

VODAFONE GROUP PUBLIC LTD CO
Form 6-K
May 20, 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 May 20, 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 ☒ 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 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 May 19, 2009, entitled **VODAFONE ANNOUNCES RESULTS FOR THE YEAR ENDED 31 MARCH 2009** .

VODAFONE GROUP PLC

VODAFONE ANNOUNCES RESULTS FOR THE YEAR ENDED 31 MARCH 2009

**Embargo:
Not for publication
before 07:00 hours
19 May 2009**

Key highlights(1):

- Group revenue £41.0 billion, up 15.6%; pro forma up 1.3% excluding foreign exchange

Europe revenue up 13.6%; outgoing voice usage up 9.4%

Africa and Central Europe revenue growth 11.2%

Asia Pacific and Middle East revenue growth 32.3%, driven by India

Group data revenue up 43.7% to £3.0 billion

- Group adjusted operating profit up 16.7% to £11.8 billion before impairment charges

Group EBITDA up 10.0% to £14.5 billion

Verizon Wireless profit up 44.7%; Alltel acquisition creates largest US wireless operator

- Impairment charges increased to £5.9 billion, primarily in respect of Spain

- Free cash flow(2) £5.7 billion up 2.5%

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- Adjusted earnings per share up 37.4% to 17.17 pence; basic earnings per share 5.84 pence after impairment charges
- Final dividend per share of 5.20 pence; total dividends per share up 3.5% to 7.77 pence
- £1 billion cost reduction programme accelerated; over 65% expected to be achieved in the 2010 financial year
- Proportionate mobile customer base of 303 million at 31 March 2009

Outlook for the 2010 financial year:

- Free cash flow(2) in the range of £6.0 billion to £6.5 billion
- Adjusted operating profit in the range of £11.0 billion to £11.8 billion

Challenging environment; recent revenue trends assumed to continue

EBITDA margin expected to decline at a slightly slower rate

Depreciation and amortisation around £8.5 billion, reflecting India, Vodacom and foreign exchange

Capital expenditure similar to the 2009 financial year after adjusting for foreign exchange

Vittorio Colao, Chief Executive, commented:

These results demonstrate the impact of the early actions we took to address the current economic conditions and highlight the benefits of our geographic diversity. The business continues to generate cash strongly and we have made good progress in implementing the strategy announced in November. Data revenue grew to £3 billion for the year and our broadband and enterprise businesses continue to perform well. Our £1 billion cost reduction programme is ahead of plan and we continue to explore further ways to reduce cost. We maintain our tight focus on capital discipline and returns to shareholders.

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- (1) See page 5 for Group financial highlights, page 28 for use of non-GAAP financial information and page 39 for definition of terms.
- (2) Before licence and spectrum payments.

CHIEF EXECUTIVE'S STATEMENT

Financial review of the year

These financial results reflect the benefits of the actions we took to adjust to the deteriorating economic environment, in particular with respect to costs. We achieved results in line with all of the guidance ranges we issued in November 2008 and also generated free cash flow in line with the initial guidance range we established in May 2008, before the extent of the downturn became apparent.

During the year, Group revenue increased by 15.6% to £41.0 billion and by 1.3% on a pro forma basis, including India, which was acquired in May 2007. The Group's EBITDA margin declined by 1.8 percentage points, in line with the first half and our expectations, one third of which was due to the impact of acquisitions and disposals, foreign exchange and business mix. Group adjusted operating profit increased by 16.7% to £11.8 billion, with a growing contribution from Verizon Wireless and foreign currency benefits offsetting weaker performance in Europe. At year end, Vodafone had 303 million proportionate mobile customers worldwide.

Cash generation remained robust, with free cash flow of £5.7 billion before licence and spectrum payments, up around 3%, with foreign currency benefits being offset by the deferral of a £0.2 billion dividend from Verizon Wireless, which was received in April 2009.

