

VODAFONE GROUP PUBLIC LTD CO

Form 6-K

November 15, 2006

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 November 15, 2006

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

Form 40-F

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.

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Yes

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

This Report on Form 6-K contains a news release issued by Vodafone Group Plc on, November 14 2006, entitled VODAFONE ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 .

VODAFONE GROUP PLC

**VODAFONE ANNOUNCES RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2006**

**Embargo:
Not for publication
before 07:00 hours
14 November 2006**

Highlights⁽¹⁾:

Group revenue of £15.6 billion, with organic growth of 4.1%

Profit before taxation for the period increased to £4.8 billion before impairment charges of £8.1 billion. Loss before taxation was £3.3 billion

Adjusted basic earnings per share increased by 17.7% to 5.98 pence, including the benefit from an interim adjusted effective tax rate of 29.2%. Basic loss per share from continuing operations of 8.02 pence

Free cash flow from continuing operations of £3.0 billion and net cash inflow from operating activities from continuing operations of £4.8 billion, after net taxation paid of £1.2 billion

Interim dividend per share increased by 6.8%, to 2.35 pence, giving a pay out of £1.2 billion

Outlook summary⁽²⁾:

No change to the full year organic proportionate mobile revenue growth range of 5% to 6.5% and proportionate organic mobile EBITDA margin expectations of around 1 percentage point lower than last year

Free cash flow from continuing operations outlook increased to an expected range of £4.7 billion to £5.2 billion due to the delayed settlement of certain long-standing tax issues

Capitalised fixed asset additions outlook unchanged with a range of £4.2 billion to £4.6 billion

Full year adjusted effective tax rate expected to be lower than previously indicated at around 30%. Longer term percentage rate now expected to be in the low 30 s

- (1) See page 4 for Group Financial and Operating Highlights, page 40 for use of non-GAAP financial information and page 41 for definition of terms
- (2) See page 39 for a cautionary statement on Forward-Looking Statements

Arun Sarin, Chief Executive, commented:

These results show that Vodafone is on track to deliver on its key targets for the current financial year. Competitive and regulatory pressures in the European region have been offset by strong performances in our developing markets and the United States. We have also made good progress since May in the execution of our new strategy and the response to our new products and services has been very encouraging.

CHIEF EXECUTIVE S STATEMENT

Vodafone has announced first half results showing progress in very competitive markets. Despite the pressures from competition and regulation, we continue to execute the strategy laid out to shareholders in May and are on track to meet our full year targets.

We have a unique franchise of international customers, with over 191 million proportionate mobile customers, of whom 147 million are in controlled or jointly controlled entities.

Proportionate mobile revenue for the first half of this financial year increased by 6% on an organic basis. The Europe region remains very competitive with flat organic growth year on year. Of our four principal markets, Germany, Italy and the UK saw declining total revenue after taking into account the impact of termination rate cuts, whilst Spain continued its strong progress, posting another period of double digit top line growth. Our high growth markets in the EMAPA region continued to perform well, growing organically at 13.7% year on year. Together with the US, where Verizon Wireless revenue grew 18.2% year on year in local currency, this strong performance helped to offset the lower growth in our more established markets.

Proportionate mobile EBITDA margins on an organic basis were only slightly lower year on year, though the mobile EBITDA margin is expected to fall by a larger amount year on year in the second half of the 2007 financial year.

Free cash flow from continuing operations was slightly lower at £3.0 billion in the first half of the financial year; a 6.9% increase in operating free cash flow was offset by higher tax payments of £1.2 billion.

Higher interest rates, along with pricing and continued regulatory pressures in the German market, led to an impairment charge of £8.1 billion in the total carrying value of goodwill in respect of our German and Italian operations.

In May this year, we announced five core strategic goals to drive forwards the financial and operating results of the Company:

Revenue stimulation and cost reduction in Europe

In our mature European markets, we are fighting the twin pressures of price erosion and regulation. The core strategy in this region is to stimulate revenue and cut costs.

Average monthly voice usage per customer in Europe is still below 150 minutes. Central to stimulating revenue is driving fixed to mobile substitution with larger minute bundles and innovative tariffs, prepaid to contract migrations and targeted promotions. In

Germany and the UK, new larger and better value bundles have been launched, maintaining competitiveness in the respective marketplaces. In Italy, revenue declines appear to be stabilising following a successful summer promotion. We are targeting fixed to mobile substitution through Vodafone At Home and similar offerings in Germany, Italy, the UK, Greece, Hungary and Portugal. Expansion of this offering will occur, with a further three countries expected to launch by the end of the current financial year. Building on our success in business, we continue to deliver leading edge services, such as Oficina Vodafone in Spain and applications using the benefits of mobile broadband following the introduction of HSDPA.

Progress has also been made on core cost reduction programmes which will demonstrate benefits over time. In outsourcing, we have chosen EDS and IBM to manage application development and maintenance services in a global IT outsourcing deal, which is expected to deliver 25% to 30% unit cost savings within three to five years. We continue to look at the cost of owning and maintaining networks, with recent announcements including 2G and 3G network sharing in Spain and entering into discussions on network sharing in the Czech Republic. We have also announced quicker than expected progress on data centre consolidation in Europe, where we expect to save costs of around 25% to 30% in two to three years.

Deliver strong growth in emerging markets

Our focus in emerging markets is to build on our strong track record of creating value, having delivered strong performances over time in markets such as Egypt and South Africa. This has continued in the first half of this financial year, with organic service revenue growth of 40.2% in Egypt and 20.8% in South Africa.

Our more recent acquisitions are performing very well, with first half year on year organic service revenue growth of 31.3% in Romania and 14.4% in the Czech Republic. In Turkey, we are very pleased with progress and the company is performing well ahead of its acquisition business plan. In India, organic revenue growth was greater than 50%. All of these performances are ahead of our expectations at the time of each acquisition.

Innovate and deliver on our customers' total communications needs

As customer needs are evolving, we are providing a sub-segment of our customer base with fixed broadband connectivity as part of a total telecommunications solution. This type of service will typically be provided using wholesale relationships with infrastructure providers and we have announced deals with BT in the UK, Fastweb in Italy and Arcor in Germany.

We are continuing to develop a mobile advertising revenue stream and in this respect we have announced today our intent to partner with Yahoo! in the UK. We are also developing products and services which will integrate the mobile and PC environments.

We will continue to pursue a mobile centric approach, focusing on the core benefits to customers of mobility and personalisation, and will resell fixed line technologies only according to customer needs.

Actively manage our portfolio to maximise returns

Vodafone will seek to invest only where we can generate superior returns for our shareholders in markets that offer a strong local position, with a focus on specific regions.

In keeping with this strategy, in the first half of the financial year we closed the sale of Vodafone Japan and recently completed the sale of our 25% stake in Proximus in Belgium for cash proceeds of 2 billion. For Proximus, this represented a good exit price with an enterprise value of 7.2 times forecast EBITDA for the current financial year. Most recently, we announced the proposed acquisition of up to a further 4.9% of Vodafone Egypt, increasing our exposure to this high growth market. We will continually review the countries in which we operate going forward.

Align capital structure and shareholder returns policy to strategy

In May this year, we outlined a new capital structure and returns policy commensurate with the operational strategy of the business. As a result, we are now targeting a low single A credit rating.

The Board also announced a targeted annual 60% payout of adjusted earnings per share in the form of dividends. We are announcing an interim dividend of 2.35 pence, up by 6.8% when compared to last year.

Having returned over £19 billion to shareholders, excluding dividends, in the last two financial years, we have no current plans for further share purchases or other one-off returns.

Prospects for the current year

Revenue progression remains in line with expectations and the Group continues to expect organic growth in proportionate mobile revenue to be in the range of 5% to 6.5% and proportionate mobile EBITDA margins to be around 1 percentage point lower than the 2006 financial year on an organic basis.

Free cash flow from continuing operations on an underlying basis is still expected to be in the range of £5.2 billion to £5.7 billion. As a result of a delay in the settlement of certain items, payments in respect of long standing tax issues are expected to be around £0.5 billion for this financial year, leading to an expected range of £4.7 billion to £5.2 billion for reported free cash flow from continuing operations.

Summary

We are successfully executing a clear five point strategy to provide long term value creation for our shareholders. The financial results for the first six months highlight that we are on track to deliver on our key full year targets. We will continue to deliver real value to customers that will enable us to achieve our targets in the face of tough competition and regulatory pressures.

Arun Sarin

GROUP FINANCIAL AND OPERATING HIGHLIGHTS

Continuing operations⁽¹⁾⁽²⁾:	Page	2006 £m	2005 £m	Change % Reported	Organic
- Financial information					
Revenue	21	15,594	14,548	7.2	4.1
Operating (loss)/profit	21	(2,952)	4,286		
(Loss)/profit before taxation	21	(3,330)	3,911		
(Loss)/profit for the period	21	(4,548)	2,629		
Basic (loss)/earnings per share (pence)	21	(8.02)p	4.07p		
Capitalised fixed asset additions		1,824	1,750	4.2	
Net cash flow from operating activities	19	4,840	5,227	(7.4)	
- Performance reporting⁽³⁾					
Group EBITDA	7	6,242	5,907	5.7	2.8
Adjusted operating profit	7	5,141	4,782	7.5	7.4
Adjusted profit before tax	17	4,724	4,558	3.6	
Adjusted effective tax rate	17	29.2%	31.5%		
Adjusted profit for the period attributable to equity shareholders	29	3,441	3,237	6.3	
Adjusted basic earnings per share (pence)	29	5.98p	5.08p	17.7	
Free cash flow	19	2,955	3,252	(9.1)	
Net debt at 30 September	19	20,229	13,421	50.7	
Continuing operations⁽¹⁾⁽²⁾:	Page	2006 Million	2005 Million	Change % Reported	Organic
Operational (4)(5)					
Vodafone live! - Closing active devices	44	30.7	22.2	38.3	
Closing 3G registered devices	44	10.9	3.3	230.3	
Closing Vodafone Mobile Connect data cards		1.0	0.6	66.7	
Mobile voice usage (minutes)	48	112,649	84,077	34.0	18.2

The interim results have been prepared in accordance with International Financial Reporting Standards (IFRS) (including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, and as interpreted by any regulatory bodies applicable to the Group) and adopted for use in the European Union (EU).

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This interim results announcement contains certain information on the Group's results and cash flows that have been derived from amounts calculated in accordance with IFRS but are not themselves IFRS measures. They should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be read in conjunction with the equivalent IFRS measure. Further disclosures are provided under Use of Non-GAAP Financial Information on page 40.

