VODAFONE GROUP PUBLIC LTD CO
Form 6-K
February 03, 2011

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 3 February, 2011

Commission File Number: 001-10086

VODAFONE GROUP

PUBLIC LIMITED COMPANY

(Translation of registrant s name into English)

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

(Address of principal executive offices)

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

Form 20-F__ü__ Form 40-F_____

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

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

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

Yes_____ No__ü__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 8

This Report on Form 6-K contains a news release issued by Vodafone Group Plc on, 3 February 2011, entitled Interim Management Statement for the Quarter ended 31 December 2010

INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2010

Further improvements in revenue growth

- Group service revenue +2.5%(*), fifth sequential quarter of improvement - both regions delivered faster growth rates

- Strong service revenue growth in India +16.7%(*), Turkey +31.7%(*), the UK +7.0%(*) and Vodacom +5.6%(*). Excluding termination rate cuts, growth was solid in Germany at +2.3%(*) (headline +1.1%(*)). Performance was stable in Italy with revenue growth of -1.4%(*). Conditions remain challenging in Spain at -7.4%(*)

- Verizon Wireless service revenue +7.0%(*); strong customer and data growth. iPhone from February 2011

- Underlying free cash flow generation remains strong

- Outlook confirmed, with adjusted operating profit now expected to be towards the upper end of the £11.8 -£12.2 billion range before the impact of the Verizon Wireless iPhone launch

	Quarter ended 31 December 2010 £m	Reported %	Change year on year Organic %	Change compared to Q2 Organic pps
Group revenue	**11,894**	**+3.0**	**+3.5**	+0.8
Group service revenue	**10,960**	**+2.1**	**+2.5**	**+0.2**
Europe	7,657	(3.5)	+0.2	+0.1
Africa, Middle East and Asia Pacific	3,210	+18.1	+9.3	+0.3
Capital expenditure	**1,545**	**+14.5**		
Free cash flow	**1,086**	**(39.9)**		

Progress against strategic priorities

- Data: revenue +27.2%(*) led by higher smartphone penetration and data attach rates in Europe

- European data pricing: tiered plans launched in eight markets. New smartphone roaming plans launched in November

- Enterprise: improved trend with Europe service revenue +1.3%(*) and Vodafone Global Enterprise revenue up approximately 6%(*)

- Total communications: fixed line revenue +4.7%(*), with fixed broadband customers +11.7%(*)

- Shareholder returns: £1.1 billion of £2.8 billion share buy-back executed by the end of the quarter

Vittorio Colao, Chief Executive, commented

This is the fifth successive quarter of service revenue growth improvement, with strong results from India, Turkey, the UK and Vodacom. In addition, Verizon Wireless continues to show strong momentum. Our performance has been driven by the effective execution of our strategy to strengthen our businesses and deliver growth, particularly in data services and emerging markets.

Note:

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

OPERATING REVIEW

Group overview

Group revenue increased by 3.5%(*) to £11.9 billion and Group service revenue increased by 2.5%(*) to £11.0 billion. This represents a further improvement on the previous quarter with both regions delivering improved service revenue growth.

Europe service revenue growth continued to be positive at 0.2%(*), a 0.1 percentage point improvement on the previous quarter. We delivered strong service revenue growth in the UK at 7.0%(*) and Turkey at 31.7%(*). In Germany, where we benefited from the introduction of the iPhone in October, service revenue grew 2.3%(*) after adjusting for the impact of termination rate cuts, with mobile service revenue up 3.6% on the same basis. Spain continued to see declining organic service revenue growth as a result of the challenging economic environment and an increasingly competitive market. In Italy the rate of organic service revenue decline was broadly unchanged, however, we continue to react in this increasingly competitive market. Our southern European markets continue to be impacted by weak economic environments.

The Group changed its organisational structure on 1 October 2010(1). On the basis of the previous structure, service revenue growth in Europe was -0.9%(*) for the quarter compared to -0.8%(*) in the previous quarter.

