VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 15, 2006

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

Dated November 15, 2006

VODAFONE GROUP

PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

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 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):

This Report on Form 6-K contains a news release issued by Vodafone Group Plc on, November 14 2006, entitled VODAFONE ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 .

VODAFONE GROUP PLC

VODAFONE ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

Embargo:
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Highlights[(1)]:

Group revenue of £15.6 billion, with organic growth of 4.1%

Profit before taxation for the period increased to £4.8 billion before impairment charges of £8.1 billion. Loss before taxation was £3.3 billion

Adjusted basic earnings per share increased by 17.7% to 5.98 pence, including the benefit from an interim adjusted effective tax rate of 29.2%. Basic loss per share from continuing operations of 8.02 pence

Free cash flow from continuing operations of £3.0 billion and net cash inflow from operating activities from continuing operations of £4.8 billion, after net taxation paid of £1.2 billion

Interim dividend per share increased by 6.8%, to 2.35 pence, giving a pay out of £1.2 billion

Outlook summary[(2)]:

No change to the full year organic proportionate mobile revenue growth range of 5% to 6.5% and proportionate organic mobile EBITDA margin expectations of around 1 percentage point lower than last year

Free cash flow from continuing operations outlook increased to an expected range of £4.7 billion to £5.2 billion due to the delayed settlement of certain long-standing tax issues

Capitalised fixed asset additions outlook unchanged with a range of £4.2 billion to £4.6 billion

Full year adjusted effective tax rate expected to be lower than previously indicated at around 30%. Longer term percentage rate now expected to be in the low 30 s

(1) See page 4 for Group Financial and Operating Highlights, page 40 for use of non-GAAP financial information and page 41 for definition of terms

(2) See page 39 for a cautionary statement on Forward-Looking Statements

Arun Sarin, Chief Executive, commented:

These results show that Vodafone is on track to deliver on its key targets for the current financial year. Competitive and regulatory pressures in the European region have been offset by strong performances in our developing markets and the United States. We have also made good progress since May in the execution of our new strategy and the response to our new products and services has been very encouraging.

CHIEF EXECUTIVE S STATEMENT

Vodafone has announced first half results showing progress in very competitive markets. Despite the pressures from competition and regulation, we continue to execute the strategy laid out to shareholders in May and are on track to meet our full year targets.

We have a unique franchise of international customers, with over 191 million proportionate mobile customers, of whom 147 million are in controlled or jointly controlled entities.

Proportionate mobile revenue for the first half of this financial year increased by 6% on an organic basis. The Europe region remains very competitive with flat organic growth year on year. Of our four principal markets, Germany, Italy and the UK saw declining total revenue after taking into account the impact of termination rate cuts, whilst Spain continued its strong progress, posting another period of double digit top line growth. Our high growth markets in the EMAPA region continued to perform well, growing organically at 13.7% year on year. Together with the US, where Verizon Wireless revenue grew 18.2% year on year in local currency, this strong performance helped to offset the lower growth in our more established markets.

Proportionate mobile EBITDA margins on an organic basis were only slightly lower year on year, though the mobile EBITDA margin is expected to fall by a larger amount year on year in the second half of the 2007 financial year.

Free cash flow from continuing operations was slightly lower at £3.0 billion in the first half of the financial year; a 6.9% increase in operating free cash flow was offset by higher tax payments of £1.2 billion.

Higher interest rates, along with pricing and continued regulatory pressures in the German market, led to an impairment charge of £8.1 billion in the total carrying value of goodwill in respect of our German and Italian operations.

In May this year, we announced five core strategic goals to drive forwards the financial and operating results of the Company:

Revenue stimulation and cost reduction in Europe

In our mature European markets, we are fighting the twin pressures of price erosion and regulation. The core strategy in this region is to stimulate revenue and cut costs.

Average monthly voice usage per customer in Europe is still below 150 minutes. Central to stimulating revenue is driving fixed to mobile substitution with larger minute bundles and innovative tariffs, prepaid to contract migrations and targeted promotions. In

Germany and the UK, new larger and better value bundles have been launched, maintaining competitiveness in the respective marketplaces. In Italy, revenue declines appear to be stabilising following a successful summer promotion. We are targeting fixed to mobile substitution through Vodafone At Home and similar offerings in Germany, Italy, the UK, Greece, Hungary and Portugal. Expansion of this offering will occur, with a further three countries expected to launch by the end of the current financial year. Building on our success in business, we continue to deliver leading edge services, such as Oficina Vodafone in Spain and applications using the benefits of mobile broadband following the introduction of HSDPA.

Progress has also been made on core cost reduction programmes which will demonstrate benefits over time. In outsourcing, we have chosen EDS and IBM to manage application development and maintenance services in a global IT outsourcing deal, which is expected to deliver 25% to 30% unit cost savings within three to five years. We continue to look at the cost of owning and maintaining networks, with recent announcements including 2G and 3G network sharing in Spain and entering into discussions on network sharing in the Czech Republic. We have also announced quicker than expected progress on data centre consolidation in Europe, where we expect to save costs of around 25% to 30% in two to three years.

Deliver strong growth in emerging markets

Our focus in emerging markets is to build on our strong track record of creating value, having delivered strong performances over time in markets such as Egypt and South Africa. This has continued in the first half of this financial year, with organic service revenue growth of 40.2% in Egypt and 20.8% in South Africa.

Our more recent acquisitions are performing very well, with first half year on year organic service revenue growth of 31.3% in Romania and 14.4% in the Czech Republic. In Turkey, we are very pleased with progress and the company is performing well ahead of its acquisition business plan. In India, organic revenue growth was greater than 50%. All of these performances are ahead of our expectations at the time of each acquisition.