The economic downturn is affecting Vodafone in several ways. In our more mature European and Central European operations, voice and messaging revenue has declined, primarily driven by lower growth in usage and continued double digit price declines. Roaming revenue fell due to lower business and leisure travel. Enterprise revenue growth slowed as our business customers reduced activity and headcount. Double digit data revenue growth continued, as we actively market increasingly attractive network speeds, handsets and services into an under penetrated market. In contrast to Europe, results in Africa and India remained robust driven by continued but lower GDP growth and increasing penetration.

In Europe, organic service revenue declined by 1.7% reflecting the economy and a strongly competitive environment. Ongoing price pressures and lower volume growth in our core voice products are still being substantially offset by good growth in data. Europe EBITDA margins, including Common Functions, which substantially support our European operations, declined by 1.1 percentage points, driven by an increasing contribution from lower margin fixed broadband. Mobile contribution margins remained stable. Operating free cash flow before licence and spectrum payments was strong at £7.6 billion.

In Africa and Central Europe, organic revenue grew by 3.9%, with double digit revenue growth at Vodacom being offset by weakness in Turkey. After the year end, we completed our transaction with Telkom in South Africa and increased our ownership of Vodacom to 65%. EBITDA margins declined by around three percentage points, driven substantially by lower profitability in Turkey where, having appointed new management in early 2009, we will continue to implement our turnaround plan with a primary focus on network quality, distribution and competitive offers.

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In Asia Pacific and Middle East, revenue increased by 19% on a pro forma basis, reflecting a strong contribution from India where revenue grew by 32.9% on a pro forma basis. During the 2009 financial year we added 24.6 million customers in India and ended the year with the highest rate of net additions in the market. In Egypt, revenue increased by 11.9% at constant exchange rates and EBITDA margins remained broadly flat. The EBITDA margin in the region declined by 3.7 percentage points, reflecting lower margins in India caused by the pricing environment, the impact of our IT outsourcing agreement and investment in new circles.

Verizon Wireless posted another set of strong results. Organic service revenue growth was 10.5%, driven by increased customer penetration and data. In January 2009, Verizon Wireless completed its acquisition of Alltel which is expected to generate cost synergies with a net present value of over US\$9 billion and makes Verizon Wireless the largest US mobile company with 87 million customers. During the year, we have deepened our commercial relationship with Verizon Wireless, which now contributes 30% of our adjusted operating profit, with joint initiatives around LTE technology, enterprise customers and BlackBerry® devices.

The Group invested £5.9 billion in capital expenditure, including £1.4 billion in India to drive growth. Capital intensity in Europe was slightly above our 10% target as we took advantage of our strong cash generation to accelerate investment in broadband and higher speed capability on our networks in order to continue to support our strategy and improve our customers' experience.

The Group incurred impairment charges of £5.9 billion in the financial year, the majority of which related to Spain.

CHIEF EXECUTIVE S STATEMENT

Adjusted earnings per share increased by 37.4% to 17.17 pence, benefiting from a favourable foreign exchange environment and a one off tax benefit. Excluding these factors, adjusted earnings per share rose by around 3%.

In line with the Group's progressive dividend policy, dividends per share have increased by 3.5% to 7.77 pence, reflecting the underlying earnings and cash performance of the Group.

Strategy

We have made good progress in implementing the strategy announced in November 2008.

Drive operational performance

To enhance commercial value, we are developing and launching services which deliver more value in return for a wider commitment from customers. In Germany, we have extended our SuperFlat tariff family to include bundled mobile data and fixed broadband options. SuperFlat net additions have remained strong at 404,000 in the last quarter. Similar concepts of value enhancement products have been launched in most European markets, including Italy, Spain, the UK and Ireland.

We have accelerated our £1 billion cost reduction programme, which will help us to offset the pressures of cost inflation and the competitive environment and invest in revenue growth opportunities. In the 2009 financial year, we achieved approximately £200 million of cost savings, which were partially offset by restructuring charges. We now intend to deliver at least 65% of the total programme in the 2010 financial year, ahead of plan. The benefits of the programme are visible in our results. In the 2009 financial year, despite significant increases in mobile voice minutes and data usage, Europe's operating expenses remained broadly flat and mobile contribution margins were stable.

