VODAFONE GROUP PUBLIC LTD CO
Form 6-K
February 04, 2009

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 February 4 2009

Commission File Number: 001-10086

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

VODAFONE HOUSE, THE CONNECTION, NEWBURY, BERKSHIRE, RG14 2FN, ENGLAND
(Address of principal executive offices)

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

Form 20-F ü Form 40-F

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

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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)(7):

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

Yes No ü

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

This Report on Form 6-K contains a news release issued by Vodafone Group Plc on, February 3 2009, entitled
**INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2008** .

**OPERATING REVIEW**

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**INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2008**

**Key highlights:**

- **Group:** Revenue of £10,470 million, up 14.3%

  Pro forma service revenue growth including India of 1.4%

  Group data revenue of £786 million, up 25.3% on an organic basis

  Proportionate mobile customer base of 289.0 million at 31 December 2008, up 9.5 million in the quarter

- **Europe:** Service revenue up 15.0%, driven by strong foreign exchange

  Organic service revenue down 1.4%; trends broadly similar to second quarter in a weaker market environment

  Solid results in Germany and Italy and stabilised results in the UK offset continuing weakness in Spain

- **Africa & Central Europe:** Service revenue up 6.1%

Continued good growth in Vodacom offset by Turkey

- **Asia Pacific & Middle East:** Service revenue up 27.9%

Record customer growth in India; service revenue growth of 29.6% at constant exchange rates

- **Verizon Wireless:** Service revenue up 12.2%; data revenue up 49.4%, both in local currency

Alltel acquisition completed on 9 January 2009

- **Strategy:** Good early progress on all objectives, including £1 billion cost saving programme

- **Outlook:** Underlying ranges confirmed. Increased guidance to reflect foreign exchange environment

Adjusted operating profit in the range of £11.5 billion to £12.0 billion, an increase of £0.5 billion

Free cash flow in the range of £5.5 billion to £6.0 billion, an increase of £0.3 billion

**Vittorio Colao, Chief Executive, commented:**

Our underlying performance showed similar trends to the previous quarter, with pro forma service revenue up 1.4% including India and at constant exchange rates. In the context of the current economic environment, we have continued to implement our strategy, with an emphasis on customer value, mobile data, Enterprise and fixed broadband. This has driven increased usage, 25% organic growth in data revenue and over 280,000 fixed broadband additions in Europe. We have also made progress on our plans to reduce costs by £1 billion by March 2011. Underlying guidance is confirmed.

**OPERATING REVIEW**

**Group(1)(2)**

| | Quarter ended 31 December | | | |
|---|---|---|---|---|
| | **2008(3)** | 2007 | % change | |
| | **£m** | £m | £ | Organic |
| Europe | **7,013** | 6,099 | 15.0 | (1.4) |
| Africa & Central Europe | **1,290** | 1,216 | 6.1 | 2.3 |
| Asia Pacific & Middle East | **1,402** | 1,096 | 27.9 | 8.4 |
| Eliminations | **(34)** | (21) | | |
| **Service revenue** | **9,671** | 8,390 | **15.3** | **(0.3)** |
| Other revenue | **799** | 773 | 3.4 | (8.6) |
| **Revenue** | **10,470** | 9,163 | **14.3** | **(1.0)** |

Notes:

(1) The Group changed its presentation of revenue during the financial year. See Change in presentation on page 12.
(2) The Group revised its regional and segment structure during the period. See Change in segments on page 12.
(3) Reflects average exchange rates of £1: 1.19 and £1:$1.57.

Group revenue increased by 14.3%, including favourable exchange rate movements of 12.8 percentage points and a 2.5 percentage point benefit from merger and acquisition activity, primarily in India. On an organic basis, revenue and service revenue declined by 1.0% and 0.3%, respectively, with Europe s decline partially offset by Asia Pacific & Middle East and Africa & Central Europe. Pro forma service revenue growth was 1.4% including India and assuming constant exchange rates.

Whilst the current economic environment is challenging, pro forma growth remains positive albeit slower than the previous quarter reflecting the benefit of the Group s breadth of customer base and geographic diversity. The Group has focused on implementing the strategy outlined in November 2008, with an emphasis on customer value offers, mobile data, Enterprise and fixed broadband. The actions taken have helped generate a 10.3% organic increase in minutes, organic data revenue growth of 25.3%, positive revenue growth in Enterprise revenue and over 280,000 fixed broadband additions in Europe.

The Group also announced in November 2008 that it had established a cost saving programme which targeted a £1 billion reduction in operating costs by the 2011 financial year. This programme is expected to offset the pressures from cost inflation and the competitive environment and enable investment in revenue growth opportunities thereby enabling the Group to deliver its operating and capital expenditure targets. Good progress has been made and cost savings of approximately £500 million are expected to be generated by the end of the 2010 financial year, with the full £1 billion expected to be generated by the 2011 financial year.

Since 30 September 2008, the Group has further strengthened its liquidity position through the issuance of £2.9 billion of bonds and the refinancing of over $3.3 billion of commercial paper that was outstanding at that date. The Group s $9.1 billion committed credit facilities remain undrawn. Group net debt has increased since 30 September 2008, primarily due to the effect of exchange rate movements on non-sterling denominated debt, the mix of which continues to be broadly aligned with the values of the Group s primary businesses. Applying 30 January 2009 exchange rates of £1: 1.13 and £1:$1.45 to the Group s net debt as of 30 September 2008 would have increased the £27.8 billion net debt previously reported by £5.7 billion. These rate changes also result in an increase in the Group s free cash flow generation, described below.

