realised over a number of years.

Other revenue and other direct costs have both increased as a result of non-Vodafone customers acquired as part of service provider acquisitions in the prior year.

Ireland

Vodafone Ireland s turnover increased by 11% when measured in local currency, benefiting from an increasing customer base and strong growth in voice usage. Non-voice revenue as a percentage of service revenue was 20.0% for the six months ended 30 September 2004. Average monthly ARPU grew from 49.2 for the six months ended 30 September 2003 to 51.4 for the six months ended 30 September 2004, predominantly a result of growth in voice revenue as Ireland continued to have the highest level of outgoing voice usage per customer in the Group s controlled mobile businesses. Operating profit before goodwill amortisation increased by 13% in local currency, principally driven by the increased turnover combined with improvements in operating efficiency.

Vodafone Ireland successfully maintained its market leadership with an approximate market share of 54% for the quarter ended 30 June 2004 and a closing customer base at 30 September 2004 of 1,890,000.

NORTHERN EUROPE

Financial highlights

		Six months to 30 September			
		2004	2003	% change	
		£m	£m	£	(3)
Turnover	Germany(1)	**2,808**	2,773	1	6
	Other Northern Europe	**993**	988	1	
	Less: intra-segment turnover	**(23)**	(18)		
		3,778	3,743	1	
Total Group operating profit(2)	Germany	**876**	911	(4)	1
	Other Northern Europe	**771**	778	(1)	
		1,647	1,689	(2)	
Germany					
Trading results	Voice services	**2,185**	2,163	1	6
	Non-voice services	**451**	438	3	8
	Total service revenue	**2,636**	2,601	1	6
	Net other revenue(1)	**69**	63	10	16
	Other direct costs	**(158)**	(162)	(2)	1
	Interconnect costs	**(377)**	(383)	(2)	3
	Net acquisition costs(1)	**(166)**	(166)		5
	Net retention costs(1)	**(157)**	(157)		5
	Payroll	**(198)**	(193)	3	7
	Other operating expenses	**(331)**	(339)	(2)	2
	Depreciation and amortisation(2)	**(442)**	(353)	25	31
	Total Group operating profit(2)	**876**	911	(4)	1
KPIs	Closing customers (000)	**26,092**	23,780		10
	Average monthly ARPU	**25.7**	26.6		(3)
	Churn	**17.4%**	18.6%		

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(1) Turnover for Germany includes revenue of £103 million (2003: £109 million) which has been excluded from other revenue and deducted from acquisition and retention costs in the trading results

(2) Before goodwill amortisation

(3) Local currency percentage change

See page 19 for definition of terms

Germany

Vodafone is well positioned in the German mobile market. Its customer base represented 38% of the market as of 30 June 2004, and, together with the incumbent operator which has a slightly higher market share, is significantly ahead of the other two operators.

The average customer base for the period increased by 9%, compared to the six months to 30 September 2003, driving the 6% growth in service revenue in local currency. Customer growth has been a result of the success of competitively priced offerings such as partner cards, which offer a second SIM card without a handset, to contract customers at a low monthly cost to the customer. For prepaid customers, connection fees have been reduced. Vodafone Germany benefits from lower than average subsidies on both of these plans, although partner cards have had a dilutive effect on contract ARPU. Contract bundles, first introduced in March 2004 and aimed at acquiring higher value customers, have been successful in reducing this dilutive effect. Prepaid ARPU has also reduced following a rise in the number of lower spending customers and a fall in activity level.

Non-voice revenue increased by 8% compared to the six months ended 30 September 2003, as a marginal decline in messaging revenue and usage was offset by an 83% increase in revenue from the Group s other data offerings, primarily Vodafone live! in the consumer segment and Vodafone Mobile Connect datacards in the business segment. Non-voice revenue represented 17.1% of service revenue for the period compared to 16.8% for the six months ended 30 September 2003. Vodafone Germany became the first operator in the country to offer 3G services in May 2004. The number of Vodafone live! customers increased to 3,570,000 customers at 30 September 2004.

Operating profit before goodwill amortisation was impacted by the commencement of depreciation and amortisation on the 3G network and licence, following launch of services in the second half of the previous financial year, with the licence amortisation representing the largest share of this increase. A higher proportion of prepaid additions and lower contract subsidies, as discussed above, led to net acquisition costs increasing 5% in local currency in spite of a 10% increase in gross customer additions. Lower loyalty scheme costs had a similar effect on net retention costs, which increased 5% in local currency on a 10% increase in gross upgrades. Other costs remained relatively stable compared to the six months ended 30 September 2003.

