VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 10, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Dated 10 November 2009

Commission File Number: 001-10086

VODAFONE GROUP

PUBLIC LIMITED COMPANY

(Translation of registrant s name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

Yes No

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 SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN EACH OF THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-144978), THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-81825) AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149634) OF VODAFONE GROUP PUBLIC LIMITED COMPANY AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

This report on form 6-K contains the following items:

(a) Chief Executive s statement;

(b) Business review; and

(c) Half-year condensed consolidated financial statements of Vodafone Group Plc.

Certain information listed above is taken from the previously published results announcement of Vodafone for the six months ended 30 September 2009 (half-year financial report). This document does not update or restate any of the financial information set forth in the half-year financial report.

This document should be read in conjunction with the Group s annual report on Form 20-F for the year ended 31 March 2009, in particular the following sections:

- the information contained under Key performance indicators on page 24;
- the information contained under Operating results on pages 25 to 36;
- the information contained under Liquidity and capital resources on pages 41 to 44; and
- the consolidated financial statements on pages 74 to 119.

The terms Vodafone , the Group , we , our and us refer to Vodafone Group Plc (the Company), and as applicable, its subsidiar and/or its interest in joint ventures and/or associates.

Exhibit 7

- Computation of ratio of earnings to fixed charges

Chief Executive s Statement

Financial review

Group revenue increased by 9.3% to £21.8 billion. Group adjusted operating profit increased by 2.4% to £5.9 billion with a positive contribution from Verizon Wireless and foreign currency benefits offsetting lower profit in Europe.

Cash generation remained robust, with free cash flow of £4.0 billion, up 29.1%, reflecting foreign currency benefits, improved working capital and receipt of the deferred £0.2 billion dividend from Verizon Wireless. Capital expenditure was at a similar level to the same period last year after adjusting for foreign exchange.

In Europe organic service revenue declined by 4.5% reflecting the economic and competitive environment. Data growth of 17.8% and fixed line growth of 7.3% are still being offset by ongoing price pressures. In the second quarter the outgoing voice minute growth rate stabilised for the first time for eight quarters at 2.8%. Total costs in Europe declined by 3.3% resulting in an adjusted EBITDA margin decline of only 1.0 percentage point. Acquisition and retention expenditure intensity was maintained. Operating free cash flow before licences and spectrum payments was strong at £4.3 billion.

In Africa and Central Europe service revenue increased by 34.6% reflecting the full consolidation of Vodacom following completion of the stake purchase in May 2009 and foreign exchange. On an organic basis service revenue declined by 3.2% with continued growth in Vodacom being offset by declines in Turkey and Romania. Adjusted EBITDA margins declined by around four percentage points primarily reflecting lower profitability in Turkey, consistent with our turnaround plan.

In Asia Pacific and Middle East service revenue increased by 17.8% reflecting a strong contribution from India where service revenue grew by 20.5% on a constant currency basis. During the period we added 14.1 million customers in India. Overall adjusted EBITDA margin in the region declined by 3.1 percentage points reflecting lower margins in India caused by the pricing environment and investment in new circles, and start up costs in Qatar.

Verizon Wireless contributed about 34% of adjusted operating profit. Organic service revenue growth was 7.5%, adjusted EBITDA margins were maintained and data revenue continued to grow rapidly. We continue to deepen our commercial relationship with Verizon Wireless with joint initiatives around applications, LTE, enterprise customers and BlackBerry® devices.

The Group invested £2.6 billion in capital expenditure, a similar level to the same period last year after adjusting for foreign exchange, including £0.5 billion in India. Capital intensity for Europe and Common Functions was slightly higher at 8.8%.

Adjusted earnings per share increased by 16.0% to 8.72 pence driven by favourable foreign exchange.

Dividends per share have increased by 3.5% to 2.66 pence consistent with the Group s dividend policy.

Strategy progress

The first half results reflect the actions we have taken to implement the strategy announced in November 2008, in particular with respect to our focus on cash generation, cost reduction and data.

Drive operational performance

We continue to launch services which deliver more value in return for a wider commitment from customers across our footprint and have generated particularly good traction with products in Germany, Spain and Italy.

We have accelerated our £1 billion cost reduction programme which will help us to offset the pressures of the competitive environment and cost inflation, and allow us to invest in revenue growth opportunities. We now intend to deliver 100% of the total programme in the current financial year, a year ahead of plan. In the current financial year we expect that around quarter of the savings will be used for commercial reinvestment and margin enhancement, half will offset inflation and volume increases in Europe and around a quarter will be used for investment in our selected revenue growth opportunities including fixed broadband, the development of new services such as Vodafone 360 and unified communications and direct and on-line sales initiatives.

We have extended our cost reduction programme and now target a further £1 billion operating costs savings by the 2012 financial year by leveraging on network, sourcing and infrastructure scale across a wider geographic area, and through further overhead reduction. We expect that around half of these savings will offset inflationary and volume pressures, and the remainder will be used for commercial reinvestment and margin enhancement.

Pursue growth opportunities in total communications

Data revenue grew by 19.8% on an organic basis and is nearing £4.0 billion on an annualised basis. Despite the economic environment we continue to see good uptake of handheld business devices and mobile broadband and, in recent months, we have seen an increase in usage and revenue from the mobile internet across Europe where around 30% of our customer base are regular monthly users of mobile internet services. As only one third of these customers have a data contract the opportunity to grow data revenue remains significant. During the last 12 months we have launched a number of important steps to support our data strategy including: significant investment in HSPA capability; Vodafone open platform for billing; Joint Innovation Lab for standardisation of mobile applications; and Vodafone 360 branded services.

In fixed broadband we continued to grow our customer base in Italy and Spain, and returned to revenue growth in Germany. We now have 5.1 million customers, up around 1.1 million in 12 months, and strong net adds share in Spain, Italy and Germany. The addition of fixed broadband capability is increasing the range of products we can offer to customers, in particular in enterprise, and provides us with the opportunity to compete with integrated competitors.

Europe enterprise revenue declined by 5.4% during the period driven by the impact of higher unemployment, lower business travel and aggressive price competition across the region. We continue to invest in our enterprise capability in order that we are better positioned for enterprise customers.

