

VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 12, 2010

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

Form 6-K

Report of Foreign Private Issuer

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

Dated 12 November 2010

Commission File Number: 001-10086

VODAFONE GROUP
PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

Yes

No

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

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN EACH OF THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-168347), THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-81825) AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149634) OF VODAFONE GROUP PUBLIC LIMITED COMPANY AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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This report on form 6-K contains the following items:

- (a) Chief Executive's statement;
- (b) Business review; and
- (c) Half-year condensed consolidated financial statements of Vodafone Group Plc.

Certain information listed above is taken from the previously published results announcement of Vodafone for the six months ended 30 September 2010 (half-year financial report). This document does not update or restate any of the financial information set forth in the half-year financial report.

This document should be read in conjunction with the Group's annual report on Form 20-F for the year ended 31 March 2010, in particular the following sections:

- the information contained under Key performance indicators on page 24;
- the information contained under Operating results on pages 25 to 36;
- the information contained under Liquidity and capital resources on pages 41 to 44; and
- the consolidated financial statements on pages 74 to 117.

The terms Vodafone , the Group , we , our and us refer to Vodafone Group Plc (the Company), and as applicable, its subsidiaries and/or its interest in joint ventures and/or associates.

Exhibit 7

- Computation of ratio of earnings to fixed charges

CHIEF EXECUTIVE'S STATEMENT

Operating review

Group revenue increased by 3.9% to £22.6 billion, with improved organic growth trends in all of the Group's regions. In Q2 Group organic service revenue increased by 2.3%(*), 1.2 percentage points(*) faster than Q1, with data revenue growth of 25.9%(*).

Group adjusted operating profit increased by 2.7% to £6.1 billion with an increased contribution from Africa and Central Europe, Asia Pacific and Middle East and Verizon Wireless offsetting lower profit in Europe.

Group adjusted EBITDA margin declined by 1.7 percentage points in H1, in line with our expectations, with increased commercial investment in Europe mostly funded by the Group's cost efficiency programmes.

Cash generation remained robust, with free cash flow of £3.5 billion, consistent with our full year guidance. Capital expenditure of £2.4 billion was at a lower level than in the same period last year reflecting delayed infrastructure investment in India due to import restrictions.

In Europe service revenue declined by 1.3%(*) with improvement in trends in Q2 where service revenue declined only 0.8%(*), reflecting continued growth in Germany and the UK, an improved trend in Italy and continuing weakness in Spain. Data revenue growth was 23.2%(*) and fixed line growth was 4.4%(*). Operating costs in Europe including Common Functions declined by 3.4%(*), enabling further commercial investment. Adjusted EBITDA margin declined 1.6 percentage points.

In Africa and Central Europe service revenue increased by 20.1%, reflecting favourable foreign exchange rate movements and the impact of the acquisition of a controlling stake in Vodacom in the prior year. On an organic basis service revenue increased by 4.8%(*), with continued growth in Turkey and Vodacom and stable trends in most Central European operations. Adjusted EBITDA margins were stable.

In Asia Pacific and Middle East service revenue increased by 22.2% reflecting a strong contribution from India where service revenue grew by 14.7%(*) and where we added 14.7 million customers during the period. The regional adjusted EBITDA margin increased by nearly 2 percentage points reflecting better margins in India as we begin to gain the benefits of scale.

At Verizon Wireless underlying service revenue growth was 6.2%(*), the adjusted EBITDA margin was 40.0% and data revenue continued to grow rapidly. Free cash flow generation remained strong and net debt had reduced to US\$14.3 billion by 30 September.

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In September we sold the Group's 3.2% interest in China Mobile Limited realising £4.3 billion before tax and we have committed £2.8 billion of this to a share buy back programme of which £0.1 billion had been completed by 30 September. We have today announced an agreement to accelerate the realisation of our interests in SoftBank for proceeds of approximately £3.1 billion which will be received in two broadly equal instalments in December 2010 and April 2012.

Reported earnings per share was 14.31 pence, our highest ever reported earnings per share in a half-year period, benefiting from a £2.4 billion gain on the sale of our interest in China Mobile and the resolution of certain long standing tax issues offset in part by an impairment charge of £0.8 billion in respect of Greece. Adjusted earnings per share was 8.76 pence broadly in line with last year and the dividend per share has increased by 7.1% to 2.85 pence consistent with the Group's medium-term dividend growth policy communicated in May 2010.