See page 41 for definition of terms

- (1) Excluding the results of discontinued operations. See note 9 to the interim consolidated financial statements
- (2) Amounts presented as at 30 September or for the six months then ended
- (3) These measures are stated excluding impairment losses, non-recurring amounts related to business acquisitions and disposals, changes in the fair value of equity put rights and similar arrangements and net foreign exchange gains and losses on certain financial instruments and intercompany borrowings
- (4) Cumulative number as at 30 September
- (5) Figures represent 100% of subsidiary information and a pro-rata share in joint ventures

GROUP PROPORTIONATE INFORMATION

	2006 £m	2005 £m	Change % £	Organic
<u>Financial Information</u>				
Revenue				
Europe				
- Germany	2,827	2,913	(3.0)	
- Italy	2,174	2,240	(2.9)	
- Spain	2,268	1,968	15.2	
- UK	2,549	2,568	(0.7)	
- Other Europe	2,230	2,457	(9.2)	
Less: revenue between Europe operations	(218)	(197)		
	11,830	11,949	(1.0)	0.6
EMAPA				
- Subsidiaries and joint ventures	2,867	1,865	53.7	
- Associated undertakings and investments	6,712	6,092	10.2	
Less: revenue between EMAPA operations	(6)	(5)		
	9,573	7,952	20.4	13.7
Other ⁽¹⁾	606	528	14.8	
Eliminations	(112)	(114)		
Group Continuing operations	21,897	20,315	7.8	6.2
Mobile operations Continuing operations	21,263	19,798	7.4	6.0
EBITDA				
Europe				
- Germany	1,263	1,353	(6.7)	
- Italy	1,128	1,207	(6.5)	
- Spain	813	721	12.8	
- UK	785	781	0.5	
- Other Europe	819	849	(3.5)	
	4,808	4,911	(2.1)	(1.6)
EMAPA				
- Subsidiaries and joint ventures	988	657	50.4	
- Associated undertakings and investments	2,689	2,344	14.7	
	3,677	3,001	22.5	17.5
Other ⁽¹⁾	301	243	23.9	
Group - Continuing operations	8,786	8,155	7.7	6.2
Mobile operations - Continuing operations	8,656	8,090	7.0	5.6
			Percentage Points	Percentage Points
EBITDA margin				
Europe				

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- Germany	44.7%	46.4%	(1.7)	
- Italy	51.9%	53.9%	(2.0)	
- Spain	35.8%	36.6%	(0.8)	
- UK	30.8%	30.4%	0.4	
- Other Europe	36.7%	34.6%	2.1	
	40.6%	41.1%	(0.5)	
EMAPA				
- Subsidiaries and joint ventures	34.5%	35.2%	(0.7)	
- Associated undertakings and investments	40.1%	38.5%	1.6	
	38.4%	37.7%	0.7	
Group EBITDA margin - Continuing operations	40.1%	40.1%		
Mobile EBITDA margin - Continuing operations	40.7%	40.9%	(0.2)	(0.1)

(1) Other operations include the Group's fixed line operator in Germany, Arcor, and common functions which represent revenue from Partner Markets and unallocated central Group income and expenses

Proportionate information is presented and calculated on the basis described on page 37. See page 41 for definition of terms

	2006 Million	2005 Million	Reported	Change % Organic
<u>Mobile customers</u>				
Net proportionate customer additions ⁽¹⁾	12.0	10.1	18.8	
Proportionate customers at 30 September	191.6	156.3	22.6	13.9

(1) Excludes additions from acquisitions and stake changes and the impact of a change in the application of the disconnection policy. Further analysis is provided on page 43

Customers are presented for continuing operations. See page 41 for definition of terms

OUTLOOK

Please see Forward-Looking Statements on page 39, Use of non-GAAP financial information on page 40 and definition of terms on page 41.

	2007 financial year
	Outlook
Organic proportionate mobile revenue growth ⁽¹⁾	5% to 6.5%
Organic proportionate mobile EBITDA margin ⁽¹⁾	Around 1 percentage point lower than 2006 financial year
Free cash flow from continuing operations*	£4.7 to £5.2 billion
Capitalised fixed asset additions	£4.2 to £4.6 billion
Adjusted effective tax rate ⁽²⁾	Around 30%

* Stated after an estimated £0.5 billion of tax payments, including associated interest, in respect of a number of long standing tax issues

(1) Assumes constant exchange rates and excludes the impact of business acquisitions and disposals for the financial measures and adjusted to reflect like-for-like ownership levels in both years

(2) See page 17 for adjusted effective tax rate calculation

For the year ending 31 March 2007 (2007 financial year)

The Group continues to expect organic growth in proportionate mobile revenue to be in the range of 5% to 6.5%.

Proportionate mobile EBITDA margin is also still expected to be around 1 percentage point lower than the year ending 31 March 2006 (2006 financial year) on an organic basis, excluding the impact of any one-off business restructuring costs.

In line with the outlook provided on 30 May 2006, proportionate mobile EBITDA margin is expected to fall by a larger amount year on year for the second half of the 2007 financial year than for the first half of the 2007 financial year. This is primarily as a result of the timing of commercial initiatives, including pricing changes, in Europe and in particular in Germany and the UK.

The Group expects capitalised fixed asset additions to still be in the range of £4.2 billion to £4.6 billion, which is higher than the 2006 financial year due to the effect of recently completed acquisitions and disposals and the Group's rollout of HSDPA.

Free cash flow from continuing operations is still anticipated to be in the range of £5.2 billion to £5.7 billion before tax payments and associated interest in respect of the potential settlement of a number of long standing tax issues. Due to a delay in the settlement of some of these issues, tax payments and associated interest in the current financial year are now expected to be approximately £0.5 billion, giving an expected range of £4.7 billion to £5.2 billion for reported free cash flow from continuing operations. The

Group still expects significant cash tax and associated interest payments over the next few years in respect of these long standing issues, although certain settlements may be later than previously anticipated.

The effective tax rate for the year is expected to be similar to the 2006 financial year at around 30%, slightly higher than in the first half of the financial year due to the net benefit of one-off items recorded in full in the first half. The Group now expects its longer term effective tax rate percentage to be in the low 30 s, having previously anticipated this in the mid 30 s.

The Group continues to maintain its existing provision in respect of the ongoing enquiry by HM Revenue & Customs with regard to the application of the UK Controlled Foreign Company (CFC) legislation to the Group, as described in the Group s Annual Report for the year ended 31 March 2006. A recent judgment in a similar case in the European Court of Justice has provided guidance to the UK courts and whilst it may be some time before the enquiry is finally resolved, the Group has not made any additional provision.

For the year ending 31 March 2008 (2008 financial year)

In order to simplify its financial reporting and improve understanding of its results, the Group will be moving to a single basis of statutory reporting and will no longer provide proportionate financial information with effect from the 2008 financial year. The Group s outlook statement will also change to reflect only statutory financial measures. The full outlook for the 2008 financial year will be provided with the preliminary results of the 2007 financial year in May 2007.

Revenue stimulation and cost reduction

The Group continues to anticipate delivering benefits through its One Vodafone initiatives equivalent to at least 1% additional revenue market share in the 2008 financial year compared with the 2005 financial year, which the Group is measuring in Germany, Italy, Spain and the UK against its principal competitors.

Capitalised fixed asset additions are expected to be 10% of revenue in the 2008 financial year for the total of the Group s Europe region and common functions, which will require reducing expenditure in that year by approximately £400 million to £500 million when compared with the 2006 financial year.

Assuming no significant changes in exchange rates and after adjusting for acquisitions and disposals, the Group expects operating expenses to be broadly stable in the 2008 financial year when compared with the 2006 financial year for the total of its Europe region and common functions, excluding the potential impact from developing and delivering new services and from any business restructuring costs.

BUSINESS REVIEW

In April 2006, the Group announced changes to the organisational structure of its operations, effective from 1 May 2006. The following results are presented for continuing operations in accordance with the new organisation structure. Europe includes the results of the Group's mobile operations in Western Europe, while EMAPA includes the Group's operations in Eastern Europe, the Middle East, Africa, Asia and the Pacific area and the Group's associates. Other operations comprise the Group's common functions and its fixed line business in Germany.

	Europe	EMAPA	Other	Eliminations	2006	2005	% change	
	£m	£m	£m	£m	£m	£m	£	Organic
Voice revenue	9,006	2,436		(72)	11,370	10,771	5.6	2.4
Messaging revenue	1,458	331		(3)	1,786	1,613	10.7	6.3
Data revenue	603	56		(9)	650	504	29.0	30.0
Fixed line and DSL revenue		34	706	(14)	726	603	20.4	14.0
Total service revenue	11,067	2,857	706	(98)	14,532	13,491	7.7	4.4
Acquisition revenue	457	176			633	603	5.0	
Retention revenue	174	8			182	202	(9.9)	
Other revenue	132	34	86	(5)	247	252	(2.0)	
Total revenue	11,830	3,075	792	(103)	15,594	14,548	7.2	4.1
Interconnect costs	(1,760)	(520)	(172)	98	(2,354)	(2,256)	4.3	1.8
Other direct costs	(780)	(353)	(121)	5	(1,249)	(1,032)	21.0	10.5
Acquisition costs	(1,158)	(313)	(40)		(1,511)	(1,418)	6.6	4.5
Retention costs	(763)	(91)	(43)		(897)	(924)	(2.9)	(2.1)
Operating expenses	(2,561)	(698)	(82)		(3,341)	(3,011)	11.0	8.1
EBITDA	4,808	1,100	334		6,242	5,907	5.7	2.8
Acquired intangibles amortisation	(8)	(189)			(197)	(52)	278.8	
Purchased licence amortisation	(443)	(24)			(467)	(471)	(0.8)	
Depreciation and other amortisation	(1,365)	(364)	(115)		(1,844)	(1,773)	4.0	
Share of result in associates	2	1,405			1,407	1,171	20.2	23.6
Adjusted operating profit	2,994	1,928	219		5,141	4,782	7.5	7.4
Adjustments for:								
- Impairment losses	(8,100)				(8,100)	(515)		
- Other			1		1	-		
- Non-operating income of associates		6			6	19		
Operating (loss)/profit	(5,106)	1,934	220		(2,952)	4,286		

GROUP RESULTS

Revenue increased by 7.2% to £15,594 million for the six months ended 30 September 2006, resulting from organic growth of 4.1% and the impact from the acquisitions in the Czech Republic, Turkey and India, the stake increases in Romania and South Africa and the disposal of the Group's operations in Sweden of 3.4%, partially offset by the impact of unfavourable movements in exchange rates of 0.3%.