In Africa, Middle East and Asia Pacific service revenue grew 9.3%(*), a 0.3 percentage point improvement on the previous quarter. Organic service revenue growth in India and Vodacom was ahead of the previous quarter with improvements driven by strong net customer additions of 8.7 million and 2.2 million respectively, strong usage trends and continued growth from data services.

At Verizon Wireless, service revenue grew by 7.0%(*) driven by good net customer growth and higher data revenue led by smartphone sales. On 11 January 2011 Verizon Wireless announced that it would begin to sell the iPhone from 10 February 2011.

Data revenue continues to drive our growth strategy, with growth of 27.2%(*) resulting from strong smartphone and mobile connectivity sales. On an annualised basis the Group s data revenue has grown to over £5 billion, exceeding messaging revenue for the first time ever. Enterprise revenue growth increased to 1.3%(*) in Europe, compared to 0.2%(*) in the previous quarter, with good performance in Italy, the UK and in Germany reflecting several significant enterprise client wins. Fixed line revenue grew by 4.7%(*) driven by positive net customer additions taking the fixed broadband customer base to 6.0 million.

Capital expenditure was £1.5 billion, 14.5% higher than the same quarter last year mainly as a result of timing issues. Year to date, capital expenditure increased by 0.7%. The key drivers were India, where import restrictions were lifted and deployment of the 3G network has begun, continued network enhancement in Turkey, investment in Vodacom s South African mobile data network and continued capital expenditure in Europe to maintain superior network quality.

Free cash flow before licence and spectrum payments and one-off tax related payments was £1.1 billion, lower than last year due primarily to working capital movements as the Group took advantage of early settlement terms in December. Cumulative free cash flow generation to 31 December of £4.6 billion is consistent with our expectations for free cash flow guidance for the year.

Net debt at 31 December 2010 was £30.3 billion, slightly lower than at 30 September 2010, as free cash flow generation and the initial proceeds from the sale of the Group s SoftBank interests broadly offset £1.0 billion of shares bought back under the share buy-back programme and one-off tax related payments in the UK, India and China during the quarter.

Note:

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

OPERATING REVIEW

Guidance for the 2011 financial year(2)(3)

In the third quarter, overall trading was consistent with our expectations underlying financial guidance for the current financial year. We continue to expect a full year EBITDA margin decline at a substantially lower rate than that experienced in the 2010 financial year.

We now expect adjusted operating profit to be towards the upper end of the £11.8 - 12.2 billion range that we communicated in November. This is before taking into account the impact of the Verizon Wireless iPhone launch, which we will separately identify when we release our preliminary results in May.

Free cash flow is still expected to be in excess of £6.5 billion and we intend to maintain capital expenditure at a similar level to the 2010 financial year, adjusted for foreign exchange rate movements, as we continue to invest to support the quality of our networks.

Summary

This fifth sequential improvement in Vodafone s quarterly service revenue growth rate has been delivered through effective commercial execution across the Group s regions and demonstrates the successful implementation of the Group s strategy to strengthen its businesses and to deliver growth from data services and emerging markets in particular.

We are now focused on implementing our updated strategy to deliver sustainable revenue growth and stabilising EBITDA margins over the medium-term. This, together with our pursuit of liquidity and value from the Group s non-controlled investments, is expected to drive enhanced free cash flow and returns for shareholders.

Notes:

(1) See Change in segments on page 10.

(2) The guidance ranges for the 2011 financial year set out on page 37 of the Group s 2010 annual report and the updated guidance for the 2011 financial year set out on page 7 of the Group s 2010/11 H1 results and strategy update included full year foreign exchange rate assumptions of £1: 1.15 and £1:US$1.50. The actual rates experienced during the nine months ended 31 December 2010 were £1: 1.18 and £1:US$1.54. On a full year basis a 1% change in the euro / 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 / sterling exchange rate would impact adjusted operating profit by approximately £45

million.