Since November 2008: we have established the Vodafone Roaming Services business unit, which will manage international wholesale roaming activities across the Group; we have outsourced our field network maintenance operations in the UK; and we have executed network sharing arrangements across Germany, Ireland, Spain and the UK.

We are reviewing our programme to identify further ways in which the Group can benefit from its regional scale and further reduce costs in order to offset external pressures and competitor action and invest in growth.

Pursue growth opportunities in total communications

Data revenue grew by 25.9% on an organic basis and is now over £3 billion. We continue to push penetration of handheld business and PC connectivity devices. In April, Verizon Wireless joined the Joint Innovation Lab (JIL) established by Vodafone, China Mobile and SoftBank. The JIL is creating a single platform for developers to create mobile widgets and applications on multiple operating systems and access the partners' combined 1.1 billion customer base. Vodafone will also provide access to third parties to billing, location and other platforms, to enhance user experience and create a favourable environment for all.

In fixed broadband, we have continued to grow our customer base in Italy and Spain, and in Germany, returned to revenue growth in the fourth quarter. We now have 4.6 million customers, an increase of around 1 million during the year, of which 0.6 million arose in the second half. The addition of appropriate quality fixed broadband capability is increasing the range of products we can offer to customers, in particular in enterprise, and providing us with the ability to compete with integrated competitors.

Europe's enterprise revenue grew by 1.2% during the year, ahead of overall business trends, demonstrating the progress we are making to address the enterprise opportunity. Vodafone Global Enterprise, which serves our larger enterprise customers on a Group-wide basis, delivered revenue growth of around 9%, demonstrating the appeal of Vodafone to multinational corporations.

Execute in emerging markets

We have continued to drive penetration in India, generating strong revenue growth from our brand and commercial offers and a substantial investment in network coverage. Indus Towers, our infrastructure joint venture with Bharti and Idea, began operating during the financial year. We expect Indus Towers will enable Vodafone to increase its capital efficiency in India and also to benefit from revenue generated from selling capacity to other operators. Growth at Vodacom, which has strengthened its total communications offering through the acquisition of Gateway,

CHIEF EXECUTIVE S STATEMENT

has been strong. Our performance in Turkey, where we remain focused on our turnaround plan, has been disappointing. We will continue to invest throughout the 2010 financial year to relaunch the company. In Qatar, the Group commenced operations after the end of the financial year, having been awarded the second licence with its partner, the Qatar Foundation, during the year. In August 2008, the Group acquired 70.0% of Ghana Telecommunications, an integrated mobile and fixed line telecommunications operator, which has since been rebranded to Vodafone.

Whilst emerging markets are of interest to us, we remain cautious and selective on future expansion. Our primary focus will remain on driving results from our existing assets.

Strengthen capital discipline

During the year we returned approximately 87% of free cash flow before licence and spectrum payments to shareholders in the form of dividends and share buy backs. Net debt has increased to £34 billion, primarily as a result of foreign currency movements. The Group has retained a low single A credit rating in line with its target.

In February 2009, consistent with our active stance on in-market consolidation, we agreed to merge Vodafone Australia with Hutchison 3G Australia to create a new jointly owned company which will operate under the Vodafone brand. This transaction, which is subject to regulatory approval, is expected to generate cost synergies with a present value of AUS\$2 billion and will release capital to Vodafone through a AUS\$0.5 billion deferred payment. Customers in Australia will benefit from the enlarged entity's scale.

Prospects for the year ahead

In Europe and Central Europe, operating conditions will be challenging in the 2010 financial year. IMF forecasts indicate a GDP decline of 4% in 2009 across the Vodafone footprint within Europe and Central Europe and that unemployment could increase significantly. In these markets, we expect that voice and messaging revenue trends will continue as a result of ongoing pricing pressures and slowing usage. However, we expect further growth in data revenue. In Turkey, where we will focus on our turnaround plan, we expect that the 2010 financial year will be challenging. Revenue growth in other emerging markets, in particular India and Africa, is expected to continue as we drive penetration in these markets. We expect another year of good performance at Verizon Wireless.