The EMAPA region accounted for more than 70% of the organic growth in revenue, with the Europe region and other operations also growing organically, whilst the EMAPA region accounted for all the growth in reported revenue.

Adjusted operating profit increased by 7.5% to £5,141 million, with organic growth of 7.4%. The EMAPA region achieved organic growth of 26.1%, partially offset by a decline in profitability in the Europe region due to the challenges of increased competition, high penetration and termination rate cuts. Unfavourable exchange rate movements reduced reported growth for the Group by 0.5%, whilst the net impact of acquisition and disposal activity and the classification of the Group's associated undertaking in Belgium as held for sale following announcement on 25 August 2006 of the agreement to sell the Group's 25% interest in Proximus to Belgacom, improved reported growth by 0.6%.

The Group recorded an impairment charge of £8,100 million in relation to the carrying value of goodwill in the Group's operations in Germany (£6,700 million) and Italy (£1,400 million) following an increase in long term interest rates, along with increased price competition and continued regulatory pressures in the German market. The increase in long term interest rates, which led to higher discount rates, resulted in a reduction in value of £3,700 million. The impairment charge was the primary reason for the operating loss of £2,952 million for the current period compared with an operating profit of £4,286 million for the six months to 30 September 2005.

EUROPE

	Germany	Italy	Spain	UK	Other	Eliminations	Europe	% change		
	£m	£m	£m	£m	£m	£m	£m	£	Organic	
Six months ended 30 September 2006										
Voice revenue	2,114	1,732	1,738	1,846	1,743	(167)	9,006	(2.4)	(0.7)	
Messaging revenue	386	275	190	365	256	(14)	1,458	2.9	3.7	
Data revenue	190	89	122	134	91	(23)	603	27.2	29.1	
Total service revenue	2,690	2,096	2,050	2,345	2,090	(204)	11,067	(0.4)	1.1	
Acquisition revenue	71	57	153	120	56		457	(5.6)		
Retention revenue	17	20	62	29	46		174	(12.1)		
Other revenue	49	1	3	55	24		132	(12.0)		
Total revenue	2,827	2,174	2,268	2,549	2,216	(204)	11,830	(1.0)	0.6	
Interconnect costs	(363)	(326)	(349)	(489)	(437)	204	(1,760)	(3.1)	(1.1)	
Other direct costs	(167)	(111)	(174)	(209)	(119)		(780)	5.0	6.4	
Acquisition costs	(274)	(114)	(323)	(292)	(155)		(1,158)	(1.9)	0.6	
Retention costs	(182)	(62)	(183)	(186)	(150)		(763)	(9.6)	(7.7)	
Operating expenses	(578)	(433)	(426)	(588)	(536)		(2,561)	4.4	7.7	
EBITDA	1,263	1,128	813	785	819		4,808	(2.1)	(1.6)	
Acquired intangibles amortisation				(4)	(4)		(8)	166.7		
Purchased licence amortisation	(172)	(37)	(34)	(166)	(34)		(443)			
Depreciation and other amortisation	(367)	(252)	(194)	(297)	(255)		(1,365)	(4.6)		
Share of result in associates					2		2	(33.3)		
Adjusted operating profit	724	839	585	318	528		2,994	(1.5)	(2.7)	
EBITDA margin	44.7%	51.9%	35.8%	30.8%	37.0%	40.6%				
Six months ended 30 September 2005										
Voice revenue	2,225	1,816	1,546	1,864	1,923	(148)	9,226			
Messaging revenue	408	262	162	334	253	(2)	1,417			
Data revenue	128	81	89	119	84	(27)	474			
Total service revenue	2,761	2,159	1,797	2,317	2,260	(177)	11,117			
Acquisition revenue	72	46	123	152	91		484			
Retention revenue	31	30	47	31	59		198			
Other revenue	49	5	1	68	27		150			
Total revenue	2,913	2,240	1,968	2,568	2,437	(177)	11,949			
Interconnect costs	(394)	(366)	(323)	(438)	(472)	177	(1,816)			
Other direct costs	(144)	(122)	(155)	(180)	(142)		(743)			
Acquisition costs	(251)	(85)	(246)	(368)	(231)		(1,181)			
Retention costs	(211)	(71)	(161)	(230)	(171)		(844)			
Operating expenses	(560)	(389)	(362)	(571)	(572)		(2,454)			
EBITDA	1,353	1,207	721	781	849		4,911			
Acquired intangibles amortisation				(2)	(1)		(3)			
Purchased licence amortisation	(171)	(37)	(34)	(166)	(33)		(441)			
Depreciation and other amortisation	(407)	(247)	(158)	(293)	(326)		(1,431)			
Share of result in associates					3		3			
Adjusted operating profit	775	923	529	320	492		3,039			

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EBITDA margin	46.4%	53.9%	36.6%	30.4%	34.8%		41.1%												
	%	%	%	%	%														
Change at constant exchange rates																			
Voice revenue	(5.4)	(5.1)	11.9	(1.0)	(9.8)														
Messaging revenue	(5.8)	4.8	16.6	9.3	0.4														
Data revenue	48.4	8.3	36.2	12.6	8.3														
Total service revenue	(3.0)	(3.4)	13.5	1.2	(8.0)														
Acquisition revenue	(1.7)	22.5	24.4	(21.1)	(39.6)														
Retention revenue	(46.4)	(32.7)	29.9	(6.5)	(22.0)														
Other revenue	0.3	(85.1)		(19.1)	(11.1)														
Total revenue	(3.4)	(3.4)	14.7	(0.7)	(9.6)														
Interconnect costs	(8.4)	(11.3)	7.6	11.6	(7.8)														
Other direct costs	15.2	(9.3)	11.6	16.1	(16.2)														
Acquisition costs	8.9	32.2	30.6	(20.7)	(33.5)														
Retention costs	(14.3)	(13.2)	13.2	(19.1)	(12.8)														
Operating expenses	2.8	10.9	16.9	3.0	(7.0)														
EBITDA	(7.0)	(7.0)	12.2	0.5	(4.0)														
Acquired intangibles amortisation				100.0															
Purchased licence amortisation					300.0														
Depreciation and other amortisation	(11.0)	(1.7)	18.0	1.4	(22.5)														
Share of result in associates																			
Adjusted operating profit	(6.9)	(9.3)	10.0	(0.6)	7.3														
EBITDA margin movement	(1.7)	(2.0)	(0.8)	0.4	2.2														

			Germany	Italy	Spain	UK	Other	Europe
KPIs								
Closing customers ('000)		- 2006	29,622	19,337	14,024	16,287	16,257	95,527
		- 2005	28,259	17,884	12,418	15,764	16,630	90,955
Average monthly ARPU		- 2006	22.3	27.3	35.9	£24.1	£21.9	
		- 2005	24.4	30.1	37.1	£24.9	£23.5	
Annualised blended churn (%)		- 2006	21.4%	21.3%	28.9%	35.2%	26.3%	
		- 2005	18.5%	18.0%	21.2%	32.7%	23.7%	
Closing 3G devices ('000)		- 2006	2,724	2,830	1,739	1,348	1,726	10,367
		- 2005	815	1,044	315	438	695	3,307
Voice usage (millions of minutes) - 2006			15,593	15,737	14,511	14,786	14,120	74,747
		- 2005	12,784	14,337	11,507	13,747	13,927	66,302
See page 41 for definition of terms								

The Europe region continues to be a challenging environment as a result of intense competition from established mobile operators and new market entrants, coupled with penetration rates exceeding 100% in many markets, and continuing regulator-imposed rate reductions on incoming calls. The strategy for the region is, therefore, to focus on stimulating additional voice and data usage in a way that enhances customer value and revenue. This includes extending the current mobile only offering by innovating and delivering total communications solutions, whilst continuing to leverage regional scale to reduce the cost structure.

Revenue

Total revenue fell slightly in the six months ended 30 September 2006, consisting of a 0.6% growth on an organic basis and a 0.4% impact from favourable exchange rate movements, offset by a 2.0% decline following the disposal of the Group's operations in Sweden in January 2006. The organic growth in total revenue arose from a 7.9% increase in the average customer base, driven by competitively priced tariffs, successful promotions and innovative services, partially offset by pressures on pricing and termination rate cuts. The estimated impact of termination rate cuts and other non-recurring adjustments on the growth in total revenue in the current period is as follows:

	Total revenue growth at constant exchange rates %	Impact of disposals %	Estimated impact of termination rate cuts and other adjustments(1) on total revenue growth %	Underlying total revenue growth %	Underlying service revenue growth %
Germany	(3.4)	—	3.6	0.2	0.7
Italy	(3.4)	—	6.5	3.1	3.3
Spain	14.7	—	4.9	19.6	18.9
UK	(0.7)	—	0.3	(0.4)	1.6
Other Europe	(9.6)	9.8	3.2	3.4	5.0
Europe —	(1.4)	2.0	3.6	4.2	5.0

Total

Note:

(1) Revenue for certain arrangements is now presented net of associated direct costs

Service revenue increased by 1.1% on an organic basis due to growth in the customer base, which was partially offset by a decline in ARPU. Reported growth showed a slight decline, with strong growth in Spain and certain markets in Other Europe offset by slight declines in Germany and Italy.

Competitive offerings have contributed to the growth in average customers in Europe, with particularly strong rises in Spain and Greece, with the former also benefiting from favourable mobile number portability results. A continuing focus on customer retention has led to contract churn falling in many markets, whilst prepaid churn has risen due to intensified competition from existing network operators and new virtual network operators, as well as being influenced by customer self-upgrades in a number of markets. In Spain and Other Europe, churn has been impacted by certain one-off adjustments from a change in the application of the Group's policy on customer disconnections. Excluding the resulting one-off disconnections, blended churn would have been 20.3% and 24.5% for Spain and Other Europe, respectively.

The service revenue growth in Spain resulted from the increase in the average customer base, up 16.9% in the period, driven by successful promotions and competitive tariffs, targeted at both the consumer and business segments. This growth was complemented by a strong handset portfolio which has resulted in more than 60% of gross additions joining as 3G customers, and led to a market leading share of net additions in the first half of the financial year. In Other Europe, service revenue growth was 2.1% excluding the impact of the disposal of Sweden, mainly due to service revenue growth in Greece and Portugal of 4.0% and 5.1% respectively, in local currency, primarily resulting from increases in respective customer bases, offset by a small decline in the Netherlands, principally from the impact of a termination rate cut. The decreases in service revenue experienced in Germany and Italy were driven by termination rate cuts and the impact of competition. The underlying trend was relatively stable in Germany, whilst in Italy the trend improved when comparing year on year growth in the second quarter of the period to the first quarter. Voice usage in Italy benefited from a successful summer promotion for

which 2.8 million customers registered. The voice promotion allowed customers to make free voice calls to other Vodafone customers for a monthly fee.

