VODAFONE GROUP PUBLIC LTD CO
Form 6-K
February 09, 2012

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 9, 2012

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): 82-___ .

This Report on Form 6-K contains a news release dated 9 February 2012 entitled Interim management statement for the quarter ended 31 December 2011

Interim management statement for the quarter ended 31 December 2011

9 February 2012

Strong performance in growth markets; southern Europe becoming more challenging

- Group service revenue growth +0.9%(*); or +3.1%(*) excluding mobile termination rate cuts

- Strong service revenue growth in India +20.0%(*), Vodacom +8.0%(*) and Turkey +23.5%(*); continued progress in Germany +0.7%(*) and the UK +1.1%(*)

- Economic conditions in southern Europe showing further deterioration: greater service revenue decline in Italy, -4.9%(*); fall in Spain broadly stable at -8.8% (*) benefiting from our commercial actions

- Continued strong growth in our US associate, Verizon Wireless; service revenue +6.8%(*) driven by strong customer and data revenue growth

- Data revenue +21.8%(*); European smartphone penetration now 24.4% (Q3 10/11: 16.5%)

- Free cash flow £1.5 billion; net debt £25.5 billion after £0.8 billion proceeds from Polkomtel disposal, £0.8 billion of share buybacks and £1.0 billion of spectrum payments

- Full year guidance for adjusted operating profit and free cash flow confirmed

	Quarter ended	**Change year-on-year**	
	31 December 2011	**Reported**	**Organic**
	£m	**%**	**%**
Group revenue	**11,618**	**(2.3)**	**+1.6**
Group service revenue	**10,611**	**(3.2)**	**+0.9**
Europe	7,420	(3.1)	(1.7)

Africa, Middle East and Asia Pacific	3,161	(1.5)	+7.6
Capital expenditure	**1,464**	**(5.2)**	
Free cash flow	**1,465**	**+34.9**	

Vittorio Colao, Chief Executive, commented

We are continuing to make progress in the key strategic areas of data, enterprise and emerging markets. Despite the further deterioration of the southern European economic environment during the quarter, our broad geographic mix is delivering a resilient overall performance. Our improved value perception, strong cash generation and healthy balance sheet give us confidence that we can continue to execute well.

OPERATING REVIEW

Group overview

Reported Group revenue decreased by 2.3% to £11.6 billion. On an organic basis(*) Group service revenue increased by 0.9%(*). Excluding the impact of mobile termination rate (MTR) cuts, Group service revenue grew by 3.1%(*).

Europe service revenue decreased by 1.7%(*), a 0.5 percentage point deterioration compared to the previous quarter, reflecting increased economic pressures in a number of markets. Our businesses in northern Europe continued to grow, principally due to strong data revenue growth, with Germany at +0.7%(*) (excluding MTR cuts +3.3%(*)), the UK at +1.1%(*) (excluding MTR cuts +4.8%(*)) and the Netherlands at +1.5%(*) (excluding MTR cuts +6.4%(*)). In Turkey the pace of service revenue growth remained broadly stable at +23.5%(*) driven by the continued expansion of the contract customer base.

Market conditions in southern Europe remain difficult. In Italy service revenue fell by 4.9%(*) compared to a 3.0%(*) fall in Q2, due both to macroeconomic challenges and competitive pricing pressures in voice and messaging services. Despite the challenging environment, Spain delivered a second quarter of sequential improvement in the service revenue trend to -8.8%(*) (Q2 -9.3%(*)) as our ongoing commercial actions delivered stronger data revenue growth of +26.9%(*) (Q2: +15.1%(*)).

In Africa, Middle East and Asia Pacific (AMAP), service revenue grew by 7.6%(*) as a result of continued strong momentum in India (+20.0%(*)) and Vodacom (+8.0%(*)), driven principally by strong customer growth. This was partially offset by a weaker performance in two other markets, with an 11.1%(*) service revenue decline in Australia following network and customer service difficulties in the Group s prior financial year, and a 1.5%(*) fall in service revenue in Egypt due to lower inbound roaming revenue.

Data revenue grew by 21.8%(*) led by increasing smartphone penetration. This in turn stimulated growth in mobile internet revenue of 55.0%(*) in Europe and 36.0%(*) in AMAP. Data revenue now represents 14.8% of Group service revenue, compared to 12.1% in the same period last year. Penetration of data tariffs within our base reached 59.6% of European smartphone customers. In addition, 21.1% of our consumer contract customers in Europe are now on an integrated voice, SMS and data tariff compared to 10.3% in the same period last year.

