VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 12, 2008

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 November 12, 2008

Commission File Number: 001-10086

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

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

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

Form 20-F__ü__Form 40-F____

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

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Indicate by check mark 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, November 11 2008, entitled **HALF-YEAR FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

VODAFONE GROUP PLC

Embargo:
Not for publication before 07:00 hours 11 November 2008

HALF-YEAR FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Key highlights(1)**:**

- Group revenue of £19.9 billion, an increase of 17.1%
  - Europe: revenue up 14.3%, with outgoing voice usage up 11.6%
  - EMAPA: revenue growth of 25.7%, reflecting the acquisition in India
  - Group data revenue up 48.6% to £1.4 billion
- Group adjusted operating profit up by 10.5% to £5.8 billion
  - Group EBITDA increased by 10.3% to £7.2 billion
  - Verizon Wireless operating profit up 14.9% driven by 12.2% revenue growth(2)
- Free cash flow excluding licence and spectrum payments of £3.1 billion, up 15.9%
  - European capital intensity of 8.4%(3)
  - Net cash flow from operations of £6.1 billion
- Adjusted effective tax rate of 26.5% in first half; full year rate expected to be similar
- Adjusted earnings per share up by 17.1% to 7.52 pence. Basic earnings per share of 4.04 pence

Revised dividend policy:

- The Board has adopted a progressive dividend policy
- Interim dividend up by 3.2% to 2.57 pence per share

Updated outlook:

- Free cash flow outlook increased notwithstanding lower underlying trading expectations
- Revenue range of £38.8 billion to £39.7 billion, adjusted operating profit of £11.0 billion to £11.5 billion and free cash flow of £5.2 billion to £5.7 billion

Vittorio Colao, Chief Executive, commented:

Vodafone has again delivered strong cash generation and we have raised free cash flow guidance despite the reduction in underlying expectations for trading. Our updated strategy reflects the changing economic and market conditions and it will drive execution with a continuing focus on free cash flow. We will improve operational performance through customer value enhancement and cost efficiency, supported by a £1 billion cost reduction programme. We will pursue growth opportunities in total communications, specifically mobile data, enterprise and broadband. In our emerging markets, the priority will be execution and we intend to further strengthen capital discipline. Vodafone has the right assets and strategy to ensure continuing leadership of the industry and to deliver attractive returns to shareholders.

(1) See page 4 for Group financial highlights, page 33 for use of non-GAAP financial information and page 41 for definition of terms.

(2) Growth rates based on amounts in local currency.

(3) Including common functions.

CHIEF EXECUTIVE S STATEMENT

The first half results reflect a solid overall performance in a challenging operating and a weaker macro economic environment.

Group revenue increased by 17.1% to £19.9 billion, substantially due to foreign currency benefits, with organic growth of 0.9%. The Group is increasingly focused on cash flow generation. Free cash flow excluding licence and spectrum payments increased by 15.9% to £3.1 billion, with foreign currency again a key driver as well as lower tax payments, offsetting the lower dividends received from SFR.

Europe revenue increased by 14.3% to £14.5 billion. Revenue fell by 1.1% on an organic basis, with ongoing price pressure on core voice and messaging services largely compensated by continued strong data growth. EBITDA margins declined by two percentage points, in line with our expectations, driven by higher customer costs and investment in fixed line services. Italy and Germany continue to execute well and Spain has stabilised in the second quarter. We underperformed recently in the UK but have put in place appropriate actions. Capital intensity for the total of Europe and common functions was kept stable compared to last year at 8.4%. Europe operating free cash flow remained solid at £3.6 billion.

In EMAPA, revenue grew by 25.7% to £5.4 billion driven by the India acquisition last year. On a pro forma basis, revenue grew by 14.4%. Organic growth was 8.8%, with strong growth in Vodacom and Egypt offset by a weaker performance in Turkey. EMAPA operating free cash flow excluding licence and spectrum payments was stable at £0.5 billion, after investing £0.6 billion in India. India revenue grew by 41% on a like for like basis, with a 5.6 percentage point reduction in the EBITDA margin driven largely by pricing pressures, the impact from IT outsourcing and initial launch costs in new circles. We continue to invest significantly in the network in India to drive customer growth and scale in this low penetration market. We have had to reduce the carrying value of Turkey by £1.7 billion to reflect higher, market driven, discount rates, together with the effects of a tougher competitive environment. Our turnaround in Turkey is taking longer than we anticipated and we are focusing on completing our network optimisation and improving distribution as priorities.

Adjusted operating profit increased by 10.5% to £5.8 billion reflecting foreign currency benefits and strong growth in Verizon Wireless. Adjusted earnings per share increased by 17.1% to 7.52 pence, largely driven by foreign exchange benefits and a further reduction in tax rates.

Strategy review

In May 2006, we formulated a five point strategy which served us well for more than two years. We have broadly maintained or improved share against our largest or reference competitors in most of our markets and delivered on our key cost targets. We have increased the share of revenue from non-core mobile services from 10% to 15% and we also successfully increased our exposure to higher growth markets. Our dividend policy resulted in an average annual increase of 11% in dividends and our capital structure policy has proved right for the business, particularly in the current market context.