Vodafone Germany has agreed to reduce its mobile call termination rate with Deutsche Telekom for incoming calls from Deutsche Telekom fixed lines by 23% over two years, from 14.3 eurocents per minute to 13.2 eurocents in December 2004 and to 11.0 eurocents in December 2005, subject to regulatory approval.

Other Northern Europe

Proportionate customers for the Group s other operations in the Northern Europe region increased by 6% in the six month period to 30 September 2004.

Turnover increased marginally in spite of the strengthening of Sterling against local currencies. Vodafone Netherlands and Vodafone Sweden reported stable turnover when measured in local currency despite competitive pressures on pricing and imposed termination rate reductions. Vodafone Hungary continued to grow strongly, increasing turnover by 38% in local currency, as a result of an ARPU uplift and an enlarged customer base.

Operating profit before goodwill amortisation decreased, principally as a result of a decline in the profitability of Vodafone Sweden, due to significantly higher operating expenses and depreciation charges, following the continuing cost of developing the 3G network which was launched in July 2004, and increased acquisition and retention costs as competition intensified. In the Netherlands, operating profit before goodwill amortisation increased as a result of a release of a provision, following a successful appeal reducing a fine imposed by the Dutch Competition Authority on mobile operators for a breach of the Dutch Competition Act. The effect of this release was partially offset by a rise in customer acquisition costs. SFR reported strong revenue growth as a result of a 7% increase in the average customer base over the prior period and improved usage of voice and non-voice services, including Vodafone live! which had 1.4 million SFR customers at 30 September 2004. The Group s share of the operating profit before goodwill amortisation of SFR increased following this revenue growth and an improved operating margin.

On 24 September 2004, the Group entered into a sale and purchase agreement to acquire the remaining 7.2% shareholding in Vodafone Hungary from Antenna Hungaria Rt. The sale is due to be completed on or before 31 December 2004, subject to certain conditions.

SOUTHERN EUROPE

Financial highlights

		Six months to 30 September		% change	
		2004	2003		
		£m	£m	£	(3)
Turnover	Italy(1)	**2,723**	2,634	3	8
	Spain	**1,554**	1,330	17	22
	Other Southern Europe	**1,087**	955	14	
	Less: intra-segment turnover	**(21)**	(16)		
		5,343	4,903	9	
Total Group operating profit(2)	Italy	**1,127**	1,113	1	6
	Spain	**397**	384	3	8
	Other Southern Europe	**283**	232	22	
		1,807	1,729	5	
Italy					
Trading results	Voice services	**2,239**	2,213	1	6
	Non-voice services	**369**	312	18	24
	Total service revenue	**2,608**	2,525	3	8
	Net other revenue(1)	**7**	7		11
	Other direct costs	**(146)**	(143)	2	8
	Interconnect costs	**(464)**	(442)	5	10
	Net acquisition costs(1)	**(38)**	(32)	19	24
	Net retention costs(1)	**(41)**	(33)	24	29
	Payroll	**(161)**	(152)	6	11
	Other operating expenses	**(310)**	(301)	3	8
	Depreciation and amortisation(2)	**(328)**	(316)	4	8
	Total Group operating profit(2)	**1,127**	1,113	1	6
KPIs	Closing customers (000)	**21,686**	19,982		9
	Average monthly ARPU	**30.3**	30.5		(1)
	Churn	**16.4%**	16.9%		

(1) Gross turnover for Italy includes revenue of £108 million (2003: £102 million) which has been excluded from other revenue and deducted from net acquisition and net retention costs in the trading results

(2) Before goodwill amortisation and exceptional items

(3) Local currency percentage change

See page 19 for definition of terms

Italy

Vodafone s strategy in Italy is focused on gaining high value customers. Market share, in terms of revenue, was approximately 39% for the quarter ended 31 March 2004 compared to a customer market share of approximately 36% at 31 March 2004, demonstrating the Group s commitment to service such customers. Market penetration levels, including the effect of customers having a SIM from more than one mobile operator, are over 100%, but excluding this effect, penetration was lower.