Enterprise revenue grew by 0.8%(*) (Q2: +3.5%(*)) comprising a decline of 0.1%(*) in Europe and growth of 9.2%(*) in AMAP. The slowdown compared to Q2 reflected increased competitive and macroeconomic pressures on voice revenue, which more than offset the 20.8%(*) increase in demand for enterprise data services (Q2: +18.1%(*)).

Fixed revenue increased by 3.9%(*) and represented 8.5% of Group service revenue. We now have 8.8 million fixed line customers including 6.4 million fixed broadband customers.

Our US associate, Verizon Wireless, has continued to perform strongly. Organic service revenue grew by 6.8%(*) led by strong customer growth and rising data ARPU as a result of increased smartphone penetration (now 43.5% of the retail postpaid base). Verizon Wireless continued the deployment of its 4G long-term evolution (LTE) network, which is now available to more than 200 million people in the United States. Verizon Wireless moved into a net cash positive position of US$0.7 billion at the end of the quarter.

Capital expenditure was £1.5 billion, 5.2% lower than the same quarter last year, mainly as a result of timing differences. Year to date capital expenditure was £4.1 billion, a 3.6%(*) increase on the prior financial year, reflecting enhancements to the transmission network in Vodacom and investment in LTE technology in Germany.

Free cash flow of £1.5 billion was £0.4 billion higher year-on-year, primarily due to the timing of tax payments. Cumulative free cash flow was £4.1 billion, some £0.5 billion lower than the prior financial year, reflecting higher working capital and capital expenditure outflows.

During the quarter £0.8 billion was invested in buying back our shares, taking our cumulative spend, since September 2010, to 70% of the £6.8 billion committed to the share buyback programme. In addition £1.0 billion was spent on spectrum, primarily in Italy and Greece. We also completed the disposal of our 24.4% interest in

OPERATING REVIEW

Polkomtel in Poland for a cash consideration of £0.8 billion before tax and transaction costs. Net debt at 31 December 2011 was £25.5 billion, compared to £26.2 billion at 30 September 2011.

On 20 January 2012 the Group received a favourable judgment from the Indian Supreme Court in respect of the tax case regarding the acquisition of Vodafone India Limited in 2007. Further details are outlined in Other transactions and developments on page 7.

Guidance for the 2012 financial year(1)(2)

Adjusted operating profit for the current financial year is expected to be in the £11.4 - £11.8 billion range communicated in November 2011. We continue to expect a full year EBITDA margin decline at a lower rate than that experienced in the prior financial year.

Free cash flow is still expected to be in the range of £6.0 - £6.5 billion, excluding the £2.8 billion dividend received from Verizon Wireless in January 2012.

Summary

We continue to deliver strong revenue growth in data services and in our emerging markets(3). However, our markets remain competitive and the economic environment, particularly across southern Europe, is challenging. We have maintained our focus on cost efficiency and working capital, allowing us to sustain our level of investment in spectrum and capital expenditure while again delivering a strong cash flow performance. Looking forward, we expect to continue to face challenging market conditions, but remain confident of executing well.

Notes:

(*) 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 movements in foreign exchange rates. At the start of this quarter the Group revised its intra-group roaming charges. Whilst neutral to Group revenue and profitability, these changes do have an impact on reported service revenue by country and regionally from this quarter onwards. Whilst prior period reported revenue has not been restated, to ensure comparability in organic growth rates, Q3 country and regional revenue in the prior financial year have been recalculated based on the new pricing structure to form the basis for our organic calculations.

(1) The guidance ranges for the 2012 financial year set out on page 44 of the Group s 2011 annual report and the updated guidance for the 2012 financial year set out on page 8 of the Group s FY12 half-year results announcement included full year foreign exchange rate assumptions of £1: 1.15 and £1:US$1.60. The actual rates experienced during the nine months ended 31 December 2011 were £1: 1.15 and £1:US$1.60. On a full year basis a 1% change in the euro to sterling exchange rate would impact adjusted operating profit and free cash flow by approximately £50 million and a 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £50 million.

(2) The Group s guidance does not include the impact of licence and spectrum purchases, the £2.8 billion dividend received from Verizon Wireless, material one-off tax related payments and settlements, and restructuring costs and assumes no material change to the current structure of the Group.

(3) Emerging markets include India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji.