However, a number of challenges have evolved. Elasticity on core voice and messaging services remains below one, competitive and regulatory pressures continue to be strong, and recently we have not met our expectations in some markets. We are clearly entering into a more difficult macro economic environment. These factors led the Board to conclude that we should review whether the strategy established in May 2006 remained appropriate for the current environment.

The fundamentals of Vodafone and our industry continue to be attractive; the sector leaders continue to be able to generate strong cash flow. In terms of revenue prospects, whilst prices are likely to continue to decrease in Europe, the scope for usage growth remains significant, as demonstrated in markets such as the US and India. Mobile data is also proving to be in high demand: effective communications drive productivity benefits, meaning businesses and individuals need more, not less, of our services. A greater range of data devices and portable computers, at increasingly lower costs, are enlarging the addressable market. On the cash cost side, only about a third of our operating costs are fixed, and about a quarter depend on growth in voice minutes and data traffic. We controlled these costs well over the last two years. The remaining component of costs, some 40%, is market driven, providing significant scope for us to adapt in the event of greater economic pressures. Overall, our current European capital intensity of around 10% of revenue already contains a component of investment for growth.

Vodafone has three key attributes which strongly differentiate us from our competitors: firstly, our scale in technology with which we continue to drive network and IT savings through consolidation and centralisation of core activities; secondly, our strong presence in the enterprise market, in large corporates as well as in small and medium sized businesses, as a consequence of the consistently high quality of our products and services; and finally, our brand, especially in consumer pull markets.

Our strategy will now be focused on four key objectives: drive operational performance, pursue growth opportunities in total communications, execute in emerging markets and strengthen capital discipline.

We will drive operational performance through customer value enhancement, rather than revenue stimulation, and cost efficiency. Value enhancement involves maximising the value of our existing customer relationships, not just the revenue. We will shift our approach away from unit pricing and unit based tariffs to propositions that deliver much more value to our customers in return for greater commitment, incremental penetration of the account or more balanced commercial costs. This will require a more disciplined approach to commercial costs to ensure our investment is focused on those customers with higher lifetime value. In essence, we are confident that by targeting our offers, we can deliver more value to our customers and have a better financial outcome for Vodafone. Customer value enhancement replaces revenue stimulation.

Cost efficiency requires us to continue to deliver scale benefits through optimisation of operating and capital expenditure. We have a significant number of cost programmes across the Group which we expect to reduce current operating costs by approximately £1 billion per annum by the 2011 financial year to offset the pressures from cost inflation and the competitive environment and to enable investment in revenue growth opportunities. As a result, on a like for like basis, we are targeting broadly stable operating costs in Europe and for operating costs to grow at a lower rate than revenue in EMAPA between the 2008 and 2011 financial years. Capital intensity is expected to be at or below 10% over this period in Europe and to trend to European levels in EMAPA over the longer term.

On growth opportunities, the three target areas are Mobile data, Enterprise and Broadband. We have already made significant progress on mobile data, with annualised revenue of £2.8 billion, but the opportunity remains significant with the penetration of data devices still relatively low in Europe and almost nil in emerging markets. In enterprise, we have a strong position in core mobile services and we have built a solid presence in 18 months in multi-national accounts through Vodafone Global Enterprise. Our strategy is to leverage this strength to expand our offerings into the broader enterprise communications market locally, serving SoHo and SMEs with shared platforms and services, supported by our local sales forces. For broadband, we continue to adopt a market by market approach focused on the service, rather than the technology, and targeted at enterprise and high value consumers as a priority.

We are already represented in most of the key emerging markets where significant growth is expected in the coming years. Our principal focus now will be on execution in these markets, in particular in India, Turkey and our African footprint following our recent agreement to acquire control of Vodacom. We will also seek to maximise the mobile data opportunity. There are few potential large new markets of interest to us and we will be cautious and selective on future expansion.

The final objective is capital discipline. We remain committed to our low single A rating target, which we consider to be appropriate in the current environment, and comfortable with our liquidity position. Our focus is on free cash flow generation and ensuring appropriate investment in our existing businesses. We see increasing dividends as the primary reward to shareholders. Given our credit rating and the current level of cash flow and dividends, this leaves limited debt capacity.

We see in-market consolidation as a positive for our industry and we would support consolidation. As previously mentioned, our focus is principally on our existing emerging markets rather than expansion and any significant acquisition would likely need to be funded through portfolio disposals. We remain focused on value creation for our non-controlled assets. Verizon Wireless is one of the leading assets in an attractive market and we are increasingly co-operating on terminals, enterprise and future technology to deliver further value for the Group.

The Board has reviewed the present dividend policy in the light of recent foreign exchange rate volatility, the impact of amortisation of acquired intangible assets and the current economic environment and has concluded that it should instead adopt a progressive policy, where dividend growth reflects the underlying trading and cash performance of the Group. Accordingly, the interim dividend for the current financial year will be increased by 3.2% to 2.57 pence per share.

For the current year, we have updated our outlook to reflect the environment we are operating in and beneficial changes in foreign exchange rates. The Group is now expecting a slight increase in the level of free cash flow generation notwithstanding a reduction in underlying expectations for revenue and adjusted operating profit.

Our updated strategy repositions us appropriately in the current environment. We need to improve execution in our existing businesses and deliver on our cost targets. We will pursue growth in total communications and focus on our existing emerging markets, with only selective and cautious footprint expansion. Finally, we must strengthen our approach to capital discipline. Our priority is free cash flow generation and we will continue to target £5 billion to £6 billion of free cash flow per annum, excluding licence and spectrum payments and any potential CFC tax settlement.