Both Germany and the UK recently announced tariff changes to maintain competitiveness in their respective marketplaces. In Germany, larger and better value bundles, which now include calls to customers of other mobile operators and new flat rate plans with unlimited calls and text messages to other Vodafone and fixed line customers, are now available. These tariff changes contributed to the impairment loss in Germany in the period. In the UK, bigger bundles with more choice are available for contract customers that allow them to add extra minutes, extra texts or extra entertainment, without adding anything extra to the cost of their bill.

Voice revenue

Demand stimulation initiatives and targeted promotions, along with the growth in the customer base, led to a 19.9% increase in outgoing voice minutes on an organic basis. In particular, Vodafone Zuhause in Germany and Vodafone Casa in Italy, which promote fixed to mobile substitution in the home, and summer promotions in Spain and in Italy, all contributed to strong growth in outgoing minutes to both fixed line numbers and other Vodafone customers. These additional voice minutes contributed to interconnect costs falling as a percentage of voice revenue. Total voice usage in the UK increased due to the ongoing impact of the Stop the Clock proposition and an offer to prepaid customers, launched in July 2006, providing free weekend calls and text messages if they spend a minimum amount during weekdays. This offer had benefited more than 600,000 customers by 30 September 2006.

This increased voice usage was partially offset by the impact of pricing pressures from increased competition and resulted in a 2.6% increase in outgoing voice revenue compared with the same period last year, excluding the impact of the disposal of the Swedish operation.

Incoming voice revenue decreased as growth in incoming voice minutes from other mobiles was more than offset by termination rate cuts in many of the markets in the Europe region. In Italy, termination rates were reduced from 12.1 eurocents per minute to 11.2 eurocents per minute in July 2006 and the regulator has indicated further reductions in both July 2007 and 2008. A further termination rate cut has been announced in Spain, with a cut of 7% to 11.35 eurocents per minute effective from October 2006, along with a target to lower the average rate to 7 eurocents per minute by April 2009.

The volume of roaming minutes increased by 15.9% on an organic basis compared with the same period last year, driven by an increased customer base and the success of Vodafone Passport, which enables customers to take their domestic price plan abroad for a small connection fee per call. Data for June and July 2006 showed that Vodafone Passport customers paid approximately 50% less per minute for their voice roaming calls when compared to the average cost of roaming in the summer of 2005. Roaming revenue increased by 0.4%, excluding the impact of the disposal of the Swedish operations, as price declines were offset by higher usage. The average cost of a voice roaming call for these customers is now below 45 eurocents per minute. At 30 September 2006, almost 9 million customers in the Group's controlled operations in the Europe region had signed up to Vodafone Passport.

Total voice revenue decreased by 2.4% as the decline in incoming revenue outweighed the revenue from increased outgoing voice traffic. On an organic basis, voice revenue decreased by 0.7% compared with the same period last year, which includes a 3.3% decline from the impact of termination rate cuts.

Non-voice revenue

Messaging revenue rose by 2.9%, or 3.7% on an organic basis. This increase was mainly attributable to increased messaging volumes in Spain and the UK where increased average customer bases, competitively priced offerings and targeted promotions encouraged usage growth. In Germany, the success of voice offerings impacted messaging volumes resulting in a small decline in messaging revenue.

Data revenue increased by 27.2%, or 29.1% on an organic basis, with the primary driver being an additional 7.1 million 3G devices registered on the Group's networks since 30 September 2005, bringing the total to 10.4 million devices, and in particular, the increase in devices in the business segment. Particularly strong growth was experienced in Germany and Spain where specific promotions encouraged increased usage, whilst both of these markets benefited from growth in the use of Vodafone Mobile Connect data cards. The business segment is the impetus behind this growth in data usage with a number of markets offering flat rate tariff options. Additionally, the launch of HSDPA technology in six European markets assisted in increasing penetration of Vodafone Mobile Connect data cards and has also resulted in their increased usage. In Italy and the UK, 70% and 60%, respectively, of all Vodafone Mobile Connect data cards sold are now HSDPA enabled. In the consumer segment, Germany has had particular success from bundling data services with a new contract tariff which encourages data usage by offering free mobile TV, surfing the Vodafone live! portal and music downloads for a flat fee each month.

Adjusted operating profit

Adjusted operating profit fell by 1.5%, or 2.7% on an organic basis with the disposal of Sweden being the primary difference, whilst the EBITDA margin decreased by 0.5 percentage points, or by 0.9 percentage points on an organic basis. Growth in operating expenses was the principal driver for the reduction in the EBITDA margin. However, this was partially offset by an improvement in operating expenses for common functions, excluding certain non-recurring items, as discussed on page 16.

Increased centralisation of functions, which is expected to demonstrate benefits over time, higher marketing and distribution costs, including additional investment in publicity and Vodafone's own direct sales channels, and a higher charge for the use of brand and related trademarks in Italy, have all contributed to higher operating expenses.

Acquisition and retention costs have remained relatively stable on an organic basis, with increases in the volume of additions in Italy, and additions and upgrades in Spain, being offset by a reduction in sales in the indirect channel in the UK and changes to the sales mix in Greece and the Netherlands. The small rise in interconnect costs on an organic basis was driven by the increase in outgoing call volumes, partially offset by decreases in termination rates and by an improving outgoing call mix.

In Germany, the EBITDA margin was impacted by additional intercompany recharges, presented within operating expenses, from the centralisation of data centre operations, which were offset by a similar reduction in depreciation expense. A higher proportion of contract additions in the indirect sales channel offset by lower interconnect costs from the termination rate cut also contributed to the fall in the EBITDA margin. Excluding restructuring costs of £11 million and the impact of the data centre change, operating expenses fell due to cost efficiencies.

Higher charges for brand and related trademarks in Italy, introduced in the second half of the previous financial year, reduced the EBITDA margin by approximately 1.0 percentage point. Centralisation of the local data centre in the second quarter of the current financial year and additional publicity expenditure also impacted the margin.

In Spain, a higher proportion of contract additions and higher total gross additions were the main drivers in the 0.8 percentage point reduction in the EBITDA margin. Operating expenses were broadly stable as a percentage of revenue.

Increased voice usage, with a rise in the proportion of calls made to customers of other mobile networks, has led to a rise in interconnect costs in the UK, though the impact on EBITDA margin was offset by savings from targeted acquisition and retention investment. Savings in operating expenses from continuous cost reduction have been reinvested, particularly in increased publicity spending.

In October 2006, Vodafone agreed terms with Phones 4u, a leading independent mobile retailer in the UK, to be the exclusive third party retailer for Vodafone contract customers in the UK high street. As a result, indirect connection commissions in the second half of the current financial year are expected to be similar to those in the same period in the previous financial year. Vodafone expects to deliver greater value to customers acquired through the indirect channel through a closer working relationship with Phones 4u and better targeted propositions.

On an organic basis, adjusted operating profit in Other Europe grew by 2.5%, whilst the EBITDA margin was broadly stable.

Europe targets

The Group has set targets in respect of revenue market share, operating expenses and capitalised fixed asset additions. The operating expense and capitalised fixed asset additions targets relate to the Europe region and common functions in aggregate. Progress against the revenue market share target is measured by tracking performance in Germany, Italy, Spain and the UK against the Group's principal competitors. The targets are detailed in the Outlook on page 6.

During the first half of the 2007 financial year, the implementation of a range of group wide initiatives and cost saving programmes commenced, designed to deliver savings in the 2008 financial year and beyond. The key initiatives are as follows:

The application development and maintenance initiative is focusing on driving cost and productivity efficiencies through outsourcing the application development and maintenance for key IT systems. In October 2006, the Group announced that EDS and IBM had been selected to provide application development and maintenance services to separate groupings of operating companies within the Vodafone Group and terms were agreed with EDS and IBM on 2 November 2006. The Group currently anticipates that this initiative will result in greater economies of scale and improved quality of software produced, as well as greater flexibility, leading to the faster rollout of more varied services to customers.

The supply chain management initiative focuses on centralising network related supply chain management activities and leveraging Vodafone's scale in purchasing activities. Through the standardisation of designs and driving scale strategies in material categories, the Group is aiming to increase the proportion of purchasing performed globally. In the core networks area, the Group is introducing new suppliers and alternative transmission technologies aimed at reducing costs.

The IT operations initiative has created a shared service organisation to support the business with innovative and customer focused IT services. This organisation is aiming to consolidate localised data centres into regionalised northern and southern centres and to consolidate hardware, software, maintenance and system integration suppliers to provide high quality IT infrastructure, services and solutions.

The Group has commenced a three year business transformation programme to implement a single integrated operating model, supported by a single ERP system covering HR, finance and supply chain functions. The programme is expected to provide improved information for decision making and reduced operating costs in the longer term, though additional investment, including restructuring expenditure, will be required in the near term.

In summer 2006, the Group undertook a review of the organisation and of its central functions and the balance between Group and locally managed activities, resulting in operating expenditure savings and the reduction of over 500 positions in the corporate centre.

Many of the Group's operating companies are participating in external benchmarking studies and using the results to target local cost reductions. Initiatives that have been implemented to date include reductions to planned network rollout, outsourcing and off shoring of customer services operations, property rationalisation, replacing leased lines with owned transmission, network site sharing and renegotiation of supplier contracts and service agreements.

Mobile Plus strategy

To encourage further revenue growth within the Europe region, the Group announced in May 2006, as part of the Group's Mobile Plus strategy, the intention to focus on extending Vodafone's service offerings in the home and in the office, including the provision of DSL.

The Vodafone At Home proposition is a series of initiatives and tariffs aimed at generating additional mobile usage in the home area by specifically targeting the substitution of fixed line usage to mobile. The offerings in Germany, Vodafone Zuhause, and in Italy, Vodafone Casa, proved popular, with 1,378,000 and 362,000 customers respectively by the end of September 2006. These customers are generating higher voice usage and ARPU than previously, demonstrating the success of this proposition. Vodafone Casa was also launched in Portugal in October 2006.

Vodafone Office is an office-based proposition that provides alternatives to the fixed line network, by offering the opportunity to reduce the number of fixed desk phones and encouraging fixed to mobile substitution in the office. A closed user group tariff, allowing employees to call each other for a flat monthly fee, is a key part of the offer. The number of Oficina Vodafone customers in Spain at the end of September 2006 was 713,000.