Although underlying guidance is unchanged, the Group has revised its outlook ranges for the year ended 31 March 2009 to reflect the changed foreign exchange environment. The ranges set out in the Group s Half-Year Financial Report for the six months ended 30 September 2008 reflected full year foreign exchange assumptions of £1: 1.26 and £1:$1.80. The Group has revised its assumptions for the full year average rates to £1: 1.20 (fourth quarter £1: 1.09) and £1:$1.72 (fourth quarter £1:$1.45), and has revised its outlook ranges accordingly.

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The following table shows the impact of these changes on the Group s outlook.

| | Previous outlook(1) £ billion | Foreign exchange £ billion | **Updated outlook(2) £ billion** |
|---|---|---|---|
| Revenue | 38.8 to 39.7 | 1.8 | **40.6 to 41.5** |
| Adjusted operating profit | 11.0 to 11.5 | 0.5 | **11.5 to 12.0** |
| Capitalised fixed asset additions | 5.2 to 5.7 | 0.3 | **5.5 to 6.0** |
| Free cash flow | 5.2 to 5.7 | 0.3 | **5.5 to 6.0** |

Notes:

(1) Previous outlook as published in the Group s Half-Year Financial Report on 11 November 2008.
(2) For further information on the basis of the Group s outlook for the 2009 financial year, please see page 5 in the Group s Half-Year Financial Report published on 11 November 2008.

**Europe(1)**

| **Revenue** | Quarter ended 31 December **2008** **£m** | 2007 £m | % change £ | Organic |
|---|---|---|---|---|
| Germany(2) | **1,909** | 1,636 | 16.7 | (1.4) |
| Italy | **1,363** | 1,072 | 27.1 | 1.9 |
| Spain | **1,328** | 1,155 | 15.0 | (5.8) |
| UK | **1,226** | 1,235 | (0.7) | (0.7) |
| Other Europe | **1,253** | 1,059 | 18.3 | (0.9) |
| Eliminations | **(66)** | (58) | | |
| **Service revenue** | **7,013** | 6,099 | **15.0** | **(1.4)** |
| Other revenue | **534** | 553 | (3.4) | (17.3) |
| **Revenue** | **7,547** | 6,652 | **13.5** | **(2.8)** |

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Revenue increased 13.5%, with favourable euro exchange rate movements contributing 14.8 percentage points of growth and a 1.5 percentage point benefit from business acquisitions, primarily Tele2. The organic decline in revenue was higher than the previous quarter, primarily due to lower equipment revenue caused by lower average revenue per device and overall volumes and a further fall in revenue in Spain which was impacted by a worsening market environment.

Service revenue declined 1.4% on an organic basis, in line with the underlying trend seen in the previous quarter as the benefit from increased usage as a result of new tariffs and promotions was offset by the impact of the deteriorating economy in Europe, ongoing competitive pricing pressures and lower termination rates. Germany, Italy and the UK reported improvements in their quarterly organic service revenue growth performance compared to the previous quarter.

Germany

The organic decline in service revenue improved compared to the previous quarter following higher penetration of the Superflat tariff portfolio and infotainment and connectivity services together with increased messaging usage. Revenue also benefited from lower service provider rebates and a lower impact of changes in termination rates, which were partially offset by declining revenue from continued migration of customers to new, lower priced tariffs. During the quarter, the fixed broadband customer base increased by 0.1 million to 3.0 million at 31 December 2008. The integration of the mobile business and the fixed operations of Arcor commenced in the quarter and is progressing well.

Italy

Organic service revenue growth improved compared with the previous quarter, reflecting the contribution of commercial initiatives enhancing revenue per user and reducing churn. A continued focus on acquiring contract customers led to increases in both the consumer and enterprise customer base. Data revenue growth remained strong due to increased penetration of mobile PC connectivity and email enabled devices. Net additions of fixed

**OPERATING REVIEW**

broadband customers increased during the quarter following the strong take up of Vodafone Station, launched during the summer of 2008, as well as continued good performance of Tele 2.

Spain

Organic service revenue declined 5.8%, a faster rate than in the previous quarter. Whilst new tariffs and promotions increased customer usage, they resulted in a lower price per minute which led to lower outgoing voice revenue. The deteriorating market environment put pressure on usage in some customer segments and led to increased involuntary churn. A termination rate reduction in the quarter contributed further to the decline in service revenue. Data revenue growth improved in the quarter, in part due to the launch of the flat mobile browsing fee. In fixed broadband, Vodafone Spain launched Vodafone Station, which helped achieve an increase in fixed broadband customers.

UK

Excluding the impact of a VAT refund in July 2007, service revenue declined at a lower rate than in the previous quarter, driven by increased wholesale revenue due to the growth in the MVNO business and continued growth from data services. Data revenue growth of 30.9% remained strong in the quarter, driven primarily by increased penetration of mobile PC connectivity and mobile internet services. These positive trends were partially offset by an incremental voice revenue decline resulting from lower voice usage in the prepaid segment.

Other Europe

Service revenue decreased by 0.9% on an organic basis, a slightly higher rate than the previous quarter as continued strong growth in the Netherlands was more than offset by shortfalls in Ireland and Portugal. Both Ireland and Portugal were impacted by deteriorating market environments during the quarter whilst Portugal was also highly impacted by a termination rate cut in August 2008 and Ireland by substantial price reductions in prepaid tariffs.

**Africa & Central Europe(1)(2)**

| | Quarter ended 31 December | | |
|---|---|---|---|
| **Revenue** | **2008** | 2007 | % change |