Innovate and deliver on our customers total communications needs

As customer needs are evolving, we are providing a sub-segment of our customer base with fixed broadband connectivity as part of a total telecommunications solution. This type of service will typically be provided using wholesale relationships with infrastructure providers and we have announced deals with BT in the UK, Fastweb in Italy and Arcor in Germany.

We are continuing to develop a mobile advertising revenue stream and in this respect we have announced today our intent to partner with Yahoo! in the UK. We are also developing products and services which will integrate the mobile and PC environments.

We will continue to pursue a mobile centric approach, focusing on the core benefits to customers of mobility and personalisation, and will resell fixed line technologies only according to customer needs.

Actively manage our portfolio to maximise returns

Vodafone will seek to invest only where we can generate superior returns for our shareholders in markets that offer a strong local position, with a focus on specific regions.

In keeping with this strategy, in the first half of the financial year we closed the sale of Vodafone Japan and recently completed the sale of our 25% stake in Proximus in Belgium for cash proceeds of 2 billion. For Proximus, this represented a good exit price with an enterprise value of 7.2 times forecast EBITDA for the current financial year. Most recently, we announced the proposed acquisition of up to a further 4.9% of Vodafone Egypt, increasing our exposure to this high growth market. We will continually review the countries in which we operate going forward.

Align capital structure and shareholder returns policy to strategy

In May this year, we outlined a new capital structure and returns policy commensurate with the operational strategy of the business. As a result, we are now targeting a low single A credit rating.

The Board also announced a targeted annual 60% payout of adjusted earnings per share in the form of dividends. We are announcing an interim dividend of 2.35 pence, up by 6.8% when compared to last year.

Having returned over £19 billion to shareholders, excluding dividends, in the last two financial years, we have no current plans for further share purchases or other one-off returns.

Prospects for the current year

Revenue progression remains in line with expectations and the Group continues to expect organic growth in proportionate mobile revenue to be in the range of 5% to 6.5% and proportionate mobile EBITDA margins to be around 1 percentage point lower than the 2006 financial year on an organic basis.

Free cash flow from continuing operations on an underlying basis is still expected to be in the range of £5.2 billion to £5.7 billion. As a result of a delay in the settlement of certain items, payments in respect of long standing tax issues are expected to be around £0.5 billion for this financial year, leading to an expected range of £4.7 billion to £5.2 billion for reported free cash flow from continuing operations.

Summary

We are successfully executing a clear five point strategy to provide long term value creation for our shareholders. The financial results for the first six months highlight that we are on track to deliver on our key full year targets. We will continue to deliver real value to customers that will enable us to achieve our targets in the face of tough competition and regulatory pressures.

Arun Sarin

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GROUP FINANCIAL AND OPERATING HIGHLIGHTS

Continuing operations[(1)(2)]:	Page	**2006 £m**	2005 £m	Change % Reported	Organic
- **Financial information**					
Revenue	21	**15,594**	14,548	7.2	4.1
Operating (loss)/profit	21	**(2,952)**	4,286		
(Loss)/profit before taxation	21	**(3,330)**	3,911		
(Loss)/profit for the period	21	**(4,548)**	2,629		
Basic (loss)/earnings per share (pence)	21	**(8.02)p**	4.07p		
Capitalised fixed asset additions		**1,824**	1,750	4.2	
Net cash flow from operating activities	19	**4,840**	5,227	(7.4)	
- **Performance reporting[(3)]**					
Group EBITDA	7	**6,242**	5,907	5.7	2.8
Adjusted operating profit	7	**5,141**	4,782	7.5	7.4
Adjusted profit before tax	17	**4,724**	4,558	3.6	
Adjusted effective tax rate	17	**29.2%**	31.5%		
Adjusted profit for the period attributable to equity shareholders	29	**3,441**	3,237	6.3	
Adjusted basic earnings per share (pence)	29	**5.98p**	5.08p	17.7	
Free cash flow	19	**2,955**	3,252	(9.1)	
Net debt at 30 September	19	**20,229**	13,421	50.7	

Continuing operations[(1)(2)]:	Page	**2006 Million**	2005 Million	Change % Reported	Organic
Operational (4)(5)					
Vodafone live! - Closing active devices	44	**30.7**	22.2	38.3	
Closing 3G registered devices	44	**10.9**	3.3	230.3	
Closing Vodafone Mobile Connect data cards		**1.0**	0.6	66.7	
Mobile voice usage (minutes)	48	**112,649**	84,077	34.0	18.2

The interim results have been prepared in accordance with International Financial Reporting Standards (IFRS) (including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, and as interpreted by any regulatory bodies applicable to the Group) and adopted for use in the European Union (EU).

This interim results announcement contains certain information on the Group s results and cash flows that have been derived from amounts calculated in accordance with IFRS but are not themselves IFRS measures. They should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be read in conjunction with the equivalent IFRS measure. Further disclosures are provided under Use of Non-GAAP Financial Information on page 40.