In the second quarter of the financial year, it was announced that these services would be expanded to include a DSL option in conjunction with Arcor, the Group's fixed line operator in Germany, and Fastweb, Italy's leading alternative broadband provider.

During September 2006, Vodafone UK announced a partnership with BT for the provision of fixed line and DSL services, which will be available to Vodafone consumer contract customers in early 2007.

Vodafone Germany has also signed an agreement with an advertising agency as an initial step in facilitating revenue generation from advertising on the Vodafone live! portal.

EMAPA

	Eastern Europe £m	Middle East Africa & Asia £m	Pacific £m	Associates US £m	Associates Other £m	EMAPA £m	% change £	Organic
Six months ended 30								
September 2006								
Voice revenue	951	1,027	458			2,436	50.7	19.6
Messaging revenue	147	66	118			331	68.9	28.2
Data revenue	25	11	20			56	47.4	38.3
Fixed line and DSL revenue		34				34	—	—
Total service revenue	1,123	1,138	596			2,857	54.4	20.8
Acquisition revenue	23	105	48			176	46.7	
Retention revenue	8	—	—			8	100.0	
Other revenue	8	4	22			34	(2.9)	
Total revenue	1,162	1,247	666			3,075	53.1	20.8
Interconnect costs	(217)	(178)	(125)			(520)	47.7	22.0
Other direct costs	(141)	(112)	(100)			(353)	73.9	14.9
Acquisition costs	(91)	(144)	(78)			(313)	51.2	19.9
Retention costs	(31)	(36)	(24)			(91)	111.6	88.6
Operating expenses	(278)	(246)	(174)			(698)	47.6	12.6
EBITDA	404	531	165			1,100	50.5	23.1
Acquired intangibles amortisation	(127)	(61)	(1)			(189)	285.7	
Purchased licence amortisation	(8)	(9)	(7)			(24)	(20.0)	
Depreciation and other amortisation	(151)	(122)	(91)			(364)	35.8	
Share of result in associates	—	—	—	1,015	390	1,405	20.3	23.7
Adjusted operating profit	118	339	66	1,015	390	1,928	24.2	26.1
EBITDA margin	34.8%	42.6%	24.8%			35.8%		
Six months ended 30								
September 2005								
Voice revenue	513	643	460			1,616		
Messaging revenue	59	37	100			196		
Data revenue	14	5	19			38		
Fixed line and DSL revenue	—	—	—			—		
Total service revenue	586	685	579			1,850		
Acquisition revenue	22	64	34			120		
Retention revenue	4	—	—			4		
Other revenue	6	6	23			35		
Total revenue	618	755	636			2,009		
Interconnect costs	(130)	(104)	(118)			(352)		
Other direct costs	(35)	(68)	(100)			(203)		
Acquisition costs	(62)	(87)	(58)			(207)		
Retention costs	(18)	(15)	(10)			(43)		
Operating expenses	(139)	(151)	(183)			(473)		
EBITDA	234	330	167			731		
Acquired intangibles amortisation	(49)	—	—			(49)		
Purchased licence amortisation	(6)	(16)	(8)			(30)		
Depreciation and other amortisation	(89)	(78)	(101)			(268)		
Share of result in associates	—	—	—	772	396	1,168		
Adjusted operating profit	90	236	58	772	396	1,552		
EBITDA margin	37.9%	43.7%	26.3%			36.4%		
	%	%	%	%	%			
Change at constant exchange rates								
Voice revenue	88.9	66.2	7.0					
Messaging revenue	149.2	83.3	28.3					
Data revenue	78.6	120.0	11.1					

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Fixed line and DSL revenue	—	—	—		
Total service revenue	95.1	72.9	10.6		
Acquisition revenue	4.5	78.0	45.5		
Retention revenue	100.0	—	—		
Other revenue	33.3	(20.0)	4.8		
Total revenue	91.1	72.7	12.1		
Interconnect costs	69.5	79.8	12.6		
Other direct costs	314.7	72.3	7.5		
Acquisition costs	51.7	75.6	41.8		
Retention costs	72.2	140.0	166.7		
Operating expenses	104.4	70.8	1.2		
EBITDA	74.9	68.0	6.5		
Acquired intangibles amortisation	159.2	—	—		
Purchased licence amortisation	60.0	(43.8)	—		
Depreciation and other amortisation	73.6	62.7	(3.2)		
Share of result in associates	—	—	—	33.7	(0.8)
Adjusted operating profit	31.1	50.7	24.5	33.7	(0.8)
EBITDA margin movement	(3.2)	(1.2)	(1.3)		

	2006				2005			
	Pacific	Eastern Europe	Middle East Africa & Asia	EMAPA	Pacific	Eastern Europe	Middle East Africa & Asia	EMAPA
KPIs								
Closing customers ('000)	5,423	25,879	24,169	55,471	5,059	11,119	13,266	29,444
Average monthly ARPU	£18.5	£9.3	£6.9		£19.8	£10.8	£10.0	
Annualised blended churn (%)	40.7%	21.2%	45.1%		39.5%	24.1%	19.5%	
3G devices ('000)	534	2	–	536	17	–	–	17
Voice usage (millions of minutes)	5,402	15,296	17,204	37,902	4,583	5,873	7,319	17,775

See page 41 for definition of terms

Vodafone's strategy in the EMAPA region is to build on the Group's strong track record of creating value in emerging markets, having delivered strong performances over time in markets such as Egypt and South Africa. Selective opportunities will be sought to increase the Group's emerging markets footprint as well as taking opportunities to increase stakes in existing markets, with a view to gaining control where possible over time.

EMAPA continues to perform strongly, principally driven by the emerging markets, and has benefited from the prior year acquisitions in the Czech Republic and India, as well as the stake increases in Romania and South Africa. However, reported growth has been impacted by adverse exchange rate movements.

On 24 May 2006, the Group completed the acquisition of the trade and assets of Telsim, the number two operator in Turkey, from the Turkish Savings and Deposit Insurance Fund, for consideration of approximately US\$4.7 billion. The results of Telsim are included in Eastern Europe from the completion date.

Revenue

Total revenue increased by 53.1%, or 20.8% on an organic basis, driven by organic service revenue growth of 20.8%. The impact of the acquisitions in the Czech Republic, India and Turkey, as well as the stake increases in Romania and South Africa, increased reported revenue growth by 39.0%, with the impact of unfavourable exchange rate movements of 6.7% accounting for the remaining difference between reported and organic growth.

A 33.9% organic increase in average customers, or 93.8% including the impact of acquisitions and stake increases, along with the success of usage stimulation initiatives, were the primary reasons for the increase in service revenue, offset by declining ARPU in a number of markets from the increasing proportion of lower usage prepaid customers. Particularly strong customer growth was achieved in Eastern Europe and Middle East, Africa and Asia, where markets are typically less penetrated than in Western Europe or the Pacific area.

Eastern Europe

In Eastern Europe, the acquisitions in the Czech Republic, Romania and Turkey were the key drivers of growth in service revenue.

In the Czech Republic, an introductory offer to try Vodafone's services for free, a summer promotion for new customers and the launch of new consumer and business tariffs, all contributed to an increase in customers and 14.4% growth in service revenue in local currency, assuming the Group's equity interest is reflected in the whole of the previous period.

The launch of an innovative proposition in Romania, which provides more flexibility for prepaid customers by allowing the validity period of SIM cards between top ups to be extended, has had a significant positive impact on prepaid churn and, along with continued customer growth and a 2.0% rise in ARPU, contributed to a 31.3% organic increase in local currency service revenue. The expansion of the 3G network, targeted promotional offers, the launch of HSDPA and increased sales of Vodafone Mobile Connect data cards led to strong growth in data revenue in Romania and consolidated Vodafone's market leadership in the business segment.

The Group's acquisition in Turkey has performed ahead of the Group's expectations at the time of the completion of the auction. Improving network quality has contributed to 11.4% customer growth in a little over four months since acquisition and combined with some tariff increases has led to strong revenue growth.

Middle East, Africa and Asia

Underlying service revenue growth in the Group's operations in the Middle East, Africa and Asia was also strong.

A combination of usage initiatives and tariff changes in the prepay market contributed to the local currency service revenue growth of 40.2% in Egypt.

The launch of several products, services and promotions, including new prepaid top-up packages, new bundled tariffs and Vodafone Simply, contributed to 24.9% organic growth in the customer base of Vodacom and its subsidiaries, and drove a 20.8% organic rise in service revenue. The growth in the customer base excluded the impact of a change in the application of the disconnection policy. Excluding the resulting one-off disconnections, blended churn for Middle East, Africa and Asia would have been 36.9% in the current period, which was higher than in the previous period following the impact of the Group's acquisition in India.

The newly acquired interest in Bharti Airtel, which operates in India and is accounted for as a joint venture, continued to perform well, with strong growth in customer numbers and revenue.

Pacific

Service revenue growth in the Group's operations in the Pacific area was impacted by a decrease in New Zealand's service revenue due to increased competition and a termination rate cut at the end of the last financial year. Excluding the impact of the termination rate cut, service revenue for the Pacific area would have increased by 4.5%. In Australia, local currency service revenue growth of 16.1% was achieved from the rise in the customer base, strong prepaid usage and a focus on higher value customers, particularly with new connections of contract customers, contributing to an increase in ARPU.

Adjusted operating profit

Adjusted operating profit increased by 24.2%, or 26.1% on an organic basis, with the impact of unfavourable exchange rate movements impacting growth by 2.7%. The net impact of the acquisitions, disposals and stake increases improved reported growth by 0.8%. The EBITDA margin fell by 0.6 percentage points principally due to the lower margins of the newly acquired operations and increased by 0.7 percentage points on an organic basis.

The acquisitions in the Czech Republic, India and Turkey, and the stake increases in South Africa and Romania, led to the rise in acquired intangibles amortisation. These acquisitions, combined with the continued expansion of network infrastructure in the region, including 3G and HSDPA upgrades, led to the rise in depreciation charges.

Eastern Europe

The impact of the newly acquired operations led to a 3.1 percentage point decrease in the EBITDA margin in Eastern Europe. An annual regulatory fee in Turkey amounting to 15% of revenue impacted direct costs in the current period. Loyalty programmes were made available through indirect channels in Romania, leading to a strong positive impact on churn along with increased investment in retention. The decrease in margin was partly offset by a reduction in acquisition costs in Romania which resulted from a higher proportion of sales made through direct channels.