Execute in emerging markets

We have continued to drive penetration in India and invest in network coverage. Following the recent launches of a number of new entrants, competition in the Indian market is intense and will remain so for some time. During this phase of Indian market development we will focus on leveraging Vodafone s brand, scale and cost efficiency and disciplined capital expenditure. Economic prospects for India remain attractive and in the medium-term, in-market consolidation should improve returns. Vodafone is well positioned to benefit from the long-term opportunity in India.

Twelve months ago we set out a turnaround plan for Turkey to address our underperformance, focused on improving network quality, enhancing our direct and indirect distribution channels and increasing the competitiveness of our offerings. Our investment in these areas is now gaining traction with a significant improvement in customer trends and slowing revenue declines in the period.

Our primary focus remains on driving results from our existing emerging market assets.

Strengthen capital discipline

Net debt remained stable at £34.0 billion since year end, with underlying strong cash generation and foreign currency movements offsetting acquisitions and dividend payments, which have increased in accordance with the Group s progressive dividend policy.

The Group has retained a low single A long-term credit rating in line with its target.

Outlook

The first half results support our expectations for full year adjusted operating profit in the range of £11.0 billion to £11.8 billion and free cash flow around the upper end of the £6.0 billion to £6.5 billion range. The assumptions for foreign exchange rates used within the outlook ranges for the 2010 financial year are unchanged.

Our expectations for capital expenditure for the 2010 financial year remain unchanged and capital expenditure is expected to be similar to last year after adjusting for foreign currency, with slightly slower investment in India and more in Europe to support our revenue growth opportunities.

Summary

These results including our strong free cash flow generation reflect the benefits of Vodafone s geographic and customer diversity, our success in our chosen revenue growth initiatives and the impact of our accelerated £1 billion cost reduction programme.

GROUP FINANCIAL HIGHLIGHTS

	Page	2009 £m	2008 £m	Change% Reported	Organic
Financial information(1)					
Revenue	25	**21,761**	19,902	9.3	(3.0)
Operating profit	25	**6,068**	4,071	49.1	
Profit before taxation	25	**5,747**	3,314	73.4	
Profit for the period	25	**4,795**	2,169	100+	
Basic earnings per share (pence)	25	**9.17p**	4.04p	100+	
Capital expenditure(2)	37	**2,602**	2,380	9.3	
Cash generated by operations	19	**7,577**	7,144	6.1	
Performance reporting(1)(2)					
Group adjusted EBITDA	6	**7,455**	7,243	2.9	(7.9)
Adjusted operating profit	6, 40	**5,911**	5,771	2.4	(11.5)
Adjusted profit for the period attributable to equity shareholders	40	**4,582**	3,985	15.0	
Adjusted earnings per share (pence)	40	**8.72p**	7.52p	16.0	
Free cash flow(3)	19	**4,003**	3,101	29.1	
Net debt	19, 20	**34,001**	27,715	22.7	

Notes:

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

(2) See page 35 for the use of non-GAAP financial information and page 43 for definition of terms.

(3) All references to free cash flow and operating free cash flow are to amounts before licence and spectrum payments.

CONTENTS

OUTLOOK FOR THE 2010 FINANCIAL YEAR

Please see page 35 for use of non-GAAP financial information, page 43 for definition of terms and page 44 for forward-looking statements.

	2010 financial year outlook (1)(2)(3) £ billion
Adjusted operating profit	**11.0 11.8**
Free cash flow(4)	**6.0 6.5**

Notes:

(1) As stated on page 37 of the Group s 2009 annual report.
(2) Includes assumptions of average foreign exchange rates for the 2010 financial year of approximately £1: 1.12 and £1:US$1.50. A substantial majority of the Group s adjusted operating profit and free cash flow is denominated in currencies other than sterling, the Group s reporting currency. A 1% change in the sterling/euro exchange rate would impact adjusted operating profit by approximately £70 million; a 1% change in the sterling/US dollar exchange rate would impact adjusted operating profit by approximately £40 million.
(3) The outlook does not include the impact of the reorganisation costs arising from the Alltel acquisition by Verizon Wireless, expected to be around £0.2 billion, but includes the impact of the Group s acquisition of a further 15% stake in Vodacom and the consolidation of that entity from 18 May 2009.
(4) Before spectrum and licence payments but after payments in respect of long-standing tax issues.

Operating conditions across the Group are broadly as envisaged when the outlook ranges were set out at the preliminary results announcement in May, albeit with a slight change in mix. Europe continues to experience economic pressure and similar competitive intensity, though performance in the first half was slightly better than anticipated, whereas economic conditions in Africa and Central Europe were slightly weaker than expected and competition in India has recently intensified.

Group adjusted EBITDA margin in the first half declined by 2.1 percentage points. Whilst the 1.0 percentage point decline in Europe was better than anticipated, reflecting a slightly better revenue performance and the benefit of the cost reduction programme, margin pressures in emerging markets were higher including the impact of the competitive environment in India and the turnaround plan in Turkey.

For the full year Group adjusted EBITDA margin is expected to decline by a similar rate to the first half. Total depreciation and amortisation charges are now expected to be around £8.2 billion.

In aggregate adjusted operating profit based on the stated foreign exchange assumptions is still expected to be in the £11.0 billion to £11.8 billion range.

Free cash flow based on the stated foreign exchange assumptions is expected to be around the upper end of the £6.0 billion to £6.5 billion range. Capitalised fixed asset additions are expected to be at a similar level to the 2009 financial year after adjusting for the impact of foreign exchange and the consolidation of Vodacom. Capital intensity in Europe and Common Functions is expected to be around 10% of revenue.

The assumptions for foreign exchange rates used within the outlook ranges for the 2010 financial year are unchanged.

The underlying adjusted tax rate percentage is expected to be in the mid 20s for the 2010 financial year with the Group targeting a similar level in the medium-term.