See page 41 for definition of terms

(1) Excluding the results of discontinued operations. See note 9 to the interim consolidated financial statements

(2) Amounts presented as at 30 September or for the six months then ended

(3) These measures are stated excluding impairment losses, non-recurring amounts related to business acquisitions and disposals, changes in the fair value of equity put rights and similar arrangements and net foreign exchange gains and losses on certain financial instruments and intercompany borrowings

(4) Cumulative number as at 30 September

(5) Figures represent 100% of subsidiary information and a pro-rata share in joint ventures

GROUP PROPORTIONATE INFORMATION

	2006	2005	Change %	
	£m	£m	£	Organic
Financial Information				
Revenue				
Europe				
- Germany	**2,827**	2,913	(3.0)	
- Italy	**2,174**	2,240	(2.9)	
- Spain	**2,268**	1,968	15.2	
- UK	**2,549**	2,568	(0.7)	
- Other Europe	**2,230**	2,457	(9.2)	
Less: revenue between Europe operations	**(218)**	(197)		
	11,830	11,949	(1.0)	0.6
EMAPA				
- Subsidiaries and joint ventures	**2,867**	1,865	53.7	
- Associated undertakings and investments	**6,712**	6,092	10.2	
Less: revenue between EMAPA operations	**(6)**	(5)		
	9,573	7,952	20.4	13.7
Other[1]	**606**	528	14.8	
Eliminations	**(112)**	(114)		
Group Continuing operations	**21,897**	20,315	7.8	6.2
Mobile operations Continuing operations	**21,263**	19,798	7.4	6.0
EBITDA				
Europe				
- Germany	**1,263**	1,353	(6.7)	
- Italy	**1,128**	1,207	(6.5)	
- Spain	**813**	721	12.8	
- UK	**785**	781	0.5	
- Other Europe	**819**	849	(3.5)	
	4,808	4,911	(2.1)	(1.6)
EMAPA				
- Subsidiaries and joint ventures	**988**	657	50.4	
- Associated undertakings and investments	**2,689**	2,344	14.7	
	3,677	3,001	22.5	17.5
Other[1]	**301**	243	23.9	
Group - Continuing operations	**8,786**	8,155	7.7	6.2
Mobile operations - Continuing operations	**8,656**	8,090	7.0	5.6
			Percentage Points	Percentage Points
EBITDA margin				
Europe				

- Germany	**44.7%**	46.4%	(1.7)	
- Italy	**51.9%**	53.9%	(2.0)	
- Spain	**35.8%**	36.6%	(0.8)	
- UK	**30.8%**	30.4%	0.4	
- Other Europe	**36.7%**	34.6%	2.1	
	40.6%	41.1%	(0.5)	
EMAPA				
- Subsidiaries and joint ventures	**34.5%**	35.2%	(0.7)	
- Associated undertakings and investments	**40.1%**	38.5%	1.6	
	38.4%	37.7%	0.7	
Group EBITDA margin - Continuing operations	**40.1%**	40.1%		
Mobile EBITDA margin - Continuing operations	**40.7%**	40.9%	(0.2)	(0.1)

(1) Other operations include the Group s fixed line operator in Germany, Arcor, and common functions which represent revenue from Partner Markets and unallocated central Group income and expenses

Proportionate information is presented and calculated on the basis described on page37. See page 41 for definition of terms

	2006	2005	Change %	
	Million	Million	Reported	Organic
<u>Mobile customers</u>				
Net proportionate customer additions(1)	**12.0**	10.1	18.8	
Proportionate customers at 30 September	**191.6**	156.3	22.6	13.9

(1) Excludes additions from acquisitions and stake changes and the impact of a change in the application of the disconnection policy. Further analysis is provided on page 43

Customers are presented for continuing operations. See page 41 for definition of terms

OUTLOOK

Please see Forward-Looking Statements on page 39, Use of non-GAAP financial information on page 40 and definition of terms on page 41.

	2007 financial year Outlook
Organic proportionate mobile revenue growth(1)	**5% to 6.5%**
Organic proportionate mobile EBITDA margin(1)	**Around 1 percentage point lower than 2006 financial year**
Free cash flow from continuing operations*	**£4.7 to £5.2 billion**
Capitalised fixed asset additions	**£4.2 to £4.6 billion**
Adjusted effective tax rate(2)	**Around 30%**

* Stated after an estimated £0.5 billion of tax payments, including associated interest, in respect of a number of long standing tax issues

(1) Assumes constant exchange rates and excludes the impact of business acquisitions and disposals for the financial measures and adjusted to reflect like-for-like ownership levels in both years

(2) See page 17 for adjusted effective tax rate calculation

For the year ending 31 March 2007 (2007 financial year)

The Group continues to expect organic growth in proportionate mobile revenue to be in the range of 5% to 6.5%.

Proportionate mobile EBITDA margin is also still expected to be around 1 percentage point lower than the year ending 31 March 2006 (2006 financial year) on an organic basis, excluding the impact of any one-off business restructuring costs.

In line with the outlook provided on 30 May 2006, proportionate mobile EBITDA margin is expected to fall by a larger amount year on year for the second half of the 2007 financial year than for the first half of the 2007 financial year. This is primarily as a result of the timing of commercial initiatives, including pricing changes, in Europe and in particular in Germany and the UK.

The Group expects capitalised fixed asset additions to still be in the range of £4.2 billion to £4.6 billion, which is higher than the 2006 financial year due to the effect of recently completed acquisitions and disposals and the Group s rollout of HSDPA.

Free cash flow from continuing operations is still anticipated to be in the range of £5.2 billion to £5.7 billion before tax payments and associated interest in respect of the potential settlement of a number of long standing tax issues. Due to a delay in the settlement of some of these issues, tax payments and associated interest in the current financial year are now expected to be approximately £0.5 billion, giving an expected range of £4.7 billion to £5.2 billion for reported free cash flow from continuing operations. The

Group still expects significant cash tax and associated interest payments over the next few years in respect of these long standing issues, although certain settlements may be later than previously anticipated.

The effective tax rate for the year is expected to be similar to the 2006 financial year at around 30%, slightly higher than in the first half of the financial year due to the net benefit of one-off items recorded in full in the first half. The Group now expects its longer term effective tax rate percentage to be in the low 30 s, having previously anticipated this in the mid 30 s.