(3) The Group s guidance does not include the impact of licence and spectrum purchases, material one-off tax related payments and settlements, and restructuring costs and assumes no material change to the current structure of the Group.

OPERATING REVIEW

Europe

Revenue declined by 1.9% reflecting a 3.8 percentage point impact from unfavourable foreign exchange rate movements. On an organic basis service revenue increased by 0.2%(*) reflecting continued growth in Germany, the UK, the Netherlands and Turkey which more than offset the declines in the Group s southern and other central European marketsStrong growth in data revenue of 22.7%(*) offset lower voice revenue driven by the weak economic environment as well as continued market and regulatory pressure.

Revenue	Quarter ended 31 December 2010 £m	2009 £m	Reported %	Change Organic %
Germany	1,915	1,991	(3.8)	1.1
Italy	1,378	1,470	(6.3)	(1.4)
Spain	1,170	1,328	(11.9)	(7.4)
UK	1,260	1,177	7.0	7.0
Other Europe(1)	1,990	2,023	(1.6)	1.2
Eliminations	(56)	(57)		
Service revenue(1)	**7,657**	**7,932**	**(3.5)**	**0.2**
Other revenue	602	489	23.1	27.9
Revenue(1)	**8,259**	**8,421**	**(1.9)**	**1.8**

Note:

(1) The Group revised its segment structure on 1 October 2010. See Change in segments on page 10.

Germany

Service revenue grew by 1.1%(*) driven by strong data revenue growth of 28.5%(*), which benefited from investment to drive smartphone and Superflat Internet tariff penetration, growth in enterprise revenue supported by contract wins and continued improvement in messaging trends. The growth rate slowed compared to the previous quarter due to the impact of a termination rate cut effective from 1 December 2010, ongoing competition and a decline in fixed line revenue as customers optimised their tariffs. The long-term evolution (LTE) network launched commercially on 1 December 2010.

Italy

Service revenue declined by 1.4%(*), in line with the previous quarter reflecting continued economic weakness and price competition. Strong growth in data revenue of 21.7%(*) was supported by continued investment to improve the quality and coverage of the network and by the relaunch of commercial offers and promotions which contributed to a further increase in smartphone penetration. Enterprise revenue continued to grow, driven by an increase in the customer base. Growth in fixed line revenue of 8.9%(*) resulted from strong net customer additions as the closing fixed broadband customer base increased to 1.6 million on a 100% basis.

Spain

Service revenue declined by 7.4%(*) driven by continued economic weakness, including high unemployment and increased price competition. Customer investment and new integrated tariffs led to a 4.1% increase in the average contract customer base which partially offset the negative price pressures. Strong data revenue growth of 11.9%(*) was driven by the impact of an increase in smartphones sold with data bundles.

UK

Service revenue grew by 7.0%(*) driven by 29.5%(*) growth in data revenue due to the higher penetration of smartphones and data bundles. This growth was also supported by strong net contract customer additions and improved ARPU, which more than offset continued competitive pressures and weaker prepaid revenue.

OPERATING REVIEW

Other Europe

Service revenue increased by 1.2%(*) as growth in Hungary, the Netherlands and Turkey more than offset a weaker performance in the rest of the region, particularly in Greece, which continued to be impacted by the challenging economic environment and intense competitive factors.

In Turkey service revenue grew by 31.7%(*), despite a 52% cut in termination rates effective from 1 April 2010, driven by strong growth in the contract customer base and data revenue which benefited from improved brand awareness, innovative tariffs and continued network enhancement. In the Netherlands service revenue increased by 6.1%(*) due to a higher customer base and strong data and messaging growth.

OPERATING REVIEW

Africa, Middle East and Asia Pacific

Revenue increased by 17.6% reflecting a 9.0 percentage point benefit from foreign exchange rate movements. On an organic basis service revenue increased by 9.3%(*) with strong performances in both India and Vodacom. The growth was driven by strong net customer additions in key markets and continued growth from data services.

Revenue	Quarter ended 31 December		Change
	2010	2009	