FINANCIAL RESULTS

Group results(1)

	Europe	Africa and Central Europe	Asia Pacific and Middle East	Verizon Wireless	Common Functions(2)	Eliminations	Six months ended 30 September 2009(3)	2008	% change £	Organic(4)
	£m	£m	£m	£m	£m	£m	**£m**	£m	£	Organic(4)
Voice revenue	8,998	2,696	2,288			(2)	**13,980**	13,267		
Messaging revenue	1,810	274	228		1		**2,313**	2,171		
Data revenue	1,460	225	195				**1,880**	1,391		
Fixed line revenue	1,419	126	38				**1,583**	1,237		
Other service revenue	473	148	174			(78)	**717**	574		
Service revenue	**14,160**	**3,469**	**2,923**		**1**	**(80)**	**20,473**	18,640	**9.8**	**(2.6)**
Other revenue	751	270	156		126	(15)	**1,288**	1,262		
Revenue	**14,911**	**3,739**	**3,079**		**127**	**(95)**	**21,761**	19,902	**9.3**	**(3.0)**
Direct costs	(3,431)	(1,042)	(883)		(27)	80	**(5,303)**	(4,796)		
Customer costs	(4,129)	(874)	(633)		(159)		**(5,795)**	(5,283)		
Operating expenses	(1,747)	(712)	(731)		(33)	15	**(3,208)**	(2,580)		
Adjusted EBITDA	**5,604**	**1,111**	**832**		**(92)**		**7,455**	7,243	**2.9**	**(7.9)**
Depreciation and amortisation:										
Acquired intangibles	(18)	(382)	(192)				**(592)**	(391)		
Purchased licences	(484)	(15)	(48)				**(547)**	(490)		
Other	(1,760)	(473)	(464)		(30)		**(2,727)**	(2,383)		
Share of result in associates	309	21	4	1,988			**2,322**	1,792		
Adjusted operating profit	**3,651**	**262**	**132**	**1,988**	**(122)**		**5,911**	5,771	**2.4**	**(11.5)**
Impairment losses								(1,700)		
Other income and expense							**157**			
Operating profit							**6,068**	4,071		
Non-operating income and expense							**(7)**	(14)		
Net financing costs							**(314)**	(743)		
Income tax expense							**(952)**	(1,145)		
Profit for the period							**4,795**	2,169		

Notes:

(1) The Group revised how it determines and discloses segmental adjusted EBITDA and adjusted operating profit during the period. Further details of this change are provided under the heading change in presentation on page 43.

(2) Common Functions primarily represents the results of the partner markets and the net result of unallocated central Group costs and excludes income from intercompany royalty fees.

(3) Reflects average exchange rates of £1: 1.14 and £1:US$1.60.

(4)

Organic growth includes India and Vodacom (except the results of Gateway) at the current level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009. See acquisitions, disposals and subsequent events on page 22 for further details.

Revenue

Revenue increased by 9.3% with favourable exchange rate movements contributing 7.9 percentage points and the benefit of merger and acquisition activity contributing 4.4 percentage points to revenue growth. Service revenue fell by 2.6% on an organic basis.

In Europe service revenue decreased by 4.5% on an organic basis with continued growth in both data and fixed lined revenue offset by a decline in voice revenue resulting from continued market and regulatory pressure on prices. Service revenue decreased in the majority of markets but was partially offset by growth in Italy and the Netherlands.

In Africa and Central Europe service revenue declined by 3.2% on an organic basis as growth in Vodacom and the effect of a 6.8% increase in the average customer base for the region were more than offset by an adverse impact of around three percentage points from termination rate cuts as well declines in Romania and Turkey.

In Asia Pacific and Middle East service revenue grew by 12.3% on an organic basis driven by a 3.6 percentage point contribution from the revenue stream generated by the network sharing joint venture, Indus Towers, as well as the 48.2% organic rise in the average customer base and continued strong data revenue growth. Substantially all of the organic growth was generated in India.

Operating profit

Adjusted EBITDA increased by 2.9% with favourable exchange rates contributing 8.2 percentage points and the impact of merger and acquisition activity contributing 2.6 percentage points to growth.

In Europe adjusted EBITDA decreased by 8.0% on an organic basis resulting from the decline in service revenue partially offset by cost savings, with declines in every market with the exception of Italy. The adjusted EBITDA margin declined by 1.0 percentage point, impacted by the dilutive effect of fixed line services as they continued to grow, with the fall partly mitigated by improvements in Italy and Portugal.

Adjusted EBITDA in Africa and Central Europe decreased by 9.5% on an organic basis due to investment in the turnaround plan in Turkey and increased competition in Romania which more than offset the growth in Vodacom. The adjusted EBITDA margin fell in the majority of markets reflecting lower revenue with cost reductions partially mitigating this decline.

On an organic basis adjusted EBITDA in Asia Pacific and Middle East fell by 2.3%, with a corresponding reduction in the adjusted EBITDA margin which was driven by a decline in the margin in India and the lower margin Indian business making up a larger proportion of the region. Start-up costs in Qatar, which launched commercial services on 7 July 2009, also had an impact. Adjusted EBITDA remained broadly stable across the region with the exception of Qatar.

Adjusted operating profit increased by 2.4% with favourable exchange rates contributing 11.5 percentage points and merger and acquisition activity contributing 2.4 percentage points to growth.

Operating profit increased by 49.1% as the prior year was impacted by an impairment loss in relation to Turkey.

The share of results in Verizon Wireless, the Group s associate in the US, increased by 7.5% on an organic basis driven by the expanding customer base and growth in mobile broadband data products and applications, and messaging services.

Net financing costs

	Six months ended 30 September	
	2009	2008
	£m	£m
Investment income	**634**	501
Financing costs	**(948)**	(1,244)

Net financing costs	**(314)**	(743)
Analysed as:		
Net financing costs before income from investments	**(559)**	(436)
Potential interest charges arising on settlement of outstanding tax issues	**(108)**	(221)
Income from investments	**237**	174
	(430)	(483)
Foreign exchange(1)	**(115)**	86
Equity put rights and similar arrangements(2)	**231**	(346)
	(314)	(743)

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 on the disposal of Vodafone Japan to SoftBank in April 2006.

(2) Primarily represents foreign exchange movements and accretion expense. Further details of these options are provided on page 21.

Net financing costs before income from investments increased by 28.2% to £559 million primarily due to the impact of the 31% increase in average net debt being partially offset by changes in the currency mix of debt and significantly lower interest rates for debt denominated in US dollars and euros. At 30 September 2009 the provision for potential interest charges arising on settlement of outstanding tax issues was £1,749 million (31 March 2009: £1,635 million).