Strategy update

In November 2008 we implemented a strategy to strengthen Vodafone in a sharply deteriorating economic climate. Since then Vodafone has returned to organic revenue growth and gained revenue market share in the majority of our markets. On an annualised basis the Group's mobile data business has

CHIEF EXECUTIVE'S STATEMENT

grown to nearly £5 billion and fixed line revenue, primarily broadband, has grown to over £3 billion. Revenue generated from enterprise customers has also returned to growth. In emerging markets India gained the number two market position by revenue, South Africa has retained its number one position and Turkey is now generating profitable double digit revenue growth. The Group has generated free cash flow well ahead of the £5 billion to £6 billion target established in 2008, allowing the Board to establish a three year 7% dividend per share growth policy.

Since November 2008 we have seen tangible evidence of accelerating mobile data adoption where consumers and business customers are seizing the benefits of fast, reliable mobile data networks using smartphones and other mobile data devices such as tablets. We are also seeing increased interest in broader data-based services like payments via handsets and an initial wave of mobile devices for homes and cars. In emerging economies, where revenue growth is still being driven by increasing penetration of mobile devices, data penetration is low but demand for access to the internet is high and to a large extent can only be satisfied by mobile networks.

The execution of our updated strategy, announced today, will create a more valuable business, establish Vodafone as the leading operator in mobile data in Europe, India and Africa and further develop our market position in total communications.

We will pursue a growth strategy focused particularly on Europe, Africa and India

1. Mobile data: we will capitalise on the rapid increase in demand for ubiquitous mobile data services and accelerate the rate of adoption by customers in underpenetrated markets by:

- serving our customers demand for networks with wide and deep coverage, high speed capability and reliability, by continuing to invest in our already leading European networks and further developing our data networks in our Indian and African markets;
- transitioning our data pricing plans to tiered plans and differentiated service levels, to encourage data adoption and adjust pricing to usage, thereby giving customers more control and driving better returns on our investment;
- enhancing our customer care, retail presence, online services and support, to ensure that customers get the best data experience with Vodafone; and
- carrying a balanced portfolio of smartphones and connected devices, with all leading brands, and supplementing our range with attractively priced Vodafone-branded smartphones to accelerate further smartphone penetration across our customer base.

- 2. Enterprise:** we will further grow enterprise revenue through the introduction of new services for the SME, SoHo and Corporate segments, increasing our addressable market and building on the momentum of Vodafone Global Enterprise and Vodafone One Net.
- 3. Emerging markets:** we will continue to generate revenue growth from driving penetration of mobile voice and SMS and accelerating the adoption of affordable data into our attractive markets across India and Africa.
- 4. Total Communications:** in Europe, where we see early signs of convergence, we will build on our recent success in fixed broadband and continue to secure over time access to fast broadband to allow us to service the enterprise and consumer markets in a capital efficient manner.
- 5. New services:** we will selectively expand into a number of new growth segments including machine-to-machine services and financial mobile services.

CHIEF EXECUTIVE'S STATEMENT

We will continue to drive benefits from the Group's scale advantage and cost focus

The current composition of the Group has increased efficiency and enabled us to achieve favourable comparative cost positions in many markets. We will continue to generate significant savings from technology standardisation, off-shoring, outsourcing and platform sharing. Our supply chain management programmes will enable us to continue to reduce our cost to carry in an increasingly data driven environment. The Group's second £1 billion cost efficiency programme is on track and we continue to identify further ways to simplify and standardise our business to increase efficiency.

We will seek to generate free cash flow or liquidity from non-controlled assets and investments

Non-controlled assets (primarily Verizon Wireless and SFR) constitute a significant proportion of the Group's assets but only generate a small proportion of reported free cash flow. We will seek to maximise the value of non-controlled assets in a tax efficient manner either through generating liquidity or increased regular free cash flow in order to fund profitable investment and enhance shareholder returns.

Verizon Wireless, the Group's largest non-controlled asset, is the market leader in an attractive market and is performing strongly. SFR is well positioned as a converged operator in the French market. Vodafone's proportionate share of free cash flow from Verizon Wireless and SFR was around £5 billion last year. However, the net cash flow from these two assets was only around £1 billion in the 2010 financial year. The opportunity for incremental value creation is, therefore, substantial.

In addition, we will actively manage our investment portfolio and seek out value enhancing opportunities wherever possible as we have done with the sale of the Group's investment in China Mobile and in SoftBank which was announced today.