We have the right assets and the right strategy to ensure Vodafone continues to be an industry leading player and deliver attractive returns to shareholders.

GROUP FINANCIAL AND OPERATING HIGHLIGHTS

	Page	2008 £m	2007 £m	Change % Reported	Change % Organic
Financial information(1)					
Revenue	23	**19,902**	16,994	17.1	0.9
Operating profit	23	**4,071**	5,208	(21.8)	
Profit before taxation	23	**3,314**	4,560	(27.3)	
Profit for the period	23	**2,169**	3,327	(34.8)	
Basic earnings per share (pence)	23	**4.04p**	6.22p	(35.0)	
Capitalised fixed asset additions(2)	34	**2,380**	1,982	20.1	
Net cash flow from operating activities	18,29	**6,065**	4,860	24.8	

Performance reporting(1) (3)					
Group EBITDA	6	**7,243**	6,565	10.3	(3.2)
Adjusted operating profit	6,36	**5,771**	5,223	10.5	(1.0)
Adjusted profit before tax	8,36	**5,288**	4,701	12.5	
Adjusted effective tax rate	8	**26.5%**	30.1%		
Adjusted profit for the period attributable to equity shareholders	8,36	**3,985**	3,397	17.3	
Adjusted basic earnings per share (pence)	8,36	**7.52p**	6.42p	17.1	
Free cash flow excluding licence and spectrum payments	18	**3,101**	2,675	15.9	
Free cash flow(4)	18	**2,429**	2,661	(8.7)	
Net debt(2)	19	**27,715**	23,253	19.2	

This Half-Year Financial Report 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 33.	

Notes:

(1) Amounts presented at 30 September or for the six months then ended.

(2) See page 41 for definition of terms.

(3) Where applicable, these measures are stated excluding non-operating income of associates, impairment losses and other income and expense, amounts in relation to equity put rights and similar arrangements (see note 2 in investing income and financing costs on page 7) and certain foreign exchange differences. See page 33 for use of non-GAAP financial information.

(4) Includes licence and spectrum payments of £672 million (2007: £14 million), of which £647 million relates to Vodafone Qatar.

OUTLOOK FOR THE 2009 FINANCIAL YEAR

Please see page 33 for use of non-GAAP financial information, page 41 for definition of terms and page 42 for forward-looking statements.

	Previous outlook(1) £ billion	Operational £ billion	Acquisitions £ billion	Foreign exchange(2) £ billion	**Updated outlook(3) £ billion**
Revenue	Around 39.8	(1.0)	0.2	0.3	**38.8 to 39.7**
Adjusted operating profit	11.0 to 11.5	(0.4)		0.4	**11.0 to 11.5**
Capitalised fixed asset additions	5.3 to 5.8	(0.2)	0.1		**5.2 to 5.7**
Free cash flow(4)	5.1 to 5.6	0.1	(0.1)	0.1	**5.2 to 5.7**

Notes:

(1) On 22 July 2008, the Group updated its original expectations, indicating revenue was expected to be around the lower end of the quoted £39.8 billion to £40.7 billion range.

(2) The Group s outlook update reflects current expectations for average foreign exchange rates for the second half of the 2009 financial year of approximately £1: 1.26 (full year average of 1.26; originally 1.30) and £1:US$1.67 (full year average of US$1.80; originally US$1.96). A substantial majority of the Group s revenue, adjusted operating profit, capitalised fixed asset additions and free cash flow is denominated in currencies other than sterling, the Group s reporting currency.

(3) The updated outlook includes the impact of the Group s acquisition of stakes in Ghana, Qatar and Poland and by SFR of Neuf Cegetel. The outlook does not reflect the additional 15% stake in Vodacom, as this is not expected to be material in the 2009 financial year, or Verizon Wireless pending acquisition of Alltel.

(4) Excludes spectrum and licence payments, but includes estimated payments in respect of long standing tax issues.

Operating conditions are expected to continue to be challenging in Europe given ongoing competitive and regulatory pressures and recent economic conditions in certain markets. Whilst the current economic environment is also impacting emerging markets, increasing market penetration is expected to continue to result in overall strong growth for the EMAPA region.

As a result of these factors, revenue is now expected to be in the range of £38.8 billion to £39.7 billion, with the lower operational performance being partially offset by foreign exchange movements and recent acquisitions.

Adjusted operating profit is still expected to be in the £11.0 billion to £11.5 billion range. Cost programmes and direct cost savings are expected to mitigate a significant proportion of the revenue shortfall, with foreign exchange benefits offsetting the balance.

The outlook ranges reflect updated assumptions for average foreign exchange rates for the 2009 financial year, which are beneficial compared to the original assumptions both for the euro and the US dollar, but given recent volatility are potentially subject to further material change. A one eurocent change in the sterling/euro exchange rate in the second half of the financial year would impact revenue by approximately £100 million and adjusted operating profit by approximately £30 million. A one US cent change in the sterling/US dollar exchange rate would impact adjusted operating profit by approximately £10 million.

Total depreciation and amortisation charges are still anticipated to be around £6.5 billion to £6.6 billion, higher than the 2008 financial year, primarily as a result of the ongoing investment in capital expenditure in India and the impact of changes in foreign exchange rates.