Taxation

The effective tax rate for the six months ended 30 September 2009 was 16.6% compared to 24.2%, exclusive of the impairment loss, in the same period last year with the difference primarily due to the resolution of long standing tax issues.

Earnings per share

Adjusted earnings per share increased by 16.0% to 8.72 pence for the six months ended 30 September 2009 with substantially all of the increase arising from movements in exchange rates. Basic earnings per share increased by 127.0% to 9.17 pence primarily due to the impairment loss in relation to Turkey which occurred in the prior period.

	Six months ended 30 September	
	2009	2008
	£m	£m
Profit attributable to equity shareholders	**4,820**	2,140
Adjustments:		
Impairment loss		1,700
Other income and expense	**(157)**	
Non-operating income and expense	**7**	14
Investment income and financing costs(1)	**(116)**	260
	(266)	1,974
Tax on above adjustments	**28**	(129)
Adjusted profit attributable to equity shareholders	**4,582**	3,985
	Million	Million
Weighted average number of shares outstanding basic	**52,556**	53,006
Weighted average number of shares outstanding diluted	**52,760**	53,205

Note:

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

Europe results(1)

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	**Europe £m**	% change £	Organic
Six months ended 30 September 2009									
Voice revenue	1,964	1,876	1,994	1,398	1,767	(1)	**8,998**		
Messaging revenue	384	445	203	479	299		**1,810**		
Data revenue	470	243	239	282	226		**1,460**		
Fixed line revenue	923	255	157	15	69		**1,419**		
Other service revenue	69	69	134	182	174	(155)	**473**		
Service revenue	**3,810**	**2,888**	**2,727**	**2,356**	**2,535**	**(156)**	**14,160**	**3.7**	**(4.5)**
Other revenue	132	100	221	157	142	(1)	**751**		
Revenue	**3,942**	**2,988**	**2,948**	**2,513**	**2,677**	**(157)**	**14,911**	**3.0**	**(5.1)**
Direct costs	(863)	(684)	(591)	(786)	(663)	156	**(3,431)**		
Customer costs	(1,058)	(520)	(992)	(859)	(701)	1	**(4,129)**		
Operating expenses	(464)	(339)	(293)	(285)	(366)		**(1,747)**		
Adjusted EBITDA	**1,557**	**1,445**	**1,072**	**583**	**947**		**5,604**	**0.3**	**(8.0)**
Depreciation and amortisation:									
Acquired intangibles		(10)	(2)	(6)			**(18)**		
Purchased licences	(220)	(50)	(4)	(166)	(44)		**(484)**		
Other	(457)	(300)	(321)	(336)	(346)		**(1,760)**		
Share of result in associates					309		**309**		
Adjusted operating profit	**880**	**1,085**	**745**	**75**	**866**		**3,651**	**(1.5)**	**(10.5)**
Adjusted EBITDA margin	39.5%	48.4%	36.4%	23.2%	35.4%		**37.6%**		
Six months ended 30 September 2008									
Voice revenue	1,977	1,721	1,997	1,638	1,814		9,147		
Messaging revenue	364	392	208	472	298		1,734		
Data revenue	365	182	186	226	186		1,145		
Fixed line revenue	828	190	121	15	45		1,199		
Other service revenue	91	75	158	125	148	(168)	429		
Service revenue	**3,625**	**2,560**	**2,670**	**2,476**	**2,491**	**(168)**	**13,654**		
Other revenue	133	92	218	238	145		826		
Revenue	**3,758**	**2,652**	**2,888**	**2,714**	**2,636**	**(168)**	**14,480**		
Direct costs	(806)	(602)	(617)	(801)	(633)	168	(3,291)		
Customer costs	(957)	(485)	(941)	(911)	(666)		(3,960)		
Operating expenses	(425)	(311)	(266)	(300)	(342)		(1,644)		
Adjusted EBITDA	**1,570**	**1,254**	**1,064**	**702**	**995**		**5,585**		
Depreciation and amortisation:									
Acquired intangibles		(27)	(4)	(9)	(5)		(45)		
Purchased licences	(199)	(45)	(3)	(166)	(41)		(454)		
Other	(450)	(274)	(287)	(345)	(320)		(1,676)		
Share of result in associates					296		296		
Adjusted operating profit	**921**	**908**	**770**	**182**	**925**		**3,706**		
Adjusted EBITDA margin	41.8%	47.3%	36.8%	25.9%	37.7%		**38.6%**		
	%	%	%	%	%				
Change at constant exchange rates									
Voice revenue	(10.4)	(1.2)	(9.6)	(14.7)	(11.3)				
Messaging revenue	(4.7)	2.7	(11.5)	1.5	(8.8)				
Data revenue	16.9	21.1	16.7	24.8	10.3				
Fixed line revenue	1.0	21.9	17.7		37.3				
Other service revenue	(25.8)	(16.3)	(22.8)	45.6	6.9				
Service revenue	**(4.8)**	**2.3**	**(7.5)**	**(4.8)**	**(7.5)**				
Other revenue	(8.1)	(0.7)	(8.0)	(34.0)	(13.5)				
Revenue	**(4.9)**	**2.2**	**(7.5)**	**(7.4)**	**(7.8)**				
Direct costs	(1.0)	3.0	(13.2)	(1.9)	(5.3)				
Customer costs	(1.0)	(2.9)	(4.5)	(5.7)	(4.3)				
Operating expenses	(2.0)	(1.0)	(0.2)	(5.0)	(3.0)				
Adjusted EBITDA	**(10.1)**	**4.5**	**(8.7)**	**(17.0)**	**(13.4)**				

Depreciation and amortisation:					
Acquired intangibles		(66.7)	(66.0)	(33.3)	(100.0)
Purchased licences					
Other	(8.2)	(0.7)	1.9	(2.6)	(2.8)
Share of result in associates					(5.8)
Adjusted operating profit	**(13.2)**	**8.3**	**(12.2)**	**(58.8)**	**(14.8)**
Adjusted EBITDA margin movement (pps)	(2.3)	1.1	(0.4)	(2.7)	(2.3)

Note:

(1) The Group revised how it determines and discloses segmental adjusted EBITDA and adjusted operating profit during the period. Further details of this change are provided under the heading change in presentation on page 43.