The increasing customer base continued to be the main driver of service revenue growth, with average customers for the period 9% higher than the comparative period. Activity levels among the base, however, declined to 92% at 30 September 2004 from 94% at 30 September 2003, due to competition, resulting in a slightly reduced average monthly ARPU. Revenue growth over the summer was impacted by extended promotions providing reductions in airtime charges, which have been successful in stimulating higher usage.

Improved messaging revenue represents the main proportion of the increase in non-voice revenue. A 114% increase in revenue from the Group s data offerings, including Vodafone live! and Vodafone Mobile Connect datacards, also contributed. By 30 September 2004, Vodafone Italy had 1,643,000 Vodafone live! customers.

Operating profit before goodwill amortisation and exceptional items increased by 6% in local currency as the improvement in turnover was partially offset by increased interconnect costs, as a result of increased international roaming, and increased investments in acquisition and retention activities arising from competitive pressures, though these effects have been partially offset by ongoing operational efficiencies.

Financial highlights

		Six months to 30 September			
		2004	2003	% change	
		£m	£m	£	(3)
Spain					
Trading results	Voice services	**1,246**	1,100	13	18
	Non-voice services	**180**	131	37	44
	Total service revenue	**1,426**	1,231	16	21
	Net other revenue(1)	**1**	1		(16)
	Other direct costs	**(117)**	(91)	29	35
	Interconnect costs	**(266)**	(240)	11	16
	Net acquisition costs(1)	**(115)**	(62)	85	94
	Net retention costs(1)	**(75)**	(65)	15	21
	Payroll	**(66)**	(71)	(7)	(3)
	Other operating expenses	**(224)**	(190)	18	23
	Depreciation and amortisation(2)	**(167)**	(129)	29	36
	Total Group operating profit(2)	**397**	384	3	8
KPIs	Closing customers (000)	**10,452**	9,399		11
	Average monthly ARPU	**35.4**	31.8		11
	Churn	**23.0%**	23.0%		

(1) Turnover for Spain includes revenue of £127 million (2003: £98 million) which has been excluded from other revenue and deducted from acquisition and retention costs in the trading results

(2) Before goodwill amortisation

(3) Local currency percentage change

See page 19 for definition of terms

Spain

Vodafone Spain delivered strong growth during the period, benefiting from changes to refocus the business on customer segmentation, improved customer satisfaction and attractive product offerings. These measures have stimulated usage and new customer acquisitions within a very dynamic market.

In local currency, turnover increased by 22% principally following the 21% increase in service revenue, due to growth in the average customer base over the prior period and higher usage per customer. Growth in the customer base of 8% over the six months ended 30 September 2004 has been due to a successful acquisition strategy focusing on both new customers and those transferring numbers from other networks, with the proportion of contract customers improving to 45% at 30 September 2004, compared to 43% at 31 March 2004 and 30 September 2003. Non-voice revenue increased by 44% and represented 12.6% of service revenue for the six months ended 30 September 2004. The rise in non-voice revenue is principally driven by messaging but also by an increase in non-messaging data revenue from service offerings such as

Vodafone live! and Vodafone Mobile Connect datacard.

Average monthly ARPU increased by 11%, benefiting from the increased percentage of contract customers and higher usage by contract and prepaid customers resulting from usage stimulation initiatives and promotions.

Operating profit before goodwill amortisation increased by 8% in local currency as the turnover growth was partially offset by increased costs. In addition, depreciation and licence amortisation charges increased primarily due to the commencement of 3G services in the second half of the previous financial year. The strong growth in the customer base has resulted in increased acquisition costs. Interconnect costs as a percentage of turnover decreased as a result of reduction in termination rates in the prior financial year.

On 1 November 2004, Vodafone Spain s termination rates were reduced by 10.5%, following guidance from the national regulator.

Other Southern Europe

Proportionate customers for the Group s other operations in the Southern Europe region increased by 6% in the six month period to 30 September 2004.

Turnover increased by 14%, driven by strong service revenue growth, as a result of higher usage of both voice and non-voice products in all other Group subsidiaries in Southern Europe. In Greece, service revenue increased by 18% in local currency, boosted by strong voice usage growth, a 26% increase in data revenue and a 16% increase in visitor revenue benefiting from the Olympics hosted by Athens in August 2004. Service revenue in Vodafone Portugal increased by 15% in local currency driven by a larger customer base, growth in visitor revenue benefiting from the UEFA Euro 2004 football tournament and increased blended ARPU, partially offset by lower termination rates.