Middle East, Africa and Asia

The EBITDA margin in Egypt was broadly stable despite the significant customer and revenue growth which, combined with a modest increase in depreciation expense, led to strong operating profit growth.

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Growth in reported operating profit in South Africa was impacted by 9.0% from adverse exchange rate movements. Despite increased competition and focused investment in retention activities, the EBITDA margin was broadly stable due to savings in operating expenses.

Pacific

Investment in higher value customers in Australia, particularly targeted at the contract segment, led to an improvement in revenue and lower contract churn, and was the key driver in an increase in local currency EBITDA and adjusted operating profit, although the additional investment contributed to a fall in the EBITDA margin in both Australia and the Pacific area as a whole.

Associates

	2006			2005			% change	
	Verizon Wireless £m	Other £m	Total £m	Verizon Wireless £m	Other £m	Total £m	Verizon Wireless £	Verizon Wireless \$
Share of result of associates								
Operating profit	1,214	563	1,777	952	576	1,528	27.5	29.7
Interest	(94)	(7)	(101)	(100)	(12)	(112)	(6.0)	(4.5)
Tax	(73)	(166)	(239)	(54)	(176)	(230)	35.2	37.0
Minority interest	(32)	–	(32)	(26)	8	(18)	23.1	27.2
	1,015	390	1,405	772	396	1,168	31.5	33.7
Verizon Wireless (100% basis)								
Total revenue (£m)	10,327			8,891				
EBITDA margin (%)	38.7%			37.1%				
Closing customers (000)	56,747			49,291				
Average monthly ARPU (\$)	52.6			51.6				
Blended churn (%)	14.2%			15.1%				
Non-voice revenue as a percentage of service revenue (%)	12.9%			7.5%				

The US market produced another period of strong customer growth, with penetration reaching an estimated 75% at 30 September 2006. Verizon Wireless, the Group's associated undertaking in the US, continued to perform well, achieving an estimated 38% share of net additions in the period, whilst maintaining its US mobile telecommunications industry leading EBITDA margin position. The strong net additions performance was achieved through a combination of growth in the number of new customer additions and lower customer churn driven by improvements in customer loyalty. The resulting

increase in the customer base together with an increase in ARPU led to a 17.9% growth in service revenue. ARPU growth was driven by the success of data services, with Verizon Wireless leveraging the strength of its wireless data product portfolio and wireless broadband (EV-DO) network coverage by obtaining exclusive handset distribution rights for iconic handsets in the US.

Cost and revenue initiatives led to an improvement in the adjusted operating profit margin. The Group's share of the tax attributable to Verizon Wireless for the six months ended 30 September 2006 relates only to the corporate entities held by the Verizon Wireless partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.

Verizon Wireless consolidated its spectrum position during the six month period with the acquisition of spectrum covering the eastern half of the US and Hawaii for \$2.8 billion, through the FCC's Advanced Wireless Services auction which completed on 18 September 2006, licences for which are expected to be granted in late 2006 or early 2007.

The Group's associated undertakings in EMAPA have been impacted by intense competition and reductions in termination rates, similar to the experience of the Groups' businesses in the Europe region, which has had a negative impact on revenue and margins. SFR, the Group's associated undertaking in France, reported slight growth in revenue due to good customer and usage growth offset by the aforementioned pressures, but a marginal decrease in operating profit, principally as a result of additional overheads to support both customer growth and increased licence fees.

Vivendi Universal reports its third quarter results including those of SFR on 16 November 2006.

Investments

China Mobile, in which the Group has a 3.27% stake and is accounted for as an investment, increased its customer base by 10.2% in the period to 287.1 million. Dividends of £57 million were received in the six months ended 30 September 2006.

OTHER

Financial Highlights

	2006			2005			% change	
	Common Functions £m	Other Operations £m	Total £m	Common Functions £m	Other Operations £m	Total £m	Common Functions £	Other Operations £
Revenue	86	706	792	70	622	692	22.9	13.5
Direct costs	—	(376)	(376)	—	(343)	(343)	—	9.6
Operating expenses	122	(204)	(82)	112	(196)	(84)	8.9	4.1
EBITDA	208	126	334	182	83	265	14.3	51.8
	(72)	(43)	(115)	(29)	(45)	(74)	148.3	(4.4)

Depreciation and other amortisation								
Adjusted operating profit	136	83	219	153	38	191	(11.1)	118.4

Common functions represents the results of Partner Markets and the net result of unallocated central Group costs and recharges to the Group's operations. Adjusted operating profit has been impacted in the current period by restructuring costs incurred in the central functions, principally marketing and technology, which amounted to £30 million.

Other operations comprise the Group's interest in the fixed line telecommunications business in Germany, Arcor. In local currency, Arcor's revenue increased by 13.1%, primarily due to customer and usage growth, partially offset by tariff decreases in a competitive market. The incumbent fixed line market leader continued to drive intensive competition, although Arcor further strengthened its position as the main competitor. Contract ISDN voice customers increased in the current period by 58%, to 1,765,000, and DSL customers by 80%, to 1,554,000. Together with an additional 122,000 DSL-R customers, which is a DSL product from Deutsche Telekom resold under the Arcor brand in areas where Arcor does not have a fixed line infrastructure, Arcor increased its share of the DSL market to 12%. Revenue growth and cost efficiencies led to an improvement in the EBITDA margin to 17.8%.

In October 2006, the Group announced an organisational change to its New Business and Innovation team. This will result in Arcor becoming part of the Europe region. The Group's preliminary announcement of results for the year ending 31 March 2007 will present restated trading results for the Europe region reflecting this change.

FINANCIAL UPDATE**INCOME STATEMENT****Investment income and Financing costs**

	Six months to 30 September 2006 £m	Six months to 30 September 2005 £m
Investment income	425	165
Financing costs	(813)	(540)
	(388)	(375)
Analysed as:		
- Net financing costs before dividends from investments	(264)	(141)
- Potential interest charges arising on settlement of outstanding tax issues	(202)	(124)
- Changes in fair value of equity put rights and similar arrangements (see note 5)	21	(151)
- Dividends from investments	57	41
	(388)	(375)

Net financing costs before dividends from investments increased by 87.2% to £264 million following an increase in average net debt of 21.5%, a change in the currency mix, higher interest rates for euro and US dollar denominated debt and adverse mark to market adjustments on financial instruments in the current financial year. At 30 September 2006, the provision for potential interest charges arising on settlement of outstanding tax issues was approximately £1.0 billion.

Taxation

	Six months to 30 September 2006 £m	Six months to 30 September 2005 £m
Tax on (loss)/profit	1,218	1,282
Share of associated undertakings tax	240	232
Tax on items not related to underlying business performance	2	—
Adjusted tax on (loss)/profit	1,460	1,514
(Loss)/profit before tax	(3,330)	3,911
Adjustments:		

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-	Share of associated undertakings non-operating income	(6)	(19)
-	Impairment losses	8,100	515
-	Other income and expense	(1)	-
-	Non-operating income and expense	(10)	-
-	Change in fair value of equity put rights and similar arrangements	(21)	151
-	Foreign exchange(1)	(8)	-
	Adjusted profit before tax	4,724	4,558
	Add: Share of associated undertakings tax and minority interest	271	250
	Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	4,995	4,808
	Adjusted effective tax rate	29.2%	31.5%

Note:

(1) 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, which completed in April 2006.

The adjusted effective tax rate for the six months ended 30 September 2006 was 29.2% compared with 31.5% for continuing operations in the prior period. This is based on the expected effective tax rate for the year ending 31 March 2007 of around 30%, which is lower than the Group's long term effective tax rate as a result of one-off events noted below.

During the period, the Group pursued an opportunity to claim additional tax deductions introduced by the Italian government, resolved a number of historic tax issues following discussions with tax authorities, and has not made additional provision for the ongoing UK CFC enquiry.

The Group continues to maintain its existing provision in respect of the ongoing enquiry by HM Revenue & Customs with regard to application of the UK CFC legislation to the Group, as described in the Group's Annual Report for the year ended 31 March 2006. A recent judgment in a similar case in the European Court of Justice has provided guidance to the UK courts but it may be some time before the enquiry is finally resolved.

Discontinued operations

On 17 March 2006, the Group announced that an agreement had been reached to sell its 97.7% interest in Vodafone Japan to SoftBank. This resulted in the Group's operations in Japan being classified as an asset held for sale and being presented as a discontinued operation in the 2006 Annual Report. The disposal was completed on 27 April 2006.

The loss includes the cumulative exchange differences previously recognised in other recognised income and expense from 1 April 2004 through to 27 April 2006.

	Six months to 30 September 2006 £m
Profit for the period from operations	111
Loss on disposal ⁽¹⁾	(747)
Taxation	145
Loss from discontinued operations	(491)

Note:

(1) Includes £794 million of foreign exchange differences transferred to the income statement on disposal

(Loss)/earnings per share from continuing operations

Adjusted earnings per share increased by 17.7% from 5.08 pence to 5.98 pence for the six months ended 30 September 2006. Basic earnings per share from continuing operations fell from 4.07 pence to a loss per share of 8.02 pence for the current period.

Adjusted earnings per share is stated before charges of 14.08 pence per share in relation to an impairment of the carrying value of goodwill and credits of 0.03 pence per share for non-operating income, 0.04 pence per share for the change in fair value of equity put rights and similar arrangements and 0.01 pence per share for other items.

Total shareholder returns

Dividends

The Company provides returns to shareholders through dividends. The Company has historically paid dividends semi-annually, with a regular interim dividend in respect of the first six months of the financial year payable in February and a final dividend payable in August. The directors expect that the Company will continue to pay dividends semi-annually.

In considering the level of dividends, the Board takes account of the outlook for earnings growth, operating cash flow generation, capital expenditure requirements, acquisitions and divestments, together with the amount of debt. Accordingly, the directors announce an interim dividend of 2.35 pence per share, representing a 6.8% increase over last year's interim dividend. The Board has also indicated that its ongoing target dividend pay-out ratio is approximately 60%, being the interim and proposed final dividends per share as a percentage of adjusted earnings per share from continuing operations. The pay-out ratio for the 2006 financial year was 60%.

The ex-dividend date is 22 November 2006 for ordinary shareholders, the record date for the interim dividend is 24 November 2006 and the dividend is payable on 2 February 2007.

Special distribution of £9 billion

On 17 March 2006, the Group stated that it would make a special distribution to shareholders of approximately £6 billion. Through targeting a low single A credit rating, on 30 May 2006 the Group announced that it would return a further £3 billion to shareholders, resulting in a total distribution of approximately £9 billion in the form of a B share arrangement. This equated to 15 pence per share.