Revenue and adjusted EBITDA increased by 3.0% and 0.3% respectively. The reported results reflect the impact of merger and acquisition activity and foreign exchange movements together with an organic change. The table below summarises the effect of these factors on service revenue, revenue, adjusted EBITDA and adjusted operating profit.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Service revenue				
Germany	(4.8)		9.9	5.1
Italy	2.3		10.5	12.8
Spain	(7.5)		9.6	2.1
UK	(5.7)	0.9		(4.8)
Other Europe	(7.5)		9.3	1.8
Europe	**(4.5)**	**0.1**	**8.1**	**3.7**
Revenue - Europe	**(5.1)**	**0.1**	**8.0**	**3.0**
Adjusted EBITDA				
Germany	(10.0)	(0.1)	9.3	(0.8)
Italy	4.5		10.7	15.2
Spain	(8.7)		9.5	0.8
UK	(18.4)	1.4		(17.0)
Other Europe	(13.4)		8.7	(4.7)
Europe	**(8.0)**	**0.1**	**8.2**	**0.3**
Adjusted operating profit				
Germany	(13.0)	(0.2)	8.7	(4.5)
Italy	8.3		11.2	19.5
Spain	(12.2)		9.0	(3.2)
UK	(64.7)	5.9		(58.8)
Other Europe	(15.3)	0.5	8.4	(6.4)
Europe	**(10.5)**	**0.3**	**8.7**	**(1.5)**

Service revenue decreased by 4.5% on an organic basis with continued growth in both data and fixed lined revenue offset by a decline in voice revenue resulting from continued market and regulatory pressure on prices. Service revenue decreased in the majority of markets but was partially offset by growth in Italy and the Netherlands.

Adjusted EBITDA decreased by 8.0% on an organic basis resulting from the decline in service revenue partially offset by cost savings, with declines in every market with the exception of Italy. The adjusted EBITDA margin declined by 1.0 percentage point, impacted by the decline in revenue partly mitigated by improvements in Italy and Portugal.

Germany

Organic service revenue declined by 4.8% with the quarterly growth rate in line with the previous quarter. Revenue was negatively impacted by mobile termination rate cuts effective from April 2009, lower roaming partly due to the impact of EU regulation and continued competitive pressure. These factors were partly offset by fixed line and the Superflat tariff portfolio as well as continued data revenue growth supported by growing penetration of mobile internet devices. The fixed broadband customer base increased to 3.3 million with an additional 241,000 wholesale customers.

Adjusted EBITDA declined by 10.0% on an organic basis, with the reported margin falling by 2.3 percentage points, driven by lower revenue, higher access costs from the growing fixed line customer base and the one time benefit of a 20 million (£16 million) VAT refund in the six month period to 30 September 2008. These were partly offset by the impact of termination rate cuts and a reduction of operating expenses arising from the fixed and mobile integration synergies.

Italy

Service revenue increased by 2.3% at constant exchange rates. Growth in the current quarter slowed slightly in comparison to the previous quarter with positive momentum being maintained despite tougher economic conditions. Optimisation of spending by customers was partially offset by continued penetration of high value contracts and successful usage initiatives. The higher penetration of PC connectivity devices and success of mobile internet services resulted in good growth in data revenue. Fixed line revenue growth accelerated with a closing fixed broadband customer base of 1.1 million on a 100% basis.

Adjusted EBITDA increased by 4.5% at constant exchange rates with the adjusted EBITDA margin also growing by 1.1 percentage points, primarily as a result of the increase in revenue, strict control on mobile acquisition and retention unit costs and stable operating expenses, despite continued investment in fixed line services.

Spain

Service revenue decreased by 7.5% at constant exchange rates with the second quarter improving by 1.2 percentage points when compared to the previous quarter driven by higher usage trends. Service revenue continued to be impacted by weak economic conditions and high unemployment levels also resulting in increased involuntary churn. Data and fixed line revenue continued to grow due to increased penetration of PC connectivity and mobile internet bundles as well as products such as Vodafone Station.

Adjusted EBITDA fell by 8.7% at constant exchange rates, with a 0.4 percentage point reduction in the adjusted EBITDA margin. The impact of the decline in revenue, which included the benefit from legal settlements, was partly offset by termination rate cuts effective from April 2009 whilst acquisition and retention costs were maintained in spite of a rise in overall commercial activity.

UK

Service revenue fell by 5.7% on an organic basis, with the higher decline of 6.6% in the current quarter mainly due to mobile termination rate cuts effective from July 2009. Competitive pricing pressures and continued reduction in active prepaid customers were partially offset by increased data revenue driven by mobile internet bundles and higher wholesale revenue derived from MVNO agreements.

On an organic basis adjusted EBITDA fell by 18.4%, with the adjusted EBITDA margin decreasing by 2.7 percentage points, principally from the decline in revenue. Overall costs fell by 4.5% mainly due to mobile termination rate cuts and cost efficiency initiatives particularly in the technology area.

Other Europe

Service revenue was 7.5% lower at constant exchange rates with declines in all markets except for the Netherlands where service revenue increased by 1.5% at constant exchange rates supported by strong summer roaming. Service revenue in Greece declined by 15.3% at constant exchange rates resulting from mobile termination rate reductions in January 2009, tariff changes and market conditions.

Adjusted EBITDA declined by 13.4% at constant exchange rates. Adjusted EBITDA margin fell by 2.3 percentage points with declines in all markets except Portugal. Lower revenue was offset in part by lower acquisition and retention costs and mobile termination rate cuts. The positive adjusted EBITDA margin performance in Portugal was mainly driven by ongoing cost efficiency improvements.

Vivendi is expected to report its third quarter results, including those of SFR, on 12 November 2009.