Operating profit before goodwill amortisation for Other Southern Europe, as a percentage of turnover, improved due to lower acquisition costs and operating expenses as a percentage of turnover, partially offset by higher interconnect costs and increased retention costs from a higher level of equipment upgrades. In addition, depreciation charges were higher as a result of investment in 3G networks. The Group s associated undertaking Mobifon obtained a 3G licence in Romania in October 2004 for $35 million (£19 million).

AMERICAS

Financial highlights

		Six months to 30 September			
		2004	2003	% change	
		£m	£m	£	$(2)
Total Group operating profit/(loss)(1)	Verizon Wireless	**885**	712	24	40
	Other Americas		(7)		
		885	705	26	
Verizon Wireless					
KPIs	Closing customers (000)	**42,118**	36,026		17
	Average monthly ARPU	**$ 53.2**	$ 50.6		5
	Acquisition and retention costs as a percentage of service revenue	**12.3%**	13.7%		
	Churn	**17.9%**	21.3%		

(1) Before goodwill amortisation

(2) Local currency percentage change

See page 19 for definition of terms

Verizon Wireless

In a highly competitive US market, Verizon Wireless continued to outperform its competitors and ranked first in customer net additions for the six months ended 30 September 2004. The total customer base increased by 8% over the period to 42,118,000. At 30 June 2004, US market penetration had reached approximately 58%, with Verizon Wireless market share at approximately 24%.

Churn rates continued to improve and are amongst the lowest in the market despite the expansion of local number portability from the 100 largest metropolitan service areas to a nationwide basis on 24 May 2004. The low churn rate is attributable in part to the quality and coverage of Verizon Wireless network and the success of retention programmes such as the Worry Free Guarantee , which includes the New Every Two plan.

In local currency, the Group s share of Verizon Wireless operating profit before goodwill amortisation increased by 40% as a result of increased turnover and cost efficiencies. Verizon Wireless turnover increased by 24% over the prior period driven by the larger customer base and increasing ARPU primarily due to customers migrating to higher access price plans and growth in non-voice service revenue. Non-voice services, such as picture messaging and Get It Now , contributed to a 169% increase in non-voice service revenue over the prior period. Verizon Wireless has achieved sustained cost containment through the reduction of interconnect and leased line rates as well as other operating expenses efficiencies.

Verizon Wireless is expanding its BroadbandAccess service nationally. Powered by its Evolution-Data Optimised wide-area network, the service is currently available in more than 14 major metropolitan areas and 24 airports with the expansion on target to cover one third of Verizon Wireless network by the end of 2004.

Additionally, Verizon Wireless continued to acquire spectrum, which enables network capacity expansion to meet customers growing demand for services. Agreements reached include the purchase of spectrum in New York City, Arkansas, 62 markets in Western and Midwestern states and, in November 2004, all of NextWave s PCS spectrum licences, which cover 23 markets across the country.

Other Americas

The Group disposed of its stake in the Mexican mobile operator Grupo Iusacell during the previous financial year.

ASIA PACIFIC

Financial highlights

			Six months to 30 September			
			2004	2003	% change	
			£m	£m	£	¥(3)
Turnover	Japan(1)		**3,689**	3,974	(7)	(3)
	Other Asia Pacific		**541**	492	10	
	Less: intra-segment turnover		**(3)**	(2)		
			4,227	4,464	(5)	
Total Group operating profit(2)	Japan		**454**	672	(32)	(29)
	Other Asia Pacific		**80**	64	25	
			534	736	(27)	
Japan						
Trading results	Voice services		**2,239**	2,466	(9)	(5)
	Non-voice services		**606**	680	(11)	(7)
	Total service revenue		**2,845**	3,146	(10)	(5)
	Net other revenue(1)		**11**	9	22	29
	Other direct costs		**(119)**	(212)	(44)	(41)
	Net acquisition costs(1)		**(322)**	(346)	(7)	(3)
	Net retention costs(1)		**(320)**	(223)	43	50
	Interconnect costs		**(250)**	(266)	(6)	(1)
	Payroll		**(111)**	(89)	25	30
	Other operating expenses		**(710)**	(766)	(7)	(3)
	Depreciation and amortisation(2)		**(570)**	(581)	(2)	3
	Total Group operating profit(2)		**454**	672	(32)	(29)
KPIs	Closing customers (000)		**15,123**	14,540		4
	Monthly average ARPU	**¥**	**6,279**	¥ 6,968		(10)
	Churn		**23.1%**	23.5%		

(1) Turnover for Japan includes revenue of £833 million (2003: £819 million) which has been excluded from other revenue and deducted from acquisition and retention costs in the trading results

(2) Before goodwill amortisation

(3) Local currency percentage change

See page 19 for definition of terms

Japan

Vodafone continued to face challenging market conditions in Japan, primarily due to the strength of competitor offerings that limited the Group s ability to compete effectively in the 3G market in the period. Future improvements to the handset range are expected to put Vodafone in a more competitive market position.