The Group continues to maintain its existing provision in respect of the ongoing enquiry by HM Revenue & Customs with regard to the application of the UK Controlled Foreign Company (CFC) legislation to the Group, as described in the Group s Annual Report for the year ended 31 March 2006. A recent judgment in a similar case in the European Court of Justice has provided guidance to the UK courts and whilst it may be some time before the enquiry is finally resolved, the Group has not made any additional provision.

For the year ending 31 March 2008 (2008 financial year)

In order to simplify its financial reporting and improve understanding of its results, the Group will be moving to a single basis of statutory reporting and will no longer provide proportionate financial information with effect from the 2008 financial year. The Group s outlook statement will also change to reflect only statutory financial measures. The full outlook for the 2008 financial year will be provided with the preliminary results of the 2007 financial year in May 2007.

Revenue stimulation and cost reduction

The Group continues to anticipate delivering benefits through its One Vodafone initiatives equivalent to at least 1% additional revenue market share in the 2008 financial year compared with the 2005 financial year, which the Group is measuring in Germany, Italy, Spain and the UK against its principal competitors.

Capitalised fixed asset additions are expected to be 10% of revenue in the 2008 financial year for the total of the Group s Europe region and common functions, which will require reducing expenditure in that year by approximately £400 million to £500 million when compared with the 2006 financial year.

Assuming no significant changes in exchange rates and after adjusting for acquisitions and disposals, the Group expects operating expenses to be broadly stable in the 2008 financial year when compared with the 2006 financial year for the total of its Europe region and common functions, excluding the potential impact from developing and delivering new services and from any business restructuring costs.

BUSINESS REVIEW

In April 2006, the Group announced changes to the organisational structure of its operations, effective from 1 May 2006. The following results are presented for continuing operations in accordance with the new organisation structure. Europe includes the results of the Group s mobile operations in Western Europe, while EMAPA includes the Group s operations in Eastern Europe, the Middle East, Africa, Asia and the Pacific area and the Group s associates. Other operations comprise the Group s common functions and its fixed line business in Germany.

	Europe	EMAPA	Other	Eliminations	**2006**	2005	% change	
	£m	£m	£m	£m	**£m**	£m	£	Organic
Voice revenue	9,006	2,436		(72)	**11,370**	10,771	5.6	2.4
Messaging revenue	1,458	331		(3)	**1,786**	1,613	10.7	6.3
Data revenue	603	56		(9)	**650**	504	29.0	30.0
Fixed line and DSL revenue		34	706	(14)	**726**	603	20.4	14.0
Total service revenue	**11,067**	**2,857**	**706**	**(98)**	**14,532**	13,491	**7.7**	**4.4**
Acquisition revenue	457	176			**633**	603	5.0	
Retention revenue	174	8			**182**	202	(9.9)	
Other revenue	132	34	86	(5)	**247**	252	(2.0)	
Total revenue	**11,830**	**3,075**	**792**	**(103)**	**15,594**	14,548	**7.2**	**4.1**
Interconnect costs	(1,760)	(520)	(172)	98	**(2,354)**	(2,256)	4.3	1.8
Other direct costs	(780)	(353)	(121)	5	**(1,249)**	(1,032)	21.0	10.5
Acquisition costs	(1,158)	(313)	(40)		**(1,511)**	(1,418)	6.6	4.5
Retention costs	(763)	(91)	(43)		**(897)**	(924)	(2.9)	(2.1)
Operating expenses	(2,561)	(698)	(82)		**(3,341)**	(3,011)	11.0	8.1
EBITDA	**4,808**	**1,100**	**334**		**6,242**	5,907	**5.7**	**2.8**
Acquired intangibles amortisation	(8)	(189)			**(197)**	(52)	278.8	
Purchased licence amortisation	(443)	(24)			**(467)**	(471)	(0.8)	
Depreciation and other amortisation	(1,365)	(364)	(115)		**(1,844)**	(1,773)	4.0	
Share of result in associates	2	1,405			**1,407**	1,171	20.2	23.6
Adjusted operating profit	**2,994**	**1,928**	**219**		**5,141**	4,782	**7.5**	**7.4**
Adjustments for:								
- Impairment losses	(8,100)				**(8,100)**	(515)		
- Other			1		**1**	–		
- Non-operating income of associates		6			**6**	19		
Operating (loss)/profit	**(5,106)**	**1,934**	**220**		**(2,952)**	4,286		

GROUP RESULTS

Revenue increased by 7.2% to £15,594 million for the six months ended 30 September 2006, resulting from organic growth of 4.1% and the impact from the acquisitions in the Czech Republic, Turkey and India, the stake increases in Romania and South Africa and the disposal of the Group s operations in Sweden of 3.4%, partially offset by the impact of unfavourable movements in exchange rates of 0.3%.

The EMAPA region accounted for more than 70% of the organic growth in revenue, with the Europe region and other operations also growing organically, whilst the EMAPA region accounted for all the growth in reported revenue.

Adjusted operating profit increased by 7.5% to £5,141 million, with organic growth of 7.4%. The EMAPA region achieved organic growth of 26.1%, partially offset by a decline in profitability in the Europe region due to the challenges of increased competition, high penetration and termination rate cuts. Unfavourable exchange rate movements reduced reported growth for the Group by 0.5%, whilst the net impact of acquisition and disposal activity and the classification of the Group s associated undertaking in Belgium as held for sale following announcement on 25 August 2006 of the agreement to sell the Group s 25% interest in Proximus to Belgacom, improved reported growth by 0.6%.

The Group recorded an impairment charge of £8,100 million in relation to the carrying value of goodwill in the Group s operations in Germany (£6,700 million) and Italy (£1,400 million) following an increase in long term interest rates, along with increased price competition and continued regulatory pressures in the German market. The increase in long term interest rates, which led to higher discount rates, resulted in a reduction in value of £3,700 million. The impairment charge was the primary reason for the operating loss of £2,952 million for the current period compared with an operating profit of £4,286 million for the six months to 30 September 2005.