Africa and Central Europe(1)

	Vodacom	Other Africa and Central Europe	**Africa and Central Europe**	% change	
	£m	£m	**£m**	£	Organic(2)
Six months ended 30 September 2009					
Voice revenue	1,352	1,344	**2,696**		
Messaging revenue	103	171	**274**		
Data revenue	137	88	**225**		
Fixed line revenue	83	43	**126**		
Other service revenue	63	85	**148**		
Service revenue	**1,738**	**1,731**	**3,469**	**34.6**	**(3.2)**
Other revenue	210	60	**270**		
Revenue	**1,948**	**1,791**	**3,739**	**35.9**	**(3.5)**
Direct costs	(468)	(574)	**(1,042)**		
Customer costs	(473)	(401)	**(874)**		
Operating expenses	(356)	(356)	**(712)**		
Adjusted EBITDA	**651**	**460**	**1,111**	**19.2**	**(9.5)**
Depreciation and amortisation:					
Acquired intangibles	(278)	(104)	**(382)**		
Purchased licences		(15)	**(15)**		
Other	(176)	(297)	**(473)**		
Share of result in associates	(1)	22	**21**		
Adjusted operating profit	**196**	**66**	**262**	**(35.3)**	**(48.3)**
Adjusted EBITDA margin	33.4%	25.7%	**29.7%**		
Six months ended 30 September 2008					
Voice revenue	623	1,498	2,121		
Messaging revenue	44	185	229		
Data revenue	45	70	115		
Fixed line revenue		15	15		
Other service revenue	16	82	98		
Service revenue	**728**	**1,850**	**2,578**		
Other revenue	101	72	173		
Revenue	**829**	**1,922**	**2,751**		
Direct costs	(190)	(574)	(764)		
Customer costs	(204)	(416)	(620)		
Operating expenses	(146)	(289)	(435)		
Adjusted EBITDA	**289**	**643**	**932**		
Depreciation and amortisation:					
Acquired intangibles	(34)	(130)	(164)		
Purchased licences		(12)	(12)		
Other	(80)	(285)	(365)		
Share of result in associates		14	14		
Adjusted operating profit	**175**	**230**	**405**		
Adjusted EBITDA margin	34.9%	33.5%	33.9%		
	%	**%**			
Change at constant exchange rates					
Voice revenue	87.0	(10.6)			
Messaging revenue	100+	(8.0)			
Data revenue	100+	24.3			
Fixed line revenue		100+			
Other service revenue	100+	5.2			

Service revenue	**100+**	**(6.8)**
Other revenue	78.2	(19.0)
Revenue	**100+**	**(7.2)**
Direct costs	100+	1.1
Customer costs	99.0	(4.1)
Operating expenses	100+	22.8
Adjusted EBITDA	**94.1**	**(29.7)**
Depreciation and amortisation:		
Acquired intangibles	100+	(21.8)
Purchased licences		36.4
Other	91.3	3.1
Share of result in associates		74.1
Adjusted operating profit	**(3.5)**	**(71.9)**
Adjusted EBITDA margin movement (pps)	(1.4)	(8.2)

Notes:

(1) The Group revised how it determines and discloses segmental adjusted EBITDA and adjusted operating profit during the period. Further details of this change are provided under the heading change in presentation on page 43.

(2) Organic growth includes Vodacom (except the results of Gateway) at the current level of ownership. See acquisitions, disposals and subsequent events on page 22 for further details.

Revenue and adjusted EBITDA grew by 35.9% and 19.2% respectively. The reported results reflect the impact of merger and acquisition activity, primarily Vodacom, and foreign exchange movements together with an organic change. The table below summarises the effect of these factors on service revenue, revenue, adjusted EBITDA and adjusted operating profit.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Service revenue				
Vodacom	4.2	100+	32.7	100+
Other Africa and Central Europe	(10.0)	3.2	0.4	(6.4)
Africa and Central Europe	**(3.2)**	**31.7**	**6.1**	**34.6**
Revenue Africa and CentraEurope	**(3.5)**	**32.8**	**6.6**	**35.9**
Adjusted EBITDA				
Vodacom	5.5	88.6	31.2	100+
Other Africa and Central Europe	(24.9)	(4.8)	1.2	(28.5)
Africa and Central Europe	**(9.5)**	**21.7**	**7.0**	**19.2**
Adjusted operating profit				
Vodacom	(46.6)	43.1	15.5	12.0
Other Africa and Central Europe	(51.4)	(20.5)	0.6	(71.3)
Africa and Central Europe	**(48.3)**	**8.2**	**4.8**	**(35.3)**

Service revenue declined by 3.2% on an organic basis as growth in Vodacom and the effect of a 6.8% increase in the average customer base of the region were more than offset by an adverse impact of around three percentage points from termination rate cuts as well as declines in Romania and Turkey.

On an organic basis adjusted EBITDA decreased by 9.5% due to investment in the turnaround plan in Turkey and increased competition in Romania which more than offset growth in Vodacom. The adjusted EBITDA margin fell in the majority of markets reflecting lower revenue with cost reductions partially mitigating this decline.

Vodacom

On 18 May 2009 Vodacom became a subsidiary. See acquisitions, disposals and subsequent events on page 22 for further details.

Service revenue grew by 4.2% on an organic basis although the rate of growth slowed in the current quarter as good growth in South Africa was offset by weakening trends in Vodacom s non-South African operations. Revenue growth was driven by a 17.2% increase in the average customer base, although the rate of gross additions slowed following the introduction of customer registration in South Africa on 1 August 2009. Data revenue continued to increase strongly following increased penetration of mobile PC connectivity devices. Service revenue in the Democratic Republic of Congo and Tanzania continued to be affected by intense competition and a weaker economic climate. Gateway, the carrier services and business network solutions business, suffered from pricing pressures.

Adjusted EBITDA grew by 5.5% on an organic basis, with the reported margin falling by 1.5 percentage points, impacted by lower revenue particularly in the Democratic Republic of Congo and in Tanzania, although both countries significantly reduced both capital and operating costs in response to the sharp reduction in revenue. These impacts were partially offset by the benefit from a lower regulatory fee in South Africa compared to the first half of the prior financial year and a focus on cost reductions, including the implementation of programmes that are expected to yield longer term benefits, for example transmission self-provisioning and sharing.

Other Africa and Central Europe

Service revenue declined by 10.0% on an organic basis, as the strong growth in data revenue was more than offset by the decline in voice revenue driven by weak economic conditions throughout Central Europe, the impact of termination rate cuts and a significant fall in revenue in Romania.

In Turkey service revenue declined by 7.9% at constant exchange rates, driven by an 11.8% reduction in the average customer base combined with a significant fall in prices as a result of competition and termination rate cuts. However the rate of decline improved in the current quarter driven by an increase in active customers, continued strong leadership in mobile number portability and growth in incoming revenue which continued to benefit from the introduction of cross-network tariffs in the previous quarter. 3G services were successfully launched in 81 cities in August 2009. In Romania service revenue declined by 19.5% at constant exchange rates impacted by weak economic conditions and a 15% year on year decline in local currency against the euro as tariffs are quoted in euros but household incomes are earned in local currency. Competitive price declines and the impact of a termination rate cut effective from January 2009 also had an impact.