Turnover for the six months ended 30 September 2004, compared to the prior period, has declined marginally in local currency, with a decrease in service revenue offset by an increase in equipment and other revenue. The loss of higher value customers and the impact of price plans introduced in October 2003, which were subsequently revised in July 2004, led to the reduction in monthly average ARPU for the current period, which in turn contributed to the 5% decrease in service revenue. Equipment and other revenue improved by 6% in local currency due to a higher level of upgrade activity following a reduction in prices of 2.5G handsets, which outweighed lower acquisition revenue from lower gross connections.

Vodafone Japan s customer base increased by 1% over the six months, but its market share of 18.1% at 30 September 2004 was marginally lower than at 31 March 2004, the primary reason for which was the lack of a competitive 3G customer proposition. This included the lack of suitable 3G handsets available for the Vodafone W-CDMA network, compared with the range available through other operators using different 3G technologies, which, amongst other factors, has limited Vodafone Japan s ability to compete effectively in the 3G market. Vodafone Japan held approximately 1% of the customers in the 3G market at 30 September 2004. Seven new 3G handsets are to be introduced for the winter sales season this year, which are expected to improve Vodafone s market position.

As a result of the competitive pressures, there has been a strong focus on customer retention, which has depressed the operating profit before goodwill amortisation, though this effect was partially offset by a decrease in other direct costs, following reductions in provisions for slow moving handset stocks, and operational efficiency. Payroll costs were 30% higher than the comparative period, principally as a result of charges associated with a voluntary redundancy programme, which is part of the transformation plan discussed below.

An ongoing transformation plan is expected to improve Vodafone Japan s performance and competitive position in the market. This is focusing on cost reductions through leveraging the Group s global scale and scope, improving the efficiency of the distribution structure, enhancing customer propositions, including new product offerings, focusing on business customers and refining the organisational structure to ensure Vodafone Japan is more agile and commercially driven. In most areas of the plan, positive results are expected in the next financial year, though good progress has been achieved in the consolidation of the regional structure and cost reductions.

The Group has announced the appointment of Shiro Tsuda as the next President and Chief Executive Officer of Vodafone Japan with effect from 1 December 2004. Formerly Senior Executive Vice President at NTT DoCoMo, Inc., Shiro Tsuda brings considerable experience of the mobile telecommunications industry, together with an extensive knowledge of the Japanese business and consumer markets.

During the period the Group increased its effective shareholding in Vodafone K.K. to 98.2% and its stake in Vodafone Holdings K.K. to 96.1% for a total consideration of £2.4 billion.

Other Asia Pacific

Proportionate customers for the Group s other operations in the Asia Pacific region, including the Group s share of China Mobile s customers, which is accounted for as an investment, increased by 19% over the six month period.

Turnover increased by 10%, driven primarily by Vodafone New Zealand, resulting from a larger customer base and higher service revenue, particularly non-voice revenue. Vodafone Australia also experienced good turnover growth despite intense competitor activity. The profitability of Vodafone Australia improved significantly, due largely to changes in the handset subsidy model and business structure. Vodafone New Zealand s margins also improved due to operational efficiencies.

In August 2004, Vodafone Australia announced an agreement with another telecommunications carrier to share 3G network equipment, which is expected to culminate in the launch of 3G services in the next financial year. Vodafone New Zealand is also expected to launch 3G services in the next financial year.

China Mobile, in which the Group has a 3.27% stake, became the first overseas-listed telecommunications carrier to cover all Chinese provinces following the purchase of further state-owned companies during the period. Its customer base grew by 29% over the six month period to 194,382,000 at 30 September 2004, including 26,831,000 from the acquisition of Chinese provincial network operators. ARPU continued to fall with the increase in lower usage customers as penetration in China increased.