The B share arrangement was approved at an Extraordinary General Meeting of the Company on 25 July 2006. Payment in respect of redemption of the B share arrangement was made in August 2006 and all but £33 million of the total amount payable had been settled as at 30 September 2006. During such time that the remaining B shares are outstanding, they will accrue a non-cumulative dividend at the rate of 75% of sterling LIBOR, payable semi-annually in arrears until redemption. The Company has the right to redeem all remaining B shares by 5 August 2008.

Other returns

As a result of targeting a lower credit rating and the £9 billion special distribution, the Group has no current plans for further share purchases or other one off shareholder returns. The Board will periodically review the free cash flow, anticipated cash requirements, dividends, credit profile and gearing of the Group and consider additional shareholder returns.

CASH FLOWS AND FUNDING

During the six months ended 30 September 2006, net cash inflow from operating activities fell by 18.2% to £4,975 million and generated £2,947 million of free cash flow, as analysed in the following table:

	Six months to 30 September 2006 £m	Six months to 30 September 2005 £m	%
Net cash inflow from operating activities	4,975	6,084	(18.2)
Continuing operations	4,840	5,227	(7.4)
Discontinued operations	135	857	
Add: Taxation	1,217	667	
Purchase of intangible fixed assets	(298)	(252)	
Purchase of property, plant and equipment	(1,892)	(2,328)	
Disposal of property, plant and equipment	11	10	
Operating free cash flow	4,013	4,181	(4.0)
Continuing operations	4,021	3,761	6.9
Discontinued operations	(8)	420	
Taxation	(1,217)	(667)	
Dividends received from associated undertakings ⁽¹⁾	371	375	
Dividends paid to minority shareholders in subsidiary undertakings	(34)	(21)	
Dividends received from investments	57	41	
Interest received	256	135	
Interest paid	(499)	(349)	
Free cash flow	2,947	3,695	(20.2)
Continuing operations	2,955	3,252	(9.1)
Discontinued operations	(8)	443	

Note:

(1) Six months ended 30 September 2006 includes £240 million (2005: £295 million) from the Group's interest in SFR and £119 million (2005: £79 million) from the Group's interest in Verizon Wireless

An analysis of net debt for continuing operations is as follows:

30 September 2006 £m	31 March 2006 £m
-------------------------------------	---------------------------------

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Cash and cash equivalents (as presented in the consolidated cash flow statement)	776	2,932
Bank overdrafts	13	18
Cash and cash equivalents for discontinued operations	—	(161)
Cash and cash equivalents (as presented in the consolidated balance sheet)	789	2,789
Trade and other receivables ⁽¹⁾	317	310
Trade and other payables ⁽¹⁾	(207)	(219)
Short-term borrowings	(4,114)	(3,448)
Long-term borrowings	(17,014)	(16,750)
	(21,018)	(20,107)
Net debt as extracted from the consolidated balance sheet	(20,229)	(17,318)

Note:

(1) Certain mark to market adjustments on financing instruments are included within trade and other receivables and trade and other payables

The Group revised its credit rating target when it announced its results on 30 May 2006 and now targets low single A long term credit ratings from Moody's, Fitch Ratings and Standard & Poor's, respectively. Credit ratings are not a recommendation to purchase, hold or sell securities, in as much as ratings do not comment on market price or suitability for a particular investor, and are subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently.

The Group's credit ratings enable it to have access to a wide range of debt finance, including commercial paper, bonds and committed bank facilities. In aggregate, the Group has committed facilities of approximately £7,864 million, of which £5,976 million was undrawn and £1,888 million drawn at 30 September 2006. The undrawn facilities include a \$5.0 billion Revolving Credit Facility that matures in June 2012 and a \$5.9 billion Revolving Credit Facility that matures in June 2009. Both facilities support US and euro commercial paper programmes of up to \$15 billion and £5 billion respectively. At 30 September 2006, \$512 million (£274 million) was outstanding under the US commercial paper programme and £30 million and \$1,004 million (£680 million) were outstanding under the euro commercial paper programme. Other undrawn facilities of £126 million are specific to the Group's subsidiary in Egypt.

The Group has a 25 billion Euro Medium Term Note (EMTN) programme and a \$12 billion US shelf programme which are used to meet medium to long term funding requirements. In the six months ended 30 September 2006, bonds with a nominal value of £1,766 million were issued under the EMTN programme. The bonds issued during the six months ended 30 September 2006 were as follows:

Date bond issued	Maturity of bond	Currency	Amount million	US shelf programme or Euro Medium Term Note (EMTN) Programme
14 June 2006	14 June 2016	EUR	300	EMTN Programme
14 June 2006	13 January 2012	EUR	1,000	EMTN Programme
10 August 2006	10 January 2013	AUD	265	EMTN Programme
29 August 2006	13 January 2012	EUR	300	EMTN Programme
5 September 2006	5 September 2013	EUR	850	EMTN Programme

At 30 September 2006, the Group had bonds outstanding with a nominal value of £16,032 million.

SIGNIFICANT TRANSACTIONS

The Group's net cash inflow resulting from acquisition and disposal activities, including the purchase and disposal of investments, in the six months ended 30 September 2006 was £4,060 million⁽¹⁾ .. An analysis of the significant transactions and the changes to the Group's effective interest in the entities is shown below:

	£m
Acquisitions:	
Telsim Mobil Telekomunikasyon Hizmetleri (from nil to 100% of trade and assets) ⁽²⁾	2,547
Disposals:	
Vodafone Japan (from 97.7% to nil)	(6,810)
Other net acquisitions and disposals, including investments	203
	(4,060)

Notes:

(1) Amounts are shown net of cash and cash equivalents acquired

(2) Discussed in more detail on page 31

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On 25 August 2006, the Group announced the sale of its 25% interest in Proximus, the Group's associated undertaking in Belgium, for consideration of 2.0 billion. The sale completed on 3 November 2006. The sale proceeds will be used to reduce the Group's net indebtedness. Vodafone and Proximus have signed a revised long term partner market arrangement in Belgium, allowing Proximus and Vodafone customers to continue to benefit from Vodafone's global products and services. The two companies will also continue to co-operate in serving international corporate customers.

SUBSEQUENT EVENTS

On 8 November 2006, the Group announced its intention to launch a tender offer for an additional 4.9% of the shares in Vodafone Egypt for a maximum possible consideration of approximately £108 million. Telecom Egypt has given an irrevocable undertaking to accept the tender in respect of at least 3.97% and up to 4.69% of the shares in Vodafone Egypt. If fully accepted, this tender offer will take Vodafone's shareholding in its Egyptian subsidiary to 55%, with a further 45% held by Telecom Egypt. Subject to regulatory approvals, the tender offer is expected to be launched later in November 2006. Vodafone and Telecom Egypt also announced they have entered into a strategic partnership to increase co-operation between both parties and to jointly develop a range of products and services for the Egyptian market.

CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 30 September 2006 £m	Six months to 30 September 2005 £m	Year ended 31 March 2006 £m
Revenue	2	15,594	14,548	29,350
Cost of sales		(9,022)	(8,399)	(17,070)
Gross profit		6,572	6,149	12,280
Selling and distribution expenses		(1,038)	(940)	(1,876)
Administrative expenses		(1,800)	(1,595)	(3,416)
Share of result in associated undertakings		1,413	1,187	2,428
Impairment losses		(8,100)	(515)	(23,515)
Other income and expense		1		15
Operating (loss)/profit	2	(2,952)	4,286	(14,084)
Non-operating income and expense		10		(2)
Investment income		425	165	353
Financing costs		(813)	(540)	(1,120)
(Loss)/profit before taxation		(3,330)	3,911	(14,853)
Tax on (loss)/profit	4	(1,218)	(1,282)	(2,380)
(Loss)/profit for the period from continuing operations		(4,548)	2,629	(17,233)
(Loss)/profit from discontinued operations		(491)	189	(4,588)
(Loss)/profit for the period		(5,039)	2,818	(21,821)
Attributable to:				
Equity shareholders		(5,105)	2,775	(21,916)
Minority interests		66	43	95
Basic (loss)/earnings per share from continuing operations	5	(8.02)p	4.07p	(27.66)p
Diluted (loss)/earnings per share from continuing operations	5	(8.02)p	4.06p	(27.66)p
Basic (loss)/earnings per share on (loss)/profit for the period	5	(8.88)p	4.36p	(35.01)p
Diluted (loss)/earnings per share on (loss)/profit for the period	5	(8.88)p	4.35p	(35.01)p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

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	Six months to 30 September 2006 £m	Six months to 30 September 2005 £m	Year ended 31 March 2006 £m
Gains on revaluation of available-for-sale investments	641	572	705
Exchange differences on translation of foreign operations	(3,293)	448	1,494
Actuarial gains/(losses) on defined benefit pension schemes	18		(30)
Asset revaluation surplus			112
Transfer to the income statement on disposal of foreign operations	794		36
Net (loss)/gain recognised directly in equity	(1,840)	1,020	2,317
(Loss)/profit for the period	(5,039)	2,818	(21,821)
Total recognised income and expense relating to the period	(6,879)	3,838	(19,504)
Attributable to:			
Equity shareholders	(6,931)	3,784	(19,607)
Minority interests	52	54	103

CONSOLIDATED BALANCE SHEET

	Notes	30 September 2006 £m	30 September 2005 £m	31 March 2006 £m
Non-current assets				
Goodwill		44,330	81,919	52,606
Other intangible assets		16,203	15,873	16,512
Property, plant and equipment		13,248	17,844	13,660
Investments in associated undertakings		21,879	22,063	23,197
Other investments		3,762	1,859	2,119
Deferred tax assets		450	973	140
Post employment benefits		33	19	19
Trade and other receivables		466	217	361
		100,371	140,767	108,614
Current assets				
Inventory		356	536	297
Taxation recoverable		2	68	8
Trade and other receivables		4,963	6,068	4,438
Cash and cash equivalents		789	1,400	2,789
		6,110	8,072	7,532
Assets included in disposal group held for resale				
		914		10,592
Total assets		107,395	148,839	126,738
Equity				
Called up share capital	10	4,166	4,292	4,165
Share premium account	10	43,443	52,401	52,444
Own shares held	10	(8,153)	(7,608)	(8,198)
Additional paid in capital	10	100,191	100,100	100,152
Capital redemption reserve	10	9,121		128
Accumulated other recognised income and expense	11	2,264	2,790	4,090
Retained losses	12	(83,656)	(38,204)	(67,356)
Total equity shareholders funds		67,376	113,771	85,425
Minority interests		197	(115)	(113)
Total equity		67,573	113,656	85,312
Non-current liabilities				
Long-term borrowings		17,014	13,945	16,750
Deferred tax liabilities		4,901	5,241	5,670
Post employment benefits		107	128	120
Trade and other payables		567	469	566
Provisions for other liabilities and charges		273	340	265
		22,862	20,123	23,371
Current liabilities				
Short-term borrowings:				
Third parties		3,539	1,256	3,070