Adjusted EBITDA decreased by 24.9% on an organic basis as a result of the reduction in revenue and higher running costs resulting from the expansion of the network infrastructure in Turkey as well as publicity to support the launch of 3G services. Adjusted EBITDA margins fell slightly across the majority of the region although cost reduction activities partially offset the revenue declines.

Asia Pacific and Middle East(1)

	India	Other Asia Pacific and Middle East	Eliminations	**Asia Pacific and Middle East**	% change	
	£m	£m	£m	**£m**	£	Organic(2)
Six months ended 30 September 2009						
Voice revenue	1,225	1,063		**2,288**		
Messaging revenue	45	183		**228**		
Data revenue	83	112		**195**		
Fixed line revenue	1	37		**38**		
Other service revenue	105	70	(1)	**174**		
Service revenue	**1,459**	**1,465**	**(1)**	**2,923**	**17.8**	**12.3**
Other revenue	26	130		**156**		
Revenue	**1,485**	**1,595**	**(1)**	**3,079**	**15.9**	**11.3**
Direct costs	(427)	(457)	1	**(883)**		
Customer costs	(210)	(423)		**(633)**		
Operating expenses	(491)	(240)		**(731)**		
Adjusted EBITDA	**357**	**475**		**832**	**3.9**	**(2.3)**
Depreciation and amortisation:						
Acquired intangibles	(168)	(24)		**(192)**		
Purchased licences		(48)		**(48)**		
Other	(232)	(232)		**(464)**		
Share of result in associates		4		**4**		
Adjusted operating profit	**(43)**	**175**		**132**	**(48.4)**	**(42.0)**
Adjusted EBITDA margin	24.0%	29.8%		**27.0%**		
Six months ended 30 September 2008						
Voice revenue	997	1,003		2,000		
Messaging revenue	38	170		208		
Data revenue	67	64		131		
Fixed line revenue		23		23		
Other service revenue	37	83	(1)	119		
Service revenue	**1,139**	**1,343**	**(1)**	**2,481**		
Other revenue	39	137		176		
Revenue	**1,178**	**1,480**	**(1)**	**2,657**		
Direct costs	(396)	(415)	1	(810)		
Customer costs	(184)	(403)		(587)		
Operating expenses	(263)	(196)		(459)		
Adjusted EBITDA	**335**	**466**		**801**		
Depreciation and amortisation:						
Acquired intangibles	(178)	(4)		(182)		
Purchased licences		(24)		(24)		
Other	(150)	(191)		(341)		
Share of result in associates		2		2		
Adjusted operating profit	**7**	**249**		**256**		
Adjusted EBITDA margin	28.4%	31.5%		30.1%		
	%	**%**				
Change at constant exchange rates						
Voice revenue	15.5	(3.5)				
Messaging revenue	13.7	1.0				
Data revenue	17.7	59.5				

Fixed line revenue		49.2
Other service revenue	100+	(23.6)
Service revenue	**20.5**	**(0.3)**
Other revenue	(38.0)	(10.5)
Revenue	**18.5**	**(1.2)**
Direct costs	1.4	1.0
Customer costs	6.7	(1.5)
Operating expenses	76.1	11.9
Adjusted EBITDA	**0.2**	**(8.4)**
Depreciation and amortisation:		
Acquired intangibles	(11.1)	100+
Purchased licences		84.6
Other	45.9	12.1
Share of result in associates		55.0
Adjusted operating profit	**(100+)**	**(38.2)**
Adjusted EBITDA margin movement (pps)	(4.4)	(2.3)

Notes:

(1) The Group revised how it determines and discloses segmental adjusted EBITDA and adjusted operating profit during the period. Further details of this change are provided under the heading change in presentation on page 43.

(2) Organic growth includes India but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009. See acquisitions, disposals and subsequent events on page 22 for further details.

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Revenue and adjusted EBITDA grew by 15.9% and 3.9%, respectively. The reported results reflect the impact of merger and acquisition activity and foreign exchange movements together with an organic change. The table below summarises the effect of these factors on service revenue, revenue, adjusted EBITDA and adjusted operating profit.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Service revenue				
India	20.5		7.6	28.1
Other Asia Pacific and Middle East	1.6	(1.9)	9.4	9.1
Asia Pacific and Middle East	**12.3**	**(3.2)**	**8.7**	**17.8**
Revenue				
Asia Pacific and Middle East	**11.3**	**(3.9)**	**8.5**	**15.9**
Adjusted EBITDA				
India	0.2		6.4	6.6
Other Asia Pacific and Middle East	(4.3)	(4.1)	10.3	1.9
Asia Pacific and Middle East	**(2.3)**	**(2.6)**	**8.8**	**3.9**
Adjusted operating profit				
India	(100+)		(78.0)	(100+)
Other Asia Pacific and Middle East	(25.4)	(12.8)	8.5	(29.7)
Asia Pacific and Middle East	**(42.0)**	**(12.8)**	**6.4**	**(48.4)**

Service revenue grew by 12.3% on an organic basis driven by a 3.6 percentage point contribution from the revenue stream generated by the network sharing joint venture, Indus Towers, as well as the 48.2% organic rise in the average customer base and continued strong data revenue growth. Substantially all of the organic growth was generated in India.

On an organic basis adjusted EBITDA fell by 2.3%, with a corresponding reduction in the adjusted EBITDA margin which was driven by a decline in the margin in India and the lower margin Indian business making up a larger proportion of the region. Start-up costs in Qatar, which launched commercial services on 7 July 2009, also had an impact. Adjusted EBITDA remained broadly stable across the region with the exception of Qatar.

India

Service revenue grew by 20.5% at constant exchange rates including a 6.4 percentage point benefit from Indus Towers. Growth was driven by a 54.8% increase in the average mobile customer base which was partially offset by a fall in the effective rate per minute and a decline in usage per customer as competition intensified and penetration gains shifted towards more rural circles. Growth was also impacted by a termination rate cut effective from April 2009.