The Group now expects capitalised fixed asset additions to be in the range of £5.2 billion to £5.7 billion, slightly lower than previously envisaged, reflecting cost control as a consequence of lower expected revenue. Capital intensity for the total of the Europe region and common functions is still expected to be around 10%, with significant investment in growth being maintained in India.

Free cash flow excluding spectrum and licence payments is now expected to be in the range of £5.2 billion to £5.7 billion, higher than previously expected, with adverse operating cash flow offset by lower capital expenditure and tax payments and beneficial foreign exchange movements.

The adjusted effective tax rate percentage for the 2009 financial year and the medium term is expected to be similar to the half year rate of 26.5%, lower than previously expected and reflecting ongoing improvements in the Group s internal capital structure and a lower weighted average statutory rate.

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FINANCIAL RESULTS

GROUP RESULTS(1)

					Six months ended 30 September		% change	
	Europe	EMAPA	Common Functions	Eliminations	**2008**	2007	£	Organic
	£m	£m	£m	£m	**£m**	£m		
Voice revenue	9,147	4,121		(1)	**13,267**	11,781		
Messaging revenue	1,734	437			**2,171**	1,888		
Data revenue	1,145	246			**1,391**	936		
Fixed line revenue	1,199	38			**1,237**	802		
Other service revenue	429	217		(72)	**574**	480		
Total service revenue	**13,654**	**5,059**		**(73)**	**18,640**	15,887	**17.3**	**0.9**
Other revenue	826	349	93	(6)	**1,262**	1,107		
Total revenue	**14,480**	**5,408**	**93**	**(79)**	**19,902**	16,994	**17.1**	**0.9**
Direct costs	(3,291)	(1,574)	(4)	73	**(4,796)**	(3,908)		
Customer costs	(3,960)	(1,207)	(116)		**(5,283)**	(4,426)		
Operating expenses	(1,988)	(925)	327	6	**(2,580)**	(2,095)		
EBITDA	**5,241**	**1,702**	**300**		**7,243**	6,565	**10.3**	**(3.2)**
Depreciation and amortisation:								
Acquired intangibles	(45)	(346)			**(391)**	(327)		
Purchased licence	(454)	(36)			**(490)**	(449)		
Other	(1,575)	(698)	(110)		**(2,383)**	(2,009)		
Share of result in associates	296	1,496			**1,792**	1,443		
Adjusted operating profit	**3,463**	**2,118**	**190**		**5,771**	5,223	**10.5**	**(1.0)**
Impairment loss					**(1,700)**			
Other income and expense						(15)		
Operating profit					**4,071**	5,208		

Note:

(1) The Group revised its presentation of revenue and costs during the period. Further details of this change are provided under the heading Change in presentation on page 41.

Revenue

Revenue increased by 17.1% to £19.9 billion, with the net impact of acquisitions and disposals, principally the acquisition of Vodafone Essar, contributing 3.7 percentage points and favourable exchange rates, mainly due to the movement in the sterling/euro exchange rate, contributing 12.5 percentage points to revenue growth. Including India and Tele2 in Italy and Spain, revenue growth was 2.6%, assuming constant exchange rates and the Group owned the businesses for the whole of the previous year.

Europe achieved revenue growth of 14.3%, but fell by 1.1% on an organic basis for the six months ended 30 September 2008. Strong organic data revenue growth, primarily driven by increased penetration of mobile PC connectivity devices, was more than offset by declines in mobile voice revenue following continued competitive pressures and regulatory reductions of termination and roaming rates.

EMAPA revenue increased by 25.7%, or 8.8% on an organic basis, for the six months ended 30 September 2008, with 8.4% organic growth for the second quarter. The customer base rose by 12.8 million to 131.9 million at 30 September 2008. India in particular performed well, contributing revenue growth of 41%, assuming the Group owned the business for the whole of the previous year. The organic growth rate in the region was lower than in the previous year as a result of increased competition in key markets as they mature and due to the inclusion of Turkey in the organic calculations for the first time.

Operating profit

Operating profit decreased to £4.1 billion, compared to £5.2 billion for the same period in the prior year, due to the growth in adjusted operating profit, offset by an impairment loss of £1.7 billion in relation to Vodafone Turkey.

Adjusted operating profit increased by 10.5% to £5.8 billion, but decreased by 1.0% on an organic basis. Favourable exchange rates, predominantly the sterling/euro exchange rate, contributed 11.9 percentage points, whilst acquisitions and disposals reduced adjusted operating profit growth by 0.4 percentage points.

In Europe, adjusted operating profit grew by 5.9% to £3.5 billion, but declined by 7.7% on an organic basis. Europe s EBITDA margin decreased from 38.2% to 36.2% when compared to the same period last year. The decrease in margin resulted principally from higher customer costs and the Group s increasing focus on fixed line services, such as the businesses acquired from Tele2 in Italy and Spain.

Adjusted operating profit in EMAPA increased by 21.4%, or 14.9% on an organic basis, to £2.1 billion, mainly due to the continued rise in the customer base. The EBITDA margin in EMAPA fell by 1.7 percentage points to 31.5%, driven by the decline in the margin in India and Australia.

The Group s share of the results of associates rose to £1.8 billion, largely due to the performance of Verizon Wireless, which increased by 20.6% in local currency.