Adjusted operating profit is expected to be in the range of £11.0 billion to £11.8 billion. We have widened our outlook for adjusted operating profit this year to reflect current economic uncertainty. Performance will be determined by actual economic trends, our success in closing the performance gaps we have identified in certain markets and the extent to which we decide to reinvest cost savings into total communications growth opportunities. Underlying EBITDA margins, before the impact of acquisitions and disposals, foreign exchange and business mix, are expected to decline by a similar amount to the 2009 financial year. This trend reflects the benefit of the acceleration of the Group's cost savings programme in a weaker revenue environment. Overall Group

EBITDA margin is expected to decline at a slightly slower rate.

Free cash flow before licence and spectrum payments is expected to be in the range of £6.0 billion to £6.5 billion, ahead of our medium term target to deliver between £5.0 and £6.0 billion annual free cash flow. We intend to maintain European capital intensity at around 10% of revenue and to continue to invest significantly in India. Capital expenditure is expected to be similar to last year after adjusting for foreign currency.

Summary

Overall, these results reflect the benefits of Vodafone's exposure to a diverse range of economies, our successful exploitation of data services and the opportunities derived from our regional approach, as well as the initial impact of our accelerated £1 billion cost savings programme.

We are confident that our strategy is appropriate for the current operating environment.

GROUP FINANCIAL HIGHLIGHTS

	Page	2009 £m	2008 £m	Change% Reported	Organic
Financial information⁽¹⁾					
Revenue	7, 24	41,017	35,478	15.6	(0.4)
Operating profit	7, 24	5,857	10,047	(41.7)	
Profit before taxation	9, 24	4,189	9,001	(53.5)	
Profit for the financial year	24	3,080	6,756	(54.4)	
Basic earnings per share (pence)	9, 24	5.84p	12.56p	(53.5)	
Capital expenditure ⁽²⁾	29	5,909	5,075	16.4	
Cash generated by operations	20	14,634	13,289	10.1	

Performance reporting⁽¹⁾⁽²⁾					
Group EBITDA	7	14,490	13,178	10.0	(3.5)
Adjusted operating profit	7, 34	11,757	10,075	16.7	2.0
Adjusted profit before tax	9, 34	10,468	8,925	17.3	
Adjusted effective tax rate	9	16.7%	28.1%		
Adjusted profit for the year attributable to equity shareholders	9, 34	9,057	6,628	36.6	
Adjusted earnings per share (pence)	9, 34	17.17p	12.50p	37.4	
Free cash flow before licence and spectrum payments	20	5,722	5,580	2.5	
Free cash flow ⁽³⁾	20	4,987	5,540	(10.0)	
Net debt	20, 21	34,223	25,147	36.1	

Notes:

(1) Amounts presented at 31 March or for the year then ended.

(2) See page 28 for use of non-GAAP financial information and page 39 for definition of terms.

(3) Includes licence and spectrum payments of £735 million (2008: £40 million), of which £647 million relates to Vodafone Qatar.

Outlook for the 2009 financial year	2009 actual performance	Outlook(1)
	£ billion	£billion
Revenue	41.0	40.6 to 41.5
Adjusted operating profit	11.8	11.5 to 12.0
Capital expenditure	5.9	5.5 to 6.0
Free cash flow(2)(3)	5.7	5.5 to 6.0

Notes:

(1) Previous outlook as published in the Group's interim management statement for the quarter ended 31 December 2008. Actual foreign exchange rates did not differ significantly from those used in preparing that outlook statement. 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.

(2) The amount for the 2009 financial year is stated after £0.3 billion of tax payments, including associated interest, in respect of a number of long standing tax issues.

(3) Before licence and spectrum payments.

OUTLOOK FOR THE 2010 FINANCIAL YEAR

Please see page 28 for use of non-GAAP financial information, page 39 for definition of terms and page 40 for forward-looking statements.