EUROPE

	Germany	Italy	Spain	UK	Other	Eliminations	**Europe**	% change	
	£m	£m	£m	£m	£m	£m	**£m**	£	Organic
Six months ended 30 September 2006									
Voice revenue	2,114	1,732	1,738	1,846	1,743	(167)	**9,006**	(2.4)	(0.7)
Messaging revenue	386	275	190	365	256	(14)	**1,458**	2.9	3.7
Data revenue	190	89	122	134	91	(23)	**603**	27.2	29.1
Total service revenue	**2,690**	**2,096**	**2,050**	**2,345**	**2,090**	**(204)**	**11,067**	**(0.4)**	**1.1**
Acquisition revenue	71	57	153	120	56		**457**	(5.6)	
Retention revenue	17	20	62	29	46		**174**	(12.1)	
Other revenue	49	1	3	55	24		**132**	(12.0)	
Total revenue	**2,827**	**2,174**	**2,268**	**2,549**	**2,216**	**(204)**	**11,830**	**(1.0)**	**0.6**
Interconnect costs	(363)	(326)	(349)	(489)	(437)	204	**(1,760)**	(3.1)	(1.1)
Other direct costs	(167)	(111)	(174)	(209)	(119)		**(780)**	5.0	6.4
Acquisition costs	(274)	(114)	(323)	(292)	(155)		**(1,158)**	(1.9)	0.6
Retention costs	(182)	(62)	(183)	(186)	(150)		**(763)**	(9.6)	(7.7)
Operating expenses	(578)	(433)	(426)	(588)	(536)		**(2,561)**	4.4	7.7
EBITDA	**1,263**	**1,128**	**813**	**785**	**819**		**4,808**	**(2.1)**	**(1.6)**
Acquired intangibles amortisation				(4)	(4)		**(8)**	166.7	
Purchased licence amortisation	(172)	(37)	(34)	(166)	(34)		**(443)**		
Depreciation and other amortisation	(367)	(252)	(194)	(297)	(255)		**(1,365)**	(4.6)	
Share of result in associates					2		**2**	(33.3)	
Adjusted operating profit	**724**	**839**	**585**	**318**	**528**		**2,994**	**(1.5)**	**(2.7)**
EBITDA margin	44.7%	51.9%	35.8%	30.8%	37.0%	40.6%			
Six months ended 30 September 2005									
Voice revenue	2,225	1,816	1,546	1,864	1,923	(148)	9,226		
Messaging revenue	408	262	162	334	253	(2)	1,417		
Data revenue	128	81	89	119	84	(27)	474		
Total service revenue	2,761	2,159	1,797	2,317	2,260	(177)	11,117		
Acquisition revenue	72	46	123	152	91		484		
Retention revenue	31	30	47	31	59		198		
Other revenue	49	5	1	68	27		150		
Total revenue	2,913	2,240	1,968	2,568	2,437	(177)	11,949		
Interconnect costs	(394)	(366)	(323)	(438)	(472)	177	(1,816)		
Other direct costs	(144)	(122)	(155)	(180)	(142)		(743)		
Acquisition costs	(251)	(85)	(246)	(368)	(231)		(1,181)		
Retention costs	(211)	(71)	(161)	(230)	(171)		(844)		
Operating expenses	(560)	(389)	(362)	(571)	(572)		(2,454)		
EBITDA	1,353	1,207	721	781	849		4,911		
Acquired intangibles amortisation				(2)	(1)		(3)		
Purchased licence amortisation	(171)	(37)	(34)	(166)	(33)		(441)		
Depreciation and other amortisation	(407)	(247)	(158)	(293)	(326)		(1,431)		
Share of result in associates					3		3		
Adjusted operating profit	775	923	529	320	492		3,039		

EBITDA margin	46.4%	53.9%	36.6%	30.4%	34.8%		41.1%
	%	%	%	%	%		
Change at constant exchange rates							
Voice revenue	(5.4)	(5.1)	11.9	(1.0)	(9.8)		
Messaging revenue	(5.8)	4.8	16.6	9.3	0.4		
Data revenue	48.4	8.3	36.2	12.6	8.3		
Total service revenue	**(3.0)**	**(3.4)**	**13.5**	**1.2**	**(8.0)**		
Acquisition revenue	(1.7)	22.5	24.4	(21.1)	(39.6)		
Retention revenue	(46.4)	(32.7)	29.9	(6.5)	(22.0)		
Other revenue	0.3	(85.1)		(19.1)	(11.1)		
Total revenue	**(3.4)**	**(3.4)**	**14.7**	**(0.7)**	**(9.6)**		
Interconnect costs	(8.4)	(11.3)	7.6	11.6	(7.8)		
Other direct costs	15.2	(9.3)	11.6	16.1	(16.2)		
Acquisition costs	8.9	32.2	30.6	(20.7)	(33.5)		
Retention costs	(14.3)	(13.2)	13.2	(19.1)	(12.8)		
Operating expenses	2.8	10.9	16.9	3.0	(7.0)		
EBITDA	**(7.0)**	**(7.0)**	**12.2**	**0.5**	**(4.0)**		
Acquired intangibles amortisation				100.0			
Purchased licence amortisation					300.0		
Depreciation and other amortisation	(11.0)	(1.7)	18.0	1.4	(22.5)		
Share of result in associates							
Adjusted operating profit	**(6.9)**	**(9.3)**	**10.0**	**(0.6)**	**7.3**		
EBITDA margin movement	(1.7)	(2.0)	(0.8)	0.4	2.2		