Investment income and financing costs

	Six months ended 30 September	
	2008	2007
	£m	£m
Investment income	**501**	382
Financing costs	**(1,244)**	(1,280)
	(743)	(898)
Analysed as:		
Net financing costs before dividends from investments	**(370)**	(394)
Potential interest charges arising on settlement of outstanding tax issues	**(221)**	(200)
Dividends from investments	**108**	72
	(483)	(522)

Foreign exchange(1)	**86**	(90)
Equity put rights and similar arrangements(2)	**(346)**	(286)
	(743)	(898)

Notes:

(1) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank in April 2006.

(2) Includes amounts in relation to put rights and similar arrangements held by minority interest holders in certain of the Group s subsidiaries. The valuation of these financial liabilities is inherently unpredictable and changes in the fair value could have a material impact on the future results and financial position of Vodafone. The amount for the six months ended 30 September 2007 also includes a charge of £333 million representing the initial fair value of the put options granted over the Essar Group s interest in Vodafone Essar, which was recorded as an expense. Further details of these options are provided on page 58 of the Group s Annual Report for the year ended 31 March 2008.

Net financing costs before dividends from investments decreased by 6.1% to £370 million, primarily due to favourable changes in the fair value of interest rate hedging instruments, partially offset by unfavourable exchange rate movements impacting the translation into sterling. The interest charge resulting from the 24.9% increase in average net debt was minimised due to changes in currency mix of debt and significantly lower interest rates for debt denominated in US dollars. At 30 September 2008, the provision for potential interest charges arising on settlement of outstanding tax issues was £1,826 million (31 March 2008: £1,577 million).

Taxation

	Six months ended 30 September 2008 £m	2007 £m
Income tax expense	**1,145**	1,233
Recognition of pre-acquisition deferred tax asset		15
Tax on adjustments to derive adjusted profit before tax	**129**	19
Adjusted income tax expense	**1,274**	1,267
Share of associated undertakings tax	**185**	222
Adjusted income tax expense for purposes of calculating adjusted tax rate	**1,459**	1,489
Profit before tax	**3,314**	4,560
Adjustments to derive adjusted profit before tax(1)	**1,974**	141
Adjusted profit before tax	**5,288**	4,701
Add: Share of associated undertakings tax and minority interest	**216**	250
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**5,504**	4,951
Adjusted effective tax rate	**26.5%**	30.1%

Note:

(1) See earnings per share below.

The adjusted effective tax rate for the six months ended 30 September 2008 was 26.5% compared to 30.1% for the same period last year. The rate is lower than that of the prior year due to a lower weighted average statutory rate and structural benefits from the ongoing enhancement of the Group s internal capital structure. The adjusted effective tax rate for the year ending 31 March 2009 is expected to be similar to the rate for the six months ended 30 September 2008.

Earnings per share

Adjusted earnings per share increased by 17.1% to 7.52 pence for the six months ended 30 September 2008, with substantially all of the increase arising from movements in exchange rates. Basic earnings per share decreased by 35.0% to 4.04 pence, primarily due to the impairment loss of £1.7 billion in relation to Vodafone Turkey.

	Six months ended 30 September 2008 £m	2007 £m
Profit from continuing operations attributable to equity shareholders	**2,140**	3,290
Adjustments:		
Impairment loss	**1,700**	
Other income and expense		15
Non-operating income and expense(1)	**14**	(250)
Foreign exchange(2)	**(86)**	90

Equity put rights and similar arrangements(2)	**346**	286
	1,974	141
Tax on the above items	**(129)**	(19)
Recognition of pre-acquisition deferred tax asset		(15)
Adjusted profit from continuing operations attributable to equity shareholders	**3,985**	3,397
	million	million
Weighted average number of shares outstanding basic	**53,006**	52,935
Weighted average number of shares outstanding diluted	**53,205**	53,116

Notes:

(1) The £250 million adjustment for the six months ended 30 September 2007 represents the profit on disposal of the Group s 5.60% stake in Bharti Airtel.

(2) See notes 1 and 2 in investment income and financing costs on page 7.

EUROPE RESULTS(1)