We will continue to apply capital discipline to our approach to investment

We continue to apply capital discipline to our investment decisions. We apply rigorous commercial analysis and demanding hurdle rates, including our existing M&A criteria, to ensure that any investment and corporate activity will enhance shareholder returns. Adhering to our target credit rating of low single A continues to provide the Group with a low cost of debt and good access to liquidity. We will continue to undertake regular reviews of Vodafone's entire portfolio to ensure that we optimise value for shareholders.

Improved guidance for the 2011 financial year and medium-term targets

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For the current year we have updated our guidance and increased our expectations for adjusted operating profit, reflecting the higher than expected revenue growth in each of the Group's regions and the current strong performance at Verizon Wireless. We continue to expect free cash flow to be in excess of £6.5 billion.

As we implement our updated strategy in the three financial years to FY 2014, we expect to generate organic revenue growth in the range of 1% to 4% per annum, stabilising Group adjusted EBITDA margins and free cash flow generation of between £6 billion and £7 billion per annum from the Group's existing operations.

Summary

The focused execution of our November 2008 strategy in a challenging economic environment has enabled the Group to return to organic revenue growth and delivered sustainable high cash flows whilst maintaining investment in technology and customer experience.

Our updated strategy, announced today, will position Vodafone to take full advantage of the most valuable telecommunications growth opportunities ahead, deliver sustainable revenue growth and stabilising adjusted EBITDA margins. This, together with our pursuit of liquidity and value from the Group's non-controlled investments, will drive enhanced free cash flow and returns for shareholders.

Note:

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

GROUP FINANCIAL HIGHLIGHTS

| | Page | 2010 | 2009 | % change | |
|---|--------|--------|--------|----------|---------|
| | | £m | £m | Reported | Organic |
| Financial information⁽¹⁾ | | | | | |
| Revenue | 30 | 22,603 | 21,761 | 3.9 | 1.8 |
| Operating profit | 30 | 5,213 | 6,068 | (14.1) | |
| Profit before taxation | 30 | 8,240 | 5,747 | 43.4 | |
| Profit for the period | 30 | 7,504 | 4,795 | 56.5 | |
| Basic earnings per share (pence) | 30 | 14.31p | 9.17p | 56.1 | |
| Capital expenditure ⁽²⁾ | 43 | 2,435 | 2,602 | (6.4) | |
| Cash generated by operations | 22 | 7,331 | 7,577 | (3.2) | |
| Performance reporting⁽¹⁾⁽²⁾ | | | | | |
| Group adjusted EBITDA | 9 | 7,363 | 7,455 | (1.2) | (2.8) |
| Adjusted operating profit | 9, 45 | 6,069 | 5,911 | 2.7 | 0.7 |
| Adjusted profit attributable to equity shareholders | 12, 45 | 4,616 | 4,582 | 0.7 | |
| Adjusted earnings per share (pence) | 12, 45 | 8.76p | 8.72p | 0.5 | |
| Free cash flow ⁽³⁾ | 22 | 3,489 | 4,003 | (12.8) | |
| Net debt | 22, 23 | 30,457 | 34,001 | (10.4) | |

Notes:

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

(2) See page 40 for Use of non-GAAP financial information and page 47 for Definition of terms .

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

UPDATED GUIDANCE

Please see page 40 for Use of non-GAAP financial information , page 47 for Definition of terms and page 48 for Forward-looking statements .

| 2011 financial year guidance | Original guidance 2011 financial year £bn | | Updated guidance 2011 financial year £bn | |
|-------------------------------------|---|------|--|------|
| Adjusted operating profit | 11.2 | 12.0 | 11.8 | 12.2 |
| Free cash flow | In excess of 6.5 | | In excess of 6.5 | |

As the result of strong revenue performance in each of the Group's three regions and good results at Verizon Wireless we now expect that adjusted operating profit for the 2011 financial year will be in the range of £11.8 billion to £12.2 billion.

Expectations for adjusted EBITDA margins and depreciation and amortisation remain unchanged. We expect adjusted EBITDA margins to decline but at a significantly lower rate than that experienced in the previous financial year. Total depreciation and amortisation charges are expected to be at a similar level to the prior financial year, before the impact of licence and spectrum purchases.

Free cash flow is still expected to be in excess of £6.5 billion, based on £3.5 billion in the first half of the financial year and a slightly higher level of capital investment in the second half. We intend to maintain capital expenditure at a similar level to the 2010 financial year, adjusted for foreign exchange rate movements, continuing to invest in high speed data networks to increase the attractiveness of the Group's data services.