	2009 financial year	2010 financial year
	Actual performance	Outlook(1)(2)
	£ billion	£ billion
Adjusted operating profit	11.8	11.0 11.8
Free cash flow(3)	5.7	6.0 6.5

Notes:

(1) Includes assumptions of average foreign exchange rates for the 2010 financial year of approximately £1: 1.12 (2009: 1.20) and £1:US\$1.50 (2009: 1.72). A substantial majority of the Group's adjusted operating profit and free cash flow is denominated in currencies other than sterling, the Group's reporting currency. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by approximately £70 million.

(2) The outlook does not include the impact of reorganisation costs arising from the Alltel acquisition by Verizon Wireless but includes the impact of the Group's acquisition of a further 15.0% stake in Vodacom and the consolidation of that entity from 18 May 2009.

(3) Excludes spectrum and licence payments but includes payments in respect of long standing tax issues. The amount for the 2009 financial year is stated after £0.3 billion of tax payments, including associated interest, in respect of a number of long standing tax issues.

In Europe and Central Europe, recent significant declines in GDP and continued competitive intensity will make operating conditions challenging in the 2010 financial year. In these markets, the Group expects that voice and messaging revenue trends will continue as a result of ongoing pricing pressures and slowing usage growth. However, further growth in data revenue is expected. In Turkey, the Group expects that the 2010 financial year will be challenging. Revenue growth in other emerging markets, in particular India and Africa, is expected to continue as the Group drives penetration in these markets. The Group expects another year of good performance at Verizon Wireless.

Adjusted operating profit is expected to be in the range £11.0 billion to £11.8 billion, with benefits from the improved foreign exchange environment being offset by weaker trends in trading. The wider outlook range for adjusted operating profit is consistent with the uncertain economic environment. Performance will be determined by actual economic trends, the Group's speed in closing performance gaps which exist in certain markets and the extent to which the Group decides to reinvest part of its cost savings into total communications growth opportunities. Underlying EBITDA margins in the 2010 financial year, before the impact of acquisitions and disposals, foreign exchange and business mix, are expected to decline by a similar amount to the 2009 financial year, reflecting the benefit of the acceleration of the Group's cost savings programme in a weaker revenue environment. Overall Group EBITDA margin is expected to decline at a slightly slower rate. Total depreciation and amortisation charges are expected to be around £8.5 billion, higher than in the 2009 financial year as the result of the acquisition of a further stake in Vodacom and the consolidation of that entity from 18 May 2009, capital expenditure in India and the impact of foreign exchange rates.

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Free cash flow before licence and spectrum payments is expected to be in the range £6.0 billion to £6.5 billion, ahead of the Group's medium term target to deliver between £5.0 and £6.0 billion annual free cash flow. Capitalised fixed asset additions are expected to be at a similar level to the 2009 financial year after adjusting for the impact of foreign exchange. European capital intensity will be around 10% of revenue and the Group expects to continue to invest in India.

The Group continues to make significant cash payments for tax and associated interest in respect of long standing tax issues. The Group does not expect resolution of the application of UK Controlled Foreign Company legislation to the Group in the near term.

The adjusted tax rate percentage is expected to be in the mid 20s for the 2010 financial year, driven by reducing rates of corporate taxation in certain countries where the Group operates, with the Group targeting a similar level in the medium term.

FINANCIAL RESULTS

	Page
Financial results	7
Liquidity and capital resources	20
Acquisitions, disposals and subsequent events	23
Financial statements	24
Use of non-GAAP financial information	28
Additional investor information including key performance indicators	29
Other information (including forward-looking statements)	39

FINANCIAL RESULTS

GROUP(1)(2)(3)

			Asia									
		Africa	Pacific									
		and	and									
		Central	Middle	Verizon	Common							
	Europe	Europe	East	Wireless	functions	Eliminations	2009	2008	% change			
	£m	£m	£m	£m	£m	£m	£m	£m	£		Organic	
Voice revenue	18,417	4,141	4,349			(1)	26,906	24,151				
Messaging revenue	3,580	460	433				4,473	3,967				
Data revenue	2,501	251	294				3,046	2,119				