	Germany	Italy	Spain	UK	Arcor	Other	Eliminations	Europe	% change	
	£m	£m	£m	£m	£m	£m	£m	**£m**	£	Organic
Six months ended 30 September 2008										
Voice revenue	2,014	1,721	1,997	1,638	8	1,814	(45)	**9,147**		
Messaging revenue	364	392	208	472	1	298	(1)	**1,734**		
Data revenue	365	182	186	226		186		**1,145**		
Fixed line revenue	46	190	121	15	896	45	(114)	**1,199**		
Other service revenue	94	75	158	125		148	(171)	**429**		
Total service revenue	**2,883**	**2,560**	**2,670**	**2,476**	**905**	**2,491**	**(331)**	**13,654**	**14.6**	**(1.0)**
Other revenue	125	92	218	238	16	145	(8)	**826**		
Total revenue	**3,008**	**2,652**	**2,888**	**2,714**	**921**	**2,636**	**(339)**	**14,480**	**14.3**	**(1.1)**
Direct costs	(502)	(602)	(617)	(801)	(448)	(633)	312	**(3,291)**		
Customer costs(2)	(793)	(485)	(941)	(911)	(183)	(666)	19	**(3,960)**		
Operating expenses	(389)	(375)	(334)	(372)	(121)	(405)	8	**(1,988)**		
EBITDA	**1,324**	**1,190**	**996**	**630**	**169**	**932**		**5,241**	**8.4**	**(5.1)**
Depreciation and amortisation:										
Acquired intangibles		(27)	(4)	(9)		(5)		**(45)**		
Purchased licence	(199)	(45)	(3)	(166)		(41)		**(454)**		
Other	(359)	(258)	(270)	(321)	(65)	(302)		**(1,575)**		
Share of result in associates						296		**296**		
Adjusted operating profit	**766**	**860**	**719**	**134**	**104**	**880**		**3,463**	**5.9**	**(7.7)**
EBITDA margin	44.0%	44.9%	34.5%	23.2%	18.3%	35.4%		**36.2%**		
Six months ended 30 September 2007										
Voice revenue	1,823	1,521	1,766	1,776		1,591	(36)	8,441		
Messaging revenue	348	317	181	433		248		1,527		
Data revenue	254	114	156	173		120		817		
Fixed line revenue	7	10	9	12	758	16	(32)	780		
Other service revenue	83	63	139	109		129	(175)	348		
Total service revenue	**2,515**	**2,025**	**2,251**	**2,503**	**758**	**2,104**	**(243)**	**11,913**		
Other revenue	135	72	188	214	10	139	(2)	756		
Total revenue	**2,650**	**2,097**	**2,439**	**2,717**	**768**	**2,243**	**(245)**	**12,669**		
Direct costs	(447)	(437)	(490)	(781)	(346)	(548)	243	(2,806)		
Customer costs(2)	(724)	(332)	(742)	(851)	(160)	(535)	2	(3,342)		
Operating expenses	(329)	(292)	(258)	(351)	(124)	(333)		(1,687)		
EBITDA	**1,150**	**1,036**	**949**	**734**	**138**	**827**		**4,834**		
Depreciation and amortisation:										
Acquired intangibles				(11)		(4)		(15)		
Purchased licence	(170)	(39)	(3)	(166)		(35)		(413)		
Other	(336)	(221)	(231)	(314)	(46)	(250)		(1,398)		
Share of result in associates						261		261		
Adjusted operating profit	**644**	**776**	**715**	**243**	**92**	**799**		**3,269**		

EBITDA margin		43.4%	49.4%	38.9%	27.0%	18.0%	36.9%		38.2%		
		%	%	%	%	%	%				
Change at constant exchange rates											
Voice revenue		(5.4)	(3.1)	(3.2)	(7.8)		(2.5)				
Messaging revenue		(10.3)	5.9	(1.4)	9.0		2.8				
Data revenue		22.5	36.8	1.6	30.6		33.8				
Fixed line revenue		411.1	1,483.3	1,110.0	25.0	1.1	150.0				
Other service revenue		(1.1)	1.4	(3.7)	14.7		(1.3)				
Total service revenue		**(1.8)**	**8.2**	**1.5**	**(1.1)**	**2.1**	**1.4**				
Other revenue		(20.9)	8.2		11.2	45.5	(11.0)				
Total revenue		**(2.8)**	**8.2**	**1.4**	**(0.1)**	**2.7**	**0.6**				
Direct costs		(3.8)	18.3	7.9	2.6	10.6	(1.1)				
Customer costs		(6.3)	25.0	8.5	7.1	(1.6)	6.7				
Operating expenses		1.3	9.3	11.0	6.0	(16.6)	4.1				
EBITDA		**(1.4)**	**(1.7)**	**(10.1)**	**(14.2)**	**5.0**	**(3.6)**				
Depreciation and amortisation:											
Acquired intangibles			2,600.0		(18.2)		25.0				
Purchased licence											
Other		(8.4)	(0.4)		2.2	20.4	(9.6)				
Share of result in associates							(3.0)				
Adjusted operating profit		**1.9**	**(5.0)**	**(13.9)**	**(44.9)**	**(2.8)**	**(5.8)**				
EBITDA margin movement (pps)		0.6	(4.5)	(4.4)	(3.8)	0.4	(1.5)				

Notes:

(1) The Group revised its presentation of revenue and costs during the period. Further details of this change are provided under the heading Change in presentation on page 41.

(2) Customer costs include £2,652 million (2007: £2,263 million) of acquisition and retention costs and £1,308 million (2007: £1,079 million) of other customer costs.

9

Revenue increased 14.3% for the six months ended 30 September 2008, but declined slightly by 1.1% on an organic basis, with the difference predominantly due to the impact of favourable exchange rate movements reflecting the 14.4% strengthening of the average sterling/euro rate, compared to the same period in the previous year, and the impact of businesses acquired from Tele2 in Italy and Spain. The competitive and regulatory environment in Europe remains challenging. Although new tariffs and promotions led to increased usage, they were more than offset by pricing pressures due to increased competition, lower termination rates and roaming regulation.

The organic decline in service revenue of 1.0% in the first half of the year compares to an increase of 1.9% in the second half of the prior financial year, principally reflecting tougher competitive and economic environments in Spain and the UK. Underlying trends in the first and second quarters were broadly similar after taking into account the timing of Easter and a VAT refund in the UK in the second quarter of the prior financial year.