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		Germany	Italy	Spain	UK	Other	**Europe**
KPIs							
Closing customers (000)	- 2006	**29,622**	**19,337**	**14,024**	**16,287**	**16,257**	**95,527**
	- 2005	28,259	17,884	12,418	15,764	16,630	90,955
Average monthly ARPU	- 2006	**22.3**	**27.3**	**35.9**	**£24.1**	**£21.9**	
	- 2005	24.4	30.1	37.1	£24.9	£23.5	
Annualised blended churn (%)	- 2006	**21.4%**	**21.3%**	**28.9%**	**35.2%**	**26.3%**	
	- 2005	18.5%	18.0%	21.2%	32.7%	23.7%	
Closing 3G devices (000)	- 2006	**2,724**	**2,830**	**1,739**	**1,348**	**1,726**	**10,367**
	- 2005	815	1,044	315	438	695	3,307
Voice usage (millions of minutes) - 2006		**15,593**	**15,737**	**14,511**	**14,786**	**14,120**	**74,747**
	- 2005	12,784	14,337	11,507	13,747	13,927	66,302
See page 41 for definition of terms							

The Europe region continues to be a challenging environment as a result of intense competition from established mobile operators and new market entrants, coupled with penetration rates exceeding 100% in many markets, and continuing regulator-imposed rate reductions on incoming calls. The strategy for the region is, therefore, to focus on stimulating additional voice and data usage in a way that enhances customer value and revenue. This includes extending the current mobile only offering by innovating and delivering total communications solutions, whilst continuing to leverage regional scale to reduce the cost structure.

Revenue

Total revenue fell slightly in the six months ended 30 September 2006, consisting of a 0.6% growth on an organic basis and a 0.4% impact from favourable exchange rate movements, offset by a 2.0% decline following the disposal of the Group s operations in Sweden in January 2006. The organic growth in total revenue arose from a 7.9% increase in the average customer base, driven by competitively priced tariffs, successful promotions and innovative services, partially offset by pressures on pricing and termination rate cuts. The estimated impact of termination rate cuts and other non-recurring adjustments on the growth in total revenue in the current period is as follows:

	Total revenue growth at constant exchange rates %	Impact of disposals %	Estimated impact of termination rate cuts and other adjustments(1) on total revenue growth %	Underlying total revenue growth %	Underlying service revenue growth %
Germany	(3.4)	–	3.6	0.2	0.7
Italy	(3.4)	–	6.5	3.1	3.3
Spain	14.7	–	4.9	19.6	18.9
UK	(0.7)	–	0.3	(0.4)	1.6
Other Europe	(9.6)	9.8	3.2	3.4	5.0
Europe –	**(1.4)**	**2.0**	**3.6**	**4.2**	**5.0**

Total

Note:

(1) Revenue for certain arrangements is now presented net of associated direct costs

Service revenue increased by 1.1% on an organic basis due to growth in the customer base, which was partially offset by a decline in ARPU. Reported growth showed a slight decline, with strong growth in Spain and certain markets in Other Europe offset by slight declines in Germany and Italy.

Competitive offerings have contributed to the growth in average customers in Europe, with particularly strong rises in Spain and Greece, with the former also benefiting from favourable mobile number portability results. A continuing focus on customer retention has led to contract churn falling in many markets, whilst prepaid churn has risen due to intensified competition from existing network operators and new virtual network operators, as well as being influenced by customer self-upgrades in a number of markets. In Spain and Other Europe, churn has been impacted by certain one-off adjustments from a change in the application of the Group s policy on customer disconnections. Excluding the resulting one-off disconnections, blended churn would have been 20.3% and 24.5% for Spain and Other Europe, respectively.

The service revenue growth in Spain resulted from the increase in the average customer base, up 16.9% in the period, driven by successful promotions and competitive tariffs, targeted at both the consumer and business segments. This growth was complemented by a strong handset portfolio which has resulted in more than 60% of gross additions joining as 3G customers, and led to a market leading share of net additions in the first half of the financial year. In Other Europe, service revenue growth was 2.1% excluding the impact of the disposal of Sweden, mainly due to service revenue growth in Greece and Portugal of 4.0% and 5.1% respectively, in local currency, primarily resulting from increases in respective customer bases, offset by a small decline in the Netherlands, principally from the impact of a termination rate cut. The decreases in service revenue experienced in Germany and Italy were driven by termination rate cuts and the impact of competition. The underlying trend was relatively stable in Germany, whilst in Italy the trend improved when comparing year on year growth in the second quarter of the period to the first quarter. Voice usage in Italy benefited from a successful summer promotion for which 2.8 million customers registered. The voice promotion allowed customers to make free voice calls to other Vodafone customers for a monthly fee.

Both Germany and the UK recently announced tariff changes to maintain competitiveness in their respective marketplaces. In Germany, larger and better value bundles, which now include calls to customers of other mobile operators and new flat rate plans with unlimited calls and text messages to other Vodafone and fixed line customers, are now available. These tariff changes contributed to the impairment loss in Germany in the period. In the UK, bigger bundles with more choice are available for contract customers that allow them to add extra minutes, extra texts or extra entertainment, without adding anything extra to the cost of their bill.

Voice revenue

Demand stimulation initiatives and targeted promotions, along with the growth in the customer base, led to a 19.9% increase in outgoing voice minutes on an organic basis. In particular, Vodafone Zuhause in Germany and Vodafone Casa in Italy, which promote fixed to mobile substitution in the home, and summer promotions in Spain and in Italy, all contributed to strong growth in outgoing minutes to both fixed line numbers and other Vodafone customers. These additional voice minutes contributed to interconnect costs falling as a percentage of voice revenue. Total voice usage in the UK increased due to the ongoing impact of the Stop the Clock proposition and an offer to prepaid customers, launched in July 2006, providing free weekend calls and text messages if they spend a minimum amount during weekdays. This offer had benefited more than 600,000 customers by 30 September 2006.