MIDDLE EAST AND AFRICA

<u>Financial highlights</u>

	Six months to 30 September		
	2004	2003	% change
	£m	£m	
Turnover	**177**	159	11
Less: intra-segment turnover			
	177	159	11
Total Group operating profit(1)	**160**	140	14

(1) Before goodwill amortisation

See page 19 for definition of terms

In local currency, Vodafone Egypt s turnover increased by 28%, driven mainly by strong customer growth, and increased non-voice and visitor revenue. The reported results were, however, affected by the continued weakness of the Egyptian Pound against Sterling. New prepaid tariffs were launched in Egypt in June 2004 aimed at increasing penetration.

On 2 September 2004, an agreement was entered into with Telecom Egypt under which it will acquire a 16.9% stake in Vodafone Egypt from the Group, reducing the Group s stake to 50.1%. This transaction is subject to a number of conditions precedent and is expected to be completed within the year.

The Group s associated undertakings in the Middle East and Africa Region improved their performance compared to the prior period. Vodacom continued to grow both in South Africa and internationally through its interests in the Democratic Republic of the Congo, Lesotho, Mozambique and Tanzania. Its customer base increased by 3,762,000 over the period, including 2,141,000 customers in its international subsidiaries which were previously excluded from the Group s reported customer base, bringing the total venture customers at 30 September 2004 to 13,487,000. ARPU declined as penetration continued to rise. Safaricom, in Kenya, increased its customer base by 26% and improved its profitability.

OTHER OPERATIONS

Financial highlights

		Six months to 30 September		
		2004	2003	% change
		£m	£m	
Turnover	Northern Europe	**513**	481	7
	Asia Pacific		1,126	
		513	1,607	(68)
Total Group operating profit/(loss)(1)	Northern Europe	**15**	(41)	
	Asia Pacific		79	
		15	38	(61)

(1) Before goodwill amortisation

See page 19 for definition of terms

Northern Europe

The Group s other operations in Northern Europe comprise interests in fixed line telecommunications businesses in Germany (Arcor) and France (Cegetel), and Vodafone Information Systems, an IT and data services business based in Germany.

In local currency, Arcor s turnover increased by 14%, primarily due to customer and usage growth, partially offset by tariff decreases caused by the competitive market. The fixed line market leader continued to drive this intensive competition, although Arcor strengthened its position as the main competitor during the year, increasing its contract voice customers over the period. The number of customers of Arcor s ISDN service, Direct Access, increased by 86,000 to 476,000 in the last six months, and the number of DSL customers increased by 32% to 223,000 at 30 September 2004. Due to revenue growth and further cost efficiencies, profitability improved.

Asia Pacific

The Group disposed of its interests in Japan Telecom during the previous financial year and ceased consolidating the results of this business from 1 October 2003.

DEFINITION OF TERMS

These terms are not uniformly defined by all companies in the Group s industry. Accordingly, such measures may not be comparable with similarly titled measures and disclosures by other companies.