The impact of acquisitions and foreign exchange movements on service revenue and revenue growth are shown below:

	Organic change %	Impact of acquisitions and disposal Percentage points	Impact of exchange rates Percentage points	Reported change %
Service revenue				
Germany	(1.8)		16.4	14.6
Italy	0.9	7.3	18.2	26.4
Spain	(2.4)	3.9	17.1	18.6
UK	(1.1)			(1.1)
Arcor	2.1		17.3	19.4
Other Europe	0.8	0.6	17.0	18.4
Europe	**(1.0)**	**2.2**	**13.4**	**14.6**
Revenue - Europe	**(1.1)**	**2.0**	**13.4**	**14.3**

Voice revenue declined by 4.3% on an organic basis as a result of:

- outgoing voice revenue falling by 2.4% on an organic basis to £6.5 billion, with an 11.6% increase in outgoing usage stemming from both increased usage per customer and new customer additions being more than offset by a 12.6% reduction in the effective price per minute from increased competition;

- incoming voice revenue decreasing by 7.2% on an organic basis to £1.7 billion, reflecting regulatory driven termination rate cuts, partially offset by 4.0% growth in incoming voice usage; and

- roaming revenue declining by 11.8% on an organic basis to £0.7 billion, reflecting a fall in the average effective roaming rate per minute due to regulatory actions as well as the impact of the prior year UK VAT refund. These were partially offset by slowing growth in voice usage.

Messaging revenue grew by 1.4% at constant exchange rates. The growth rate slowed from the prior financial year following the high penetration of messaging promotions and options within bundled contracts.

Data revenue increased by 23.5% on an organic basis, with increased penetration of mobile PC connectivity devices, including the Vodafone Mobile Connect USB modem, as well as attractive tariff and commercial package offerings. Mobile email applications have also seen continued strong growth, while content downloads have slowed. The number of customers connected by handheld enterprise devices and mobile PC connectivity devices grew from 3.6 million at 30 September 2007 to 6.8 million at 30 September 2008.

Fixed line revenue decreased by 0.3% on an organic basis, principally due to declining revenue growth in Arcor s legacy fixed voice services. Revenue growth from fixed broadband is subject to strong price pressure and a slowing economic environment, which outweighed the strong organic increase in the fixed broadband customer base to 3.9 million.

Other service revenue was up 9.7% on an organic basis, primarily due to continued growth in MVNOs.

Adjusted operating profit grew by 5.9%, but declined by 7.7% on an organic basis, with the difference largely attributable to favourable exchange rate movements. The table below sets out the impact of acquisitions and exchange rate movements on EBITDA and adjusted operating profit:

	Organic change %	Impact of acquisitions and disposal Percentage points	Impact of exchange rates Percentage points	Reported change %
EBITDA				
Germany	(1.6)	0.2	16.5	15.1
Italy	(2.6)	0.9	16.6	14.9
Spain	(9.3)	(0.8)	15.1	5.0
UK	(14.2)			(14.2)
Arcor	5.0		17.5	22.5
Other Europe	(3.4)	(0.2)	16.3	12.7
Europe	**(5.1)**		**13.5**	**8.4**
Adjusted operating profit				
Germany	1.6	0.3	17.0	18.9
Italy	(3.0)	(2.0)	15.8	10.8
Spain	(11.2)	(2.7)	14.5	0.6
UK	(44.9)			(44.9)
Arcor	(2.8)		15.8	13.0
Other Europe	(7.5)	1.7	15.9	10.1
Europe	**(7.7)**	**(0.6)**	**14.2**	**5.9**

The organic decline in adjusted operating profit was primarily driven by the organic reduction in revenue coupled with an increase in customer costs.

- Direct costs decreased by 0.7% on an organic basis, with a higher percentage of outgoing traffic terminating on the Group s network and the consequential benefit from lower termination rates mitigating the increase in volume of outgoing voice traffic terminating on networks of other operators.

- Customer costs grew by 3.0% on an organic basis, reflecting higher acquisition and retention costs following a change in the mix of gross additions from prepaid customers to higher value contract customers as well as a focus on retention of higher value contract customers.

- Operating expenses increased by 1.3% on an organic basis and remained broadly stable as a percentage of service revenue in comparison to the same period last year. Operating expenses benefited from a continued emphasis on cost control, particularly in technology from reduction of leased lines costs including migration to owned transmission, outsourcing activities, efficiencies in maintenance and data centre consolidation.

- Depreciation and amortisation remained stable on an organic basis in comparison with the same period last year.

Germany

Service revenue fell by 1.8% at constant exchange rates. The rate of decline in service revenue was lower than that in the prior year due to consumer fixed broadband growth and reduced rate of voice revenue declines, with increased on-network bundles. These tariffs led to some migration from messaging to voice revenue. Germany continued to experience price pressure in the prepaid market, with high levels of competition from resellers in particular, and in response Vodafone recently launched a simpler tariff portfolio. Data revenue growth remained strong at 22.5% at constant exchange rates, driven by performance of PC connectivity in the enterprise market segment.

At constant exchange rates, adjusted operating profit grew by 1.9%. The management focus on reducing costs led to a decrease in acquisition and retention costs, including reductions in the number of upgrades, increases in SIM-only contracts, improved equipment margins from higher selling prices for selected handsets and fewer promotions.