The adjusted effective tax rate for the 2011 financial year is expected to be in the mid 20s with the Group targeting a similar level in the medium-term.

Medium-term guidance

| | Medium-term guidance for the three financial years ending 31 March 2014 |
|--------------------------------|--|
| Organic service revenue growth | 1% to 4% per annum |
| Group adjusted EBITDA margins | Stabilising |
| Free cash flow | Between £6 and £7 billion per annum |

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The execution of the updated strategy is targeted to achieve annual growth in organic service revenue of between 1% and 4% in the period to 31 March 2014. Over the same period we expect that adjusted EBITDA margins will stabilise, as we benefit from continued cost efficiency, regional scale and improving margins in a number of markets including India.

We continue to expect that free cash flow generation will remain in the £6.0 billion to £7.0 billion range for the same period underpinning the three year 7% per annum dividend per share growth policy issued in May 2010. We continue to expect that total dividends per share will be no less than 10.18 pence for the 2013 financial year.

The free cash flow target range excludes any incremental benefit that we derive from our strategy to generate liquidity or incremental cash flow from non-controlled assets of the Group such as Verizon Wireless and SFR.

Assumptions

Annual and medium-term guidance is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1: 1.15 and £1:US\$1.50. It excludes the impact of licence and spectrum purchases, material one-off tax related payments and restructuring costs and assumes no material change to the current structure of the Group. In addition, the 2011 financial year guidance excludes the impact of the one-off revenue adjustment in Verizon Wireless announced by Verizon Communications in conjunction with its June 2010 results, additional Alltel integration costs and the benefit of the later than expected disposal of certain Alltel divest properties which, in aggregate, reduced Vodafone's adjusted operating profit by £0.1 billion.

UPDATED GUIDANCE

With respect to the 7% per annum dividend per share growth policy, as the Group's free cash flow is predominantly generated by companies operating within the euro currency zone, we have assumed that the euro to sterling exchange rate remains within 10% of the above guidance exchange rate.

Actual exchange rates may vary from the exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by approximately £70 million and free cash flow by approximately £60 million and a 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £45 million. The assumed exchange rates quoted above are those used in conjunction with the guidance set out in May 2010, and have no implication for Vodafone's view of future exchange rate movements.

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FINANCIAL RESULTS

Group⁽¹⁾⁽²⁾

| | Africa and Central Europe | | | Asia Pacific and Middle East | | Verizon Wireless | Common Functions(3) | Eliminations | Six months ended 30 September | | % change £ Organic(4) |
|--------------------------------|---------------------------|--------------|--------------|------------------------------|------------|------------------|---------------------|--------------|-------------------------------|---------------|--------------------------|
| | Europe £m | Europe £m | Europe £m | East £m | East £m | | | | 2010 £m | 2009 £m | |
| Voice revenue | 8,011 | 3,093 | 2,685 | | | | | (1) | 13,788 | 13,980 | |
| Messaging revenue | 1,818 | 365 | 298 | | | | 1 | | 2,482 | 2,313 | |
| Data revenue | 1,744 | 371 | 296 | | | | | | 2,411 | 1,880 | |
| Fixed line revenue | 1,426 | 165 | 55 | | | | | | 1,646 | 1,583 | |
| Other service revenue | 546 | 171 | 238 | | | | 2 | (55) | 902 | 717 | |
| Service revenue | 13,545 | 4,165 | 3,572 | | | | 3 | (56) | 21,229 | 20,473 | 3.7 |
| Other revenue | 753 | 360 | 165 | | | | 111 | (15) | 1,374 | 1,288 | |
| Revenue | 14,298 | 4,525 | 3,737 | | | | 114 | (71) | 22,603 | 21,761 | 3.9 |
| Direct costs | (3,432) | (1,197) | (1,076) | | | | (32) | 56 | (5,681) | (5,303) | |
| Customer costs | (4,162) | (1,225) | (738) | | | | (135) | | (6,260) | (5,795) | |
| Operating expenses | (1,563) | (751) | (845) | | | | (155) | 15 | (3,299) | (3,208) | |
| Adjusted EBITDA | 5,141 | 1,352 | 1,078 | | | | (208) | | 7,363 | 7,455 | (1.2) |
| Depreciation and amortisation: | | | | | | | | | | | |