This increased voice usage was partially offset by the impact of pricing pressures from increased competition and resulted in a 2.6% increase in outgoing voice revenue compared with the same period last year, excluding the impact of the disposal of the Swedish operation.

Incoming voice revenue decreased as growth in incoming voice minutes from other mobiles was more than offset by termination rate cuts in many of the markets in the Europe region. In Italy, termination rates were reduced from 12.1 eurocents per minute to 11.2 eurocents per minute in July 2006 and the regulator has indicated further reductions in both July 2007 and 2008. A further termination rate cut has been announced in Spain, with a cut of 7% to 11.35 eurocents per minute effective from October 2006, along with a target to lower the average rate to 7 eurocents per minute by April 2009.

The volume of roaming minutes increased by 15.9% on an organic basis compared with the same period last year, driven by an increased customer base and the success of Vodafone Passport, which enables customers to take their domestic price plan abroad for a small connection fee per call. Data for June and July 2006 showed that Vodafone Passport customers paid approximately 50% less per minute for their voice roaming calls when compared to the average cost of roaming in the summer of 2005. Roaming revenue increased by 0.4%, excluding the impact of the disposal of the Swedish operations, as price declines were offset by higher usage. The average cost of a voice roaming call for these customers is now below 45 eurocents per minute. At 30 September 2006, almost 9 million customers in the Group s controlled operations in the Europe region had signed up to Vodafone Passport.

Total voice revenue decreased by 2.4% as the decline in incoming revenue outweighed the revenue from increased outgoing voice traffic. On an organic basis, voice revenue decreased by 0.7% compared with the same period last year, which includes a 3.3% decline from the impact of termination rate cuts.

Non-voice revenue

Messaging revenue rose by 2.9%, or 3.7% on an organic basis. This increase was mainly attributable to increased messaging volumes in Spain and the UK where increased average customer bases, competitively priced offerings and targeted promotions encouraged usage growth. In Germany, the success of voice offerings impacted messaging volumes resulting in a small decline in messaging revenue.

Data revenue increased by 27.2%, or 29.1% on an organic basis, with the primary driver being an additional 7.1 million 3G devices registered on the Group s networks since 30 September 2005, bringing the total to 10.4 million devices, and in particular, the increase in devices in the business segment. Particularly strong growth was experienced in Germany and Spain where specific promotions encouraged increased usage, whilst both of these markets benefited from growth in the use of Vodafone Mobile Connect data cards. The business segment is the impetus behind this growth in data usage with a number of markets offering flat rate tariff options. Additionally, the launch of HSDPA technology in six European markets assisted in increasing penetration of Vodafone Mobile Connect data cards and has also resulted in their increased usage. In Italy and the UK, 70% and 60%, respectively, of all Vodafone Mobile Connect data cards sold are now HSDPA enabled. In the consumer segment, Germany has had particular success from bundling data services with a new contract tariff which encourages data usage by offering free mobile TV, surfing the Vodafone live! portal and music downloads for a flat fee each month.

Adjusted operating profit

Adjusted operating profit fell by 1.5%, or 2.7% on an organic basis with the disposal of Sweden being the primary difference, whilst the EBITDA margin decreased by 0.5 percentage points, or by 0.9 percentage points on an organic basis. Growth in operating expenses was the principal driver for the reduction in the EBITDA margin. However, this was partially offset by an improvement in operating expenses for common functions, excluding certain non-recurring items, as discussed on page 16.

Increased centralisation of functions, which is expected to demonstrate benefits over time, higher marketing and distribution costs, including additional investment in publicity and Vodafone s own direct sales channels, and a higher charge for the use of brand and related trademarks in Italy, have all contributed to higher operating expenses.

Acquisition and retention costs have remained relatively stable on an organic basis, with increases in the volume of additions in Italy, and additions and upgrades in Spain, being offset by a reduction in sales in the indirect channel in the UK and changes to the sales mix in Greece and the Netherlands. The small rise in interconnect costs on an organic basis was driven by the increase in outgoing call volumes, partially offset by decreases in termination rates and by an improving outgoing call mix.

In Germany, the EBITDA margin was impacted by additional intercompany recharges, presented within operating expenses, from the centralisation of data centre operations, which were offset by a similar reduction in depreciation expense. A higher proportion of contract additions in the indirect sales channel offset by lower interconnect costs from the termination rate cut also contributed to the fall in the EBITDA margin. Excluding restructuring costs of £11 million and the impact of the data centre change, operating expenses fell due to cost efficiencies.

Higher charges for brand and related trademarks in Italy, introduced in the second half of the previous financial year, reduced the EBITDA margin by approximately 1.0 percentage point. Centralisation of the local data centre in the second quarter of the current financial year and additional publicity expenditure also impacted the margin.

In Spain, a higher proportion of contract additions and higher total gross additions were the main drivers in the 0.8 percentage point reduction in the EBITDA margin. Operating expenses were broadly stable as a percentage of revenue.

Increased voice usage, with a rise in the proportion of calls made to customers of other mobile networks, has led to a rise in interconnect costs in the UK, though the impact on EBITDA margin was offset by savings from targeted acquisition and retention investment. Savings in operating expenses from continuous cost reduction have been reinvested, particularly in increased publicity spending.

In October 2006, Vodafone agreed terms with Phones 4u, a leading independent mobile retailer in the UK, to be the exclusive third party retailer for Vodafone contract customers in the UK high street. As a result, indirect connection commissions in the second half of the current financial year are expected to be similar to those in the same period in the previous financial year. Vodafone expects to deliver greater value to customers acquired through the indirect channel through a closer working relationship with Phones 4u and better targeted propositions.