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Europe

Revenue declined by 1.9% to £8.1 billion including a 1.4 percentage point adverse impact from movements in foreign exchange rates. On an organic basis service revenue declined by 1.7%(*) primarily due to the impact of MTR cuts, competitive pricing pressures and continued economic weakness partially offset by growth in data revenue. Growth in the UK, Germany, the Netherlands and Turkey was offset by declines in most other markets, in particular, Italy and Spain.

Revenue

	Quarter ended 31 December		Change	
	2011	2010	Reported	Organic
	£m	£m	%	%
Germany	1,919	1,915	0.2	0.7
Italy	1,304	1,378	(5.4)	(4.9)
Spain	1,061	1,170	(9.3)	(8.8)
UK	1,267	1,260	0.6	1.1
Other Europe	1,903	1,990	(4.4)	0.9
Eliminations	(34)	(56)		
Service revenue	**7,420**	**7,657**	**(3.1)**	**(1.7)**
Other revenue	683	602	13.5	12.3
Revenue	**8,103**	**8,259**	**(1.9)**	**(0.7)**

Germany

Service revenue increased by 0.7%(*) reflecting strong data and enterprise revenue growth, partially offset by the impact of an MTR cut effective from 1 December 2010 and competitive pressure within consumer prepaid. Data revenue grew by 22.3%(*) due to the increased penetration of smartphones, SuperFlat Internet tariffs and the launch of prepaid integrated tariffs. Enterprise revenue increased by 5.0%(*) driven by strong mobile and fixed line growth.

The roll out of LTE has continued, following the launch of services in the prior financial year, with 88,000 LTE customers at 31 December 2011. In addition, over 1,700 base station sites have been upgraded to LTE which can provide coverage to more than eight million households.

Italy

Service revenue declined by 4.9%(*) due to weak economic conditions, leading to lower out-of-bundle usage, intense competition and the impact of an MTR cut effective 1 July 2011. Data revenue grew by 15.9%(*) due to a higher penetration of smartphones and an increase in those sold with a data bundle. Enterprise revenue grew by 1.9%(*) due to a higher customer base and the success of the converged fixed and mobile solution, Vodafone One Net. New integrated tariffs for both contract and prepaid customers were launched during the quarter.

Spain

Service revenue declined by 8.8%(*), reflecting intense competitive pricing pressures and general economic weakness which have driven customers to optimise their tariffs. Data revenue growth accelerated to 26.9%(*) due to a higher penetration of smartphones and strong growth in mobile internet. There has been a strong uptake in the integrated voice, SMS and data tariffs launched in October 2010, with 27.9% of new mobile contract customer additions during the quarter opting for integrated tariffs. Fixed line revenue increased by 13.0%(*) driven by good customer additions.

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UK

Service revenue increased by 1.1%(*) driven by enterprise and data revenue growth but partially offset by a very strong performance in the prior year, the impact of an MTR cut effective from 1 April 2011 and customers reducing out-of-bundle usage due to lower consumer confidence. Data revenue grew by 13.2%(*), primarily due to a higher penetration of smartphones and an increase in those sold with a data bundle. Enterprise revenue grew by 3.1%(*) as integrated offerings continued to be successful.

Other Europe

Service revenue increased by 0.9%(*) as growth in the Netherlands and Turkey more than offset a decline in the rest of the region, particularly in Greece, Portugal and Ireland, which continued to be impacted by the challenging economic environment and competitive factors. Service revenue in Turkey grew by 23.5%(*), driven by strong growth in the contract customer base and data revenue. In the Netherlands, service revenue growth slowed to 1.5%(*), driven by MTR cuts, price competition and customers optimising tariffs.

OPERATING REVIEW

Africa, Middle East and Asia Pacific

Revenue declined by 0.6% to £3.5 billion including a 9.2 percentage point adverse impact from movements in foreign exchange rates. On an organic basis service revenue grew by 7.6%(*) driven by strong data revenue growth and an increasing customer base, partially offset by the impact of MTR cuts. Growth was driven by strong performances in India, Vodacom and Ghana.

<u>Revenue</u>

		Quarter ended 31 December		Change
	2011	2010	Reported	Organic
	£m	£m	%	%
India	1,024	963	6.3	20.0
Vodacom	1,222	1,293	(5.5)	8.0
Other Africa, Middle East and Asia Pacific	915	955	(4.2)	(4.1)
Eliminations		(1)		