Italy

Organic growth in service revenue was 0.9%. Revenue growth has normalised, with the impact of regulatory cancellations of top-up fees in February 2007 now being included in both periods. During the period, Vodafone launched a number of commercial initiatives to stimulate voice and messaging usage on the Vodafone network. Revenue growth has also benefited from the continued increase in both the consumer and enterprise contract customer base, as well as strong data revenue growth from increased penetration of PC connectivity and email devices. As part of the increased focus on offering customers integrated solutions, Vodafone Station was launched in June 2008, which offers both fixed line services in the home as well as immediate broadband connectivity when leaving the Vodafone store.

Adjusted operating profit declined 3.0% on an organic basis. Customer costs increased through the continued focus on obtaining higher value contract consumer and enterprise customers, which have higher acquisition costs than prepaid. The resources required for the introduction of Vodafone At Home and Vodafone Office services also increased expenses during the period. Reported margin also declined due to the acquisition of Tele2 in December 2007.

Spain

On an organic basis, service revenue declined by 2.4% in line with the decrease reported in the first quarter of this financial year. Although the customer base continued to rise, with a strong focus on contract customers, revenue growth remains challenging in a highly competitive market where customer behaviour is changing with the macro economic environment. Within data revenue, growth of PC connectivity revenue offset the impact of the introduction of new pricing plans for mobile internet and data roaming, the decreasing number of content downloads and lower promotional activity compared to the same period last year.

On an organic basis, adjusted operating profit decreased by 11.2%. Vodafone s focus on contract customers has led to higher acquisition and retention costs in an increasingly competitive market. Managing churn remains a key focus in the current economic environment. Direct costs also increased from the adverse impact of mandatory costs related to universal service obligations. Reported margin also declined due to the acquisition of Tele2 in December 2007.

UK

Service revenue fell by 1.1%, including a 1.2 percentage point impact from the inclusion of a VAT refund in the prior period. The year on year growth rate slowed in the second quarter compared with the prior quarter as a result of competitive downward pressures on voice and messaging tariffs, primarily due to increased bundle sizes, a lower effective roaming price per minute due to regulation and slower customer base growth. Data revenue continued to show strong growth, driven primarily by higher penetration of consumer mobile broadband and mobile internet bundles. Other service revenue rose during the period, reflecting the higher traffic volumes with MVNOs.

Adjusted operating profit decreased by £109 million to £134 million, including a £30 million VAT refund in the prior period. Interconnect costs increased primarily due to higher usage in messaging services and data roaming, partially offset by a decrease in voice services due to a lower effective cost per minute. Retention costs rose significantly due to the benefit arising from the introduction in 2006 of 18 month contracts, resulting in a lower proportion of the contract base receiving upgrades in the prior period. Operating expenses grew, primarily due to the impact of the sterling/euro exchange rate on intercompany charges billed in euros. Otherwise, operating expenses were broadly stable year on year.

Arcor

On 19 May 2008, the Group acquired a 26.4% interest in Arcor, following which the Group owns 100% of Arcor.

Service revenue rose by 2.1% at constant exchange rates. Growth slowed during the second quarter as a result of the impact of the highly competitive environment driving increased promotions and higher tariff migrations. The growth in service revenue reflected continued strength of fixed broadband consumer growth offset by declining revenue from legacy fixed voice services. Arcor s own customer base increased to 2.5 million which, combined with Vodafone Germany s 0.4 million customers, brought the German fixed broadband customer base to 2.9 million at 30 September 2008.

Adjusted operating profit fell 2.8% at constant exchange rates. The larger fixed broadband customer base and increased access line fees caused direct costs to increase, partially offset by a decrease in operating expenses due to a 20 million (£16 million) VAT refund.

Other Europe

On an organic basis, service revenue rose by 0.8%. The Netherlands benefited from strong market share gains and customer base growth. Attractive voice promotions and higher penetration of PC connectivity devices contributed to the growth in Portugal. Growth was partially offset by a decline in Greece resulting from slowing customer base growth, mobile termination rate cuts and significant price reductions in the prepaid market segment.

Adjusted operating profit fell on an organic basis by 7.5%, reflecting a fall in Vodafone s share in the results of associates, due to higher costs arising from the integration of Neuf Cegetel and SFR. In addition, Greece contributed to the decrease in operating profit due to the lower revenue in the period. This was partially offset by growth in Portugal due to general cost control at a time of increased take-up of fixed broadband.

Vivendi will report its third quarter results, including those of SFR, on 13 November 2008.

EMAPA RESULTS(1)

	Eastern Europe £m	Middle East Africa & Asia £m	Pacific £m	Associates US £m	Eliminations £m	**EMAPA £m**	% change £	Organic
Six months ended 30 September 2008								
Voice revenue	1,457	2,131	533			**4,121**		
Messaging revenue	183	107	147			**437**		
Data revenue	69	127	50			**246**		
Fixed line revenue	10	9	19			**38**		
Other service revenue	81	93	44		(1)	**217**		
Total service revenue	**1,800**	**2,467**	**793**		**(1)**	**5,059**	**25.7**	**8.2**
Other revenue	72	167	110			**349**		
Total revenue	**1,872**	**2,634**	**903**		**(1)**	**5,408**	**25.7**	**8.8**
Direct costs	(559)	(755)	(261)		1	**(1,574)**		
Customer costs(2)	(411)	(469)	(327)			**(1,207)**		
Operating expenses	(288)	(495)	(142)			**(925)**		