On an organic basis, adjusted operating profit in Other Europe grew by 2.5%, whilst the EBITDA margin was broadly stable.

Europe targets

The Group has set targets in respect of revenue market share, operating expenses and capitalised fixed asset additions. The operating expense and capitalised fixed asset additions targets relate to the Europe region and common functions in aggregate. Progress against the revenue market share target is measured by tracking performance in Germany, Italy, Spain and the UK against the Group s principal competitors. The targets are detailed in the Outlook on page 6.

During the first half of the 2007 financial year, the implementation of a range of group wide initiatives and cost saving programmes commenced, designed to deliver savings in the 2008 financial year and beyond. The key initiatives are as follows:

The application development and maintenance initiative is focusing on driving cost and productivity efficiencies through outsourcing the application development and maintenance for key IT systems. In October 2006, the Group announced that EDS and IBM had been selected to provide application development and maintenance services to separate groupings of operating companies within the Vodafone Group and terms were agreed with EDS and IBM on 2 November 2006. The Group currently anticipates that this initiative will result in greater economies of scale and improved quality of software produced, as well as greater flexibility, leading to the faster rollout of more varied services to customers.

The supply chain management initiative focuses on centralising network related supply chain management activities and leveraging Vodafone s scale in purchasing activities. Through the standardisation of designs and driving scale strategies in material categories, the Group is aiming to increase the proportion of purchasing performed globally. In the core networks area, the Group is introducing new suppliers and alternative transmission technologies aimed at reducing costs.

The IT operations initiative has created a shared service organisation to support the business with innovative and customer focused IT services. This organisation is aiming to consolidate localised data centres into regionalised northern and southern centres and to consolidate hardware, software, maintenance and system integration suppliers to provide high quality IT infrastructure, services and solutions.

The Group has commenced a three year business transformation programme to implement a single integrated operating model, supported by a single ERP system covering HR, finance and supply chain functions. The programme is expected to provide improved information for decision making and reduced operating costs in the longer term, though additional investment, including restructuring expenditure, will be required in the near term.

In summer 2006, the Group undertook a review of the organisation and of its central functions and the balance between Group and locally managed activities, resulting in operating expenditure savings and the reduction of over 500 positions in the corporate centre.

Many of the Group s operating companies are participating in external benchmarking studies and using the results to target local cost reductions. Initiatives that have been implemented to date include reductions to planned network rollout, outsourcing and off shoring of customer services operations, property rationalisation, replacing leased lines with owned transmission, network site sharing and renegotiation of supplier contracts and service agreements.

Mobile Plus strategy

To encourage further revenue growth within the Europe region, the Group announced in May 2006, as part of the Group s Mobile Plus strategy, the intention to focus on extending Vodafone s service offerings in the home and in the office, including the provision of DSL.

The Vodafone At Home proposition is a series of initiatives and tariffs aimed at generating additional mobile usage in the home area by specifically targeting the substitution of fixed line usage to mobile. The offerings in Germany, Vodafone Zuhause, and in Italy, Vodafone Casa, proved popular, with 1,378,000 and 362,000 customers respectively by the end of September 2006. These customers are generating higher voice usage and ARPU than previously, demonstrating the success of this proposition. Vodafone Casa was also launched in Portugal in October 2006.

Vodafone Office is an office-based proposition that provides alternatives to the fixed line network, by offering the opportunity to reduce the number of fixed desk phones and encouraging fixed to mobile substitution in the office. A closed user group tariff, allowing employees to call each other for a flat monthly fee, is a key part of the offer. The number of Oficina Vodafone customers in Spain at the end of September 2006 was 713,000.

In the second quarter of the financial year, it was announced that these services would be expanded to include a DSL option in conjunction with Arcor, the Group s fixed line operator in Germany, and Fastweb, Italy s leading alternative broadband provider.

During September 2006, Vodafone UK announced a partnership with BT for the provision of fixed line and DSL services, which will be available to Vodafone consumer contract customers in early 2007.

Vodafone Germany has also signed an agreement with an advertising agency as an initial step in facilitating revenue generation from advertising on the Vodafone live! portal.

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EMAPA

	Eastern Europe £m	Middle East Africa & Asia £m	Pacific £m	Associates US £m	Associates Other £m	**EMAPA £m**	% change £	Organic
Six months ended 30 September 2006								
Voice revenue	951	1,027	458			**2,436**	50.7	19.6
Messaging revenue	147	66	118			**331**	68.9	28.2
Data revenue	25	11	20			**56**	47.4	38.3
Fixed line and DSL revenue		34				**34**	–	–
Total service revenue	**1,123**	**1,138**	**596**			**2,857**	**54.4**	**20.8**
Acquisition revenue	23	105	48			**176**	46.7	
Retention revenue	8	–	–			**8**	100.0	
Other revenue	8	4	22			**34**	(2.9)	
Total revenue	**1,162**	**1,247**	**666**			**3,075**	**53.1**	**20.8**
Interconnect costs	(217)	(178)	(125)			**(520)**	47.7	22.0
Other direct costs	(141)	(112)	(100)			**(353)**	73.9	14.9
Acquisition costs	(91)	(144)	(78)			**(313)**	51.2	19.9
Retention costs	(31)	(36)	(24)			**(91)**	111.6	88.6
Operating expenses	(278)	(246)	(174)			**(698)**	47.6	12.6
EBITDA	**404**	**531**	**165**			**1,100**	**50.5**	**23.1**
Acquired intangibles amortisation	(127)	(61)	(1)			**(189)**	285.7	
Purchased licence amortisation	(8)	(9)	(7)			**(24)**	(20.0)	
Depreciation and other amortisation								