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Related parties	575	770	378
Current taxation liabilities	4,911	4,639	4,448
Trade and other payables	7,768	8,212	7,477
Provisions for other liabilities and charges	167	183	139
	16,960	15,060	15,512
Liabilities included in disposal group held for resale			2,543
Total equity and liabilities	107,395	148,839	126,738

CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months to 30 September 2006 £m	Six months to 30 September 2005 £m	Year ended 31 March 2006 £m
Net cash flows from operating activities	7	4,975	6,084	11,841
Cash flows from investing activities				
Purchase of interests in subsidiary undertakings and joint ventures, net of cash acquired		(2,585)	(1,887)	(4,186)
Disposal of interests in subsidiary undertakings, net of cash disposed		6,799		599
Purchase of intangible fixed assets		(298)	(252)	(690)
Purchase of property, plant and equipment		(1,892)	(2,328)	(4,481)
Purchase of investments		(154)	(1)	(57)
Disposal of property, plant and equipment		11	10	26
Disposal of investments			1	1
Dividends received from associated undertakings		371	375	835
Dividends received from investments		57	41	41
Interest received		256	135	319
Net cash flows from investing activities		2,565	(3,906)	(7,593)
Cash flows from financing activities				
Issue of ordinary share capital and re-issue of treasury shares		39	274	356
Net movement in short-term borrowings		426		708
Proceeds from issue of long-term borrowings		2,451	765	5,256
Repayment of borrowings		(453)	(1,121)	(1,371)
Loans repaid to associated undertakings			(47)	(47)
Purchase of treasury shares		(43)	(2,750)	(6,457)
B share capital redemption		(5,707)		
B share preference dividends paid		(3,286)		
Equity dividends paid		(2,315)	(1,382)	(2,749)
Dividends paid to minority shareholders in subsidiary undertakings		(34)	(21)	(51)
Interest paid		(499)	(349)	(721)
Net cash flows from financing activities		(9,421)	(4,631)	(5,076)
Net decrease in cash and cash equivalents		(1,881)	(2,453)	(828)
Cash and cash equivalents at beginning of the period		2,932	3,726	3,726
Exchange (losses)/gains on cash and cash equivalents		(275)	90	34
		776	1,363	2,932

**Cash and cash equivalents at end of the
period**

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1 Basis of preparation

The unaudited Interim Consolidated Financial Statements (Interim Consolidated Financial Statements) for the six months ended 30 September 2006 have been prepared on a basis consistent with the accounting policies set out in Vodafone Group Plc's Annual Report for the year ended 31 March 2006. The Interim Consolidated Financial Statements should therefore be read in conjunction with the 2006 Annual Report.

The Interim Consolidated Financial Statements for the six months ended 30 September 2006, which were approved by the Board of directors on 14 November 2006, do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The information relating to the year ended 31 March 2006 is an extract from the published Annual Report for that year, which has been delivered to the Registrar of Companies, and on which the Auditors' Report was unqualified and did not contain statements under section 237(2) or 237(3) of the UK Companies Act 1985.

The Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) (including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, and as interpreted by any regulatory bodies applicable to the Group as adopted for use in the European Union (EU), the Companies Act 1985 and Article 4 of the IAS Regulations, and on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

The Interim Consolidated Financial Statements for the six months ended 30 September 2006, and for the six months ended 30 September 2005, have been prepared by the Group in accordance with IAS 34 Interim Financial Reporting . IFRS differs in certain material respects from US GAAP (see note 15).

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

In May 2006, the Group announced changes to the organisational structure of its operations, effective from 1 May 2006. The segmental analysis in note 2 is presented in accordance with the new organisation structure.

Amounts in the Interim Consolidated Financial Statements are stated in pounds sterling (£), unless otherwise stated.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

2 Segmental and other analyses

The Group's principal business is the supply of telecommunications services and products. The Group's analyses of revenue and operating profit for discontinued operations are shown in note 9. Analyses of revenue and operating profit by geographical region for the Group's continuing operations are as follows:

Six months ended 30 September 2006

	Segment revenue £m	Subsidiaries £m	Joint ventures £m	Eliminations £m	Common functions ⁽¹⁾ £m	Intra- region revenue £m	Regional revenue £m	Inter- region revenue £m	Net revenue £m
Revenue									
Germany	2,827					(29)	2,798	(42)	2,756
Italy	2,174					(27)	2,147	(3)	2,144
Spain	2,268					(65)	2,203	(2)	2,201
UK	2,549					(29)	2,520	(5)	2,515
Other Europe	2,216					(54)	2,162	(2)	2,160
Europe	12,034	9,865	2,174	(5)		(204)	11,830	(54)	11,776
Eastern Europe	1,162						1,162	(16)	1,146
Middle East, Africa and Asia	1,247						1,247	(5)	1,242
Pacific	666						666	(4)	662
EMAPA	3,075	2,051	1,030	(6)			3,075	(25)	3,050
Other	706	706			86		792	(24)	768
	15,815	12,622	3,204	(11)	86	(204)	15,697	(103)	15,594

	Segment result £m	Subsidiaries £m	Joint ventures £m	Associates £m	Common functions ⁽¹⁾ £m	Operating (loss)/profit £m	Other adjustments ⁽²⁾ £m	Adjusted operating profit £m
Adjusted operating profit								

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Germany	(5,976)				(5,976)	6,700	724
Italy	(561)				(561)	1,400	839
Spain	585				585		585
UK	318				318		318
Other Europe	528				528		528
Europe	(5,106)	(4,547)	(561)	2	(5,106)	8,100	2,994
Eastern Europe	118				118		118
Middle East, Africa and Asia	339				339		339
Pacific	66				66		66
Associates - US	1,021				1,021	(6)	1,015
Associates - Other	390				390		390
EMAPA	1,934	308	215	1,411	1,934	(6)	1,928
Other	83	83			137	220	(1)
	(3,089)	(4,156)	(346)	1,413	137	(2,952)	8,093
							5,141

Notes:

(1) Common functions represents results from Partner Markets and unallocated central Group income and expenses

(2) Comprises impairments to the carrying value of goodwill relating to the mobile operations in Germany and Italy amounting to £8,100 million offset by £6 million of non-operating income in relation to the Group's associated undertakings and £1 million of other items

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

2 Segmental and other analyses (continued)

Six months ended 30 September 2005

	Segment revenue £m	Subsidiaries £m	Joint ventures £m	Eliminations £m	Common functions ⁽¹⁾ (£m)	Intra- region revenue £m	Regional revenue £m	Inter- region revenue £m	Net revenue £m
Revenue									
Germany	2,913					(25)	2,888	(56)	2,832
Italy	2,240					(22)	2,218	(3)	2,215
Spain	1,968					(58)	1,910	(1)	1,909
UK	2,568					(25)	2,543	(4)	2,539
Other Europe	2,437					(47)	2,390	(1)	2,389
Europe	12,126	9,892	2,240	(6)		(177)	11,949	(65)	11,884
Eastern Europe	618						618	(4)	614
Middle East, Africa and Asia	755						755	(5)	750
Pacific	636						636	(5)	631
EMAPA	2,009	1,383	632	(6)			2,009	(14)	1,995
Other	622	622			70		692	(23)	669
	14,757	11,897	2,872	(12)	70	(177)	14,650	(102)	14,548

	Segment result £m	Subsidiaries £m	Joint ventures £m	Associates £m	Common functions ⁽¹⁾ £m	Operating profit /(loss) £m	Other adjustments ⁽²⁾ £m	Adjusted operating profit £m
Adjusted operating profit								
Germany	775					775		775
Italy	923					923		923
Spain	529					529		529
UK	320					320		320

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Other Europe	(23)				(23)	515	492
Europe	2,524	1,598	923	3	2,524	515	3,039
Eastern Europe	90				90		90
Middle East, Africa and Asia	236				236		236
Pacific	58				58		58
Associates - US	772				772		772
Associates - Other	415				415	(19)	396
EMAPA	1,571	214	170	1,187	1,571	(19)	1,552
Other	38	38			153	191	191
	4,133	1,850	1,093	1,190	153	4,286	496
Notes:							4,782

(1) Common functions represents results from Partner Markets and unallocated central Group income and expenses

(2) Comprises impairment to the carrying value of goodwill relating to the mobile operations in Sweden amounting to £515 million offset by £19 million of non-operating income in relation to the Group's associated undertakings

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

2 Segmental and other analyses (continued)

Year ended 31 March 2006

	Segment revenue £m	Subsidiaries £m	Joint ventures £m	Eliminations £m	Common functions ⁽¹⁾ £m	Intra- region revenue £m	Regional revenue £m	Inter- region revenue £m	Net revenue £m
Revenue									
Germany	5,754					(52)	5,702	(100)	5,602
Italy	4,363					(39)	4,324	(4)	4,320
Spain	3,995					(100)	3,895	(2)	3,893
UK	5,048					(50)	4,998	(10)	4,988
Other Europe	4,697					(78)	4,619	(3)	4,616
Europe	23,857	19,503	4,363	(9)		(319)	23,538	(119)	23,419
Eastern Europe	1,435						1,435	(14)	1,421
Middle East, Africa and Asia	1,784						1,784	(15)	1,769
Pacific	1,335						1,335	(14)	1,321
EMAPA	4,554	3,077	1,489	(12)			4,554	(43)	4,511
Other	1,320	1,320			145		1,465	(45)	1,420
	29,731	23,900	5,852	(21)	145	(319)	29,557	(207)	29,350

	Segment result £m	Subsidiaries £m	Joint ventures £m	Associates £m	Common functions ⁽¹⁾ £m	Operating (loss)/profit £m	Other adjustments ⁽²⁾ £m	Adjusted operating profit £m
Adjusted operating profit								
Germany	(17,904)					(17,904)	19,400	1,496
Italy	(1,928)					(1,928)	3,600	1,672
Spain	968					968		968
UK	698					698		698

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Other Europe	466				466	512	978
Europe	(17,700)	(15,777)	(1,928)	5	(17,700)	23,512	5,812
Eastern Europe	176				176		176