Term	Definition
Organic growth at constant exchange rates	The percentage movements in organic growth are presented to reflect operating performance on a comparable basis. Where a subsidiary or associated undertaking was newly acquired or disposed of in the current or prior period, the Group adjusts, under organic growth calculations, the results for the current and prior period to remove the amount the Group earned in both periods as a result of the acquisition or disposal of subsidiary or associated undertakings. Where the Group increases, or decreases, its ownership interest in an associated undertaking in the current or prior period, the Group s share of results for the prior period are restated at the current period s ownership level. A further adjustment in organic calculations excludes the effect of exchange rate movements by restating the current period s results as if they had been generated at the prior period s exchange rates. Management believe that these measures provide useful information to assist investors in assessing the Group s operating performance from period to period.
Customer	A customer is defined as a SIM, or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose (including data only usage) except telemetric applications. Telemetric applications include, but are not limited to, asset and equipment tracking, mobile payment / billing functionality (for example, vending machines and meter readings) and includes voice enabled customers whose usage is limited to a central service operation (for example, emergency response applications in vehicles).
Active customer	A customer who has made or received a chargeable event in the last three months.
Proportionate customers	The number of mobile customers in ventures in which the Group either has control or invests, based on the Group s ownership interests in such ventures.
ARPU	Total revenue excluding handset revenue and connection fees divided by the weighted average number of customers during the period. This performance indicator is commonly used in the mobile telecommunications industry and by Vodafone management to compare recurring revenue to prior periods and internal forecasts. Management believe that this measure provides useful information for investors regarding trends in customer revenue derived from mobile telecommunications services and the extent to which customers change their use of mobile services and the network from period to period.
Other revenue	Comprises all non-service revenue.
Net other revenue	This measure is presented in the trading results for the mobile telecommunications business and the Group s key markets. Net other revenue excludes revenue relating to acquisition and retention activities as such revenue is deducted from acquisition and retention costs in the trading results. The Group believes that this basis of presentation provides useful information for investors regarding trends in net subsidies with respect to the acquisition and retention of customers and facilitates comparability of results with other companies operating in the mobile telecommunications business.
Net acquisition costs	The total of connection fees, trade commissions and equipment costs, net of related revenue, relating to new customer connections. This performance indicator is commonly used in the mobile telecommunications industry and by Vodafone management to compare net subsidies provided to acquire customers to prior periods and internal forecasts. Management believe that this measure provides useful information for investors regarding trends in net subsidies to acquire customers for mobile telecommunications services from period to period.
Net retention costs	The total of connection fees, trade commissions and equipment costs, net of related revenue, relating to customer retention and upgrade. This performance indicator is commonly used in the mobile telecommunications industry and by Vodafone management to compare net subsidies provided to retain customers to prior periods and internal forecasts. Management believe that this measure provides useful information for investors regarding trends in net subsidies to retain customers for mobile telecommunications services from period to period.
Average monthly ARPU	Total ARPU in an accounting period divided by the number of months in the period.
Depreciation and amortisation	This measure includes the profit or loss on disposal of fixed assets but excludes goodwill amortisation.
Intra-segment turnover	Turnover between operating companies of the same business (mobile telecommunications or other operations) within the same reporting segment.
Inter-segment turnover	Turnover between operating companies of the same business (mobile telecommunications or other operations) in different reporting segments.

Non-voice service revenue	Comprises all service revenue that is not related to voice services including, but not limited to messaging, downloads, Internet browsing and other data services.
Messaging revenue	Messaging revenue includes all SMS and MMS revenue including wholesale messaging revenue, revenue from the use of messaging services by Vodafone customers roaming away from their home network and customers visiting the local network.
Data revenue	Data revenue includes all non-voice service revenue excluding messaging.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.

SUMMARY OF MOBILE TELECOMMUNICATIONS BUSINESSES   CUSTOMER INFORMATION AT 30 SEPTEMBER 2004

At 30 September 2004 Vodafone had approximately 146.7 million proportionate registered mobile customers, based on the Group s ownership interests in its subsidiary undertakings, associated undertakings and investments. There were approximately 398.5 million registered customers in ventures in which the Company either has control or invests. Active customers represented 93% of the total registered customer base in the Group s controlled mobile businesses at 30 September 2004, compared with 93% at 30 September 2003 and 94% at 31 March 2004.

COUNTRY	PERCENTAGE OWNERSHIP(1)	VENTURE CUSTOMERS (thousands)	REGISTERED PROPORTIONATE CUSTOMERS (thousands)
UK and Ireland			
UK	100.0%	14,600	14,600
Ireland	100.0%	1,890	1,890
TOTAL		**16,490**	**16,490**
NORTHERN EUROPE			
Germany	100.0%	26,092	26,092
Netherlands	99.9%	3,541	3,537
Sweden	100.0%	1,530	1,530
Hungary(3)	92.8%	1,615	1,498
Poland	19.6%	6,508	1,276
Switzerland	25.0%	3,945	986
Belgium	25.0%	4,336	1,084
France	43.9%	15,139	6,647
TOTAL		**62,706**	**42,650**
SOUTHERN EUROPE			
Italy	76.8%	21,686	16,654
Albania	99.7%	589	587
Greece	99.4%	3,727	3,704
Malta	100.0%	165	165
Portugal	100.0%	3,488	3,488
Spain	100.0%	10,452	10,452
Romania	20.1%	4,370	878
TOTAL		**44,477**	**35,928**
AMERICAS			
United States(2)	44.4%	**42,118**	**18,686**
ASIA PACIFIC			
Japan(3)	98.2%	15,123	14,851
Australia	100.0%	2,649	2,649
New Zealand	100.0%	1,757	1,757
Fiji	49.0%	133	65
China(3)	3.3%	194,382	6,356
TOTAL		**214,044**	**25,678**
MIDDLE EAST AND AFRICA			
Egypt	67.0%	3,197	2,142
Kenya	35.0%	1,932	676
South Africa(4)	32.9%	13,488	4,443
TOTAL			