Adjusted EBITDA was stable at constant exchange rates, with a 4.4 percentage point decline in the adjusted EBITDA margin, primarily as a result of the expansion into rural areas and market price reductions offset by scale efficiencies.

Other Asia Pacific and Middle East

Service revenue grew by 1.6% on an organic basis as data revenue growth, driven by the higher penetration of mobile internet services, offset slowing voice revenue. In Egypt service revenue increased by 1.3% at constant exchange rates primarily due to the higher average customer base partially offset by the impact of termination rate reductions and pricing pressure. Qatar, after launching commercial services in July 2009, reached a customer base of 151,000 at 30 September 2009, 51% above its publicly stated target. A number of distribution channels in Qatar have been established including online, Vodafone retail stores and indirect partners.

Adjusted EBITDA fell by 4.3% on an organic basis, with the reported margin falling by 1.7 percentage points, as a result of the cost of launching services in Qatar. In Egypt the adjusted EBITDA margin remained stable as a termination rate cut and higher usage on the Vodafone network led to lower interconnect costs, which were offset by a lower effective price per minute.

On 9 June 2009 Vodafone Australia completed its merger with Hutchison 3G Australia to form a 50:50 joint venture, Vodafone Hutchison Australia Pty Limited. Integration continues according to plan with significant progress being made in reorganising head office, customer services and property locations. Implementation plans on retail stores, networks and IT are advancing well and in line with expectations.

Verizon Wireless

	Six months ended 30 September			
	2009	2008	% change	
	£m	£m	£	Organic
Service revenue	**7,872**	5,273	49.3	7.5
Revenue	**8,583**	5,795	48.1	6.2
Adjusted EBITDA	**3,349**	2,247	49.0	7.5
Interest	**(182)**	(28)	100+	
Tax(1)	**(149)**	(93)	60.2	
Non-controlling interest	**(43)**	(31)	38.7	
Discontinued operations	**48**			
Group s share of result in Verizon Wireless	**1,988**	1,480	34.3	7.5
KPIs (100% basis)				
Closing customers (000)	**89,013**	70,808		
Average monthly ARPU (US$)	**54.6**	54.6		
Churn	**17.2%**	14.7%		
Messaging and data as a percentage of service revenue	**27.9%**	23.7%		

Note:

(1) The Group s share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group s share of the partnership s pre-tax profit is included within the Group tax charge.

Verizon Wireless achieved 2.4 million net customer additions bringing the closing customer base to 89.0 million. Customer growth was achieved by continued concentration on the high value contract segment alongside market leading customer churn.

Service revenue growth of 7.5% on an organic basis was driven by the expanding customer base and robust non-voice ARPU, predominantly driven by growth in mobile broadband data products and applications, and messaging services.

The adjusted EBITDA margin of 39.0% remained strong despite the tougher competitive and economic environment. Efficiencies in operating expenses have been partly offset by a higher level of customer acquisition and retention costs, particularly for high end data devices including BlackBerry devices.

The integration of the Alltel business is going according to plan. Store rebranding is complete and network conversions are well underway and on track. Verizon Wireless has entered into agreements to sell the 105 overlapping properties arising from the acquisition of Alltel. AT&T will acquire the network assets and mobile licences of 79 markets, corresponding to 1.5 million customers for US$2.35 billion. Atlantic Tele-Network will acquire the network assets and mobile licences of the remaining 26 markets and 0.7 million customers for US$0.2 billion. Both transactions are expected to complete in early 2010.

FINANCIAL POSITION

Statement of financial position

Non-current assets increased from £139.7 billion at 31 March 2009 to £142.2 billion at 30 September 2009, primarily reflecting the increase in other intangible assets of £2.2 billion and the increase in goodwill of £0.5 billion, both reflecting the acquisition of the additional stake in Vodacom. Investments in associates were impacted by the fluctuation in the US dollar during the period.

Current assets decreased from £13.0 billion at 31 March 2009 to £12.6 billion at 30 September 2009. Increases in trade and other receivables of £0.6 billion were offset by the £1.1 billion decrease in cash and cash equivalents as analysed in the consolidated statement of cash flows.

Non-current liabilities increased from £40.0 billion at 31 March 2009 to £41.3 billion at 30 September 2009 mainly due to the increase in deferred tax liabilities of £1.0 billion and long-term borrowings of £0.5 billion. Current liabilities decreased from £27.9 billion at 31 March 2009 to £25.7 billion at 30 September 2009 primarily due to the decrease in short-term borrowings partly offset by an increase in trade and other payables.

Equity shareholders   funds

Total equity shareholders   funds increased by £1.4 billion to £87.6 billion at 30 September 2009 as retained losses fell to £81.9 billion due to profit for the period of £4.8 billion being partly offset by dividends of £2.7 billion. Accumulated other comprehensive income decreased by £0.7 billion as the gain on revaluation of available-for-sale assets was more than offset by exchange rate differences on translation. The £0.2 billion decrease in treasury shares reflected employee share scheme transactions during the period.

Inflation

Inflation has not had a significant effect on the Group s consolidated results of operations and financial condition during the six months ended 30 September 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows and funding

	Six months ended 30 September		
	2009	2008	
	£m	£m	%
Cash generated by operations	**7,577**	7,144	6.1
Cash capital expenditure(1)	**(2,789)**	(2,902)	
Disposal of intangible assets and property, plant and equipment	**18**	61	
Operating free cash flow	**4,806**	4,303	11.7
Taxation	**(848)**	(1,079)	
Dividends received from associates and investments(2)	**725**	340	
Dividends paid to non-controlling shareholders in subsidiaries	**(3)**	(78)	
Net interest received and paid	**(677)**	(385)	
Free cash flow	**4,003**	3,101	29.1
Acquisitions and disposals(3)	**(2,628)**	(782)	
Licence and spectrum payments(4)	**(975)**	(672)	
Amounts received from non-controlling shareholders(5)	**613**	624	
Put options over non-controlling interests	**(77)**	77	
Equity dividends paid	**(2,742)**	(2,671)	
Purchase of treasury shares		(963)	
Foreign exchange and other	**2,028**	(1,282)	
Net debt decrease/(increase)	**222**	(2,568)	
Opening net debt	**(34,223)**	(25,147)	
Closing net debt	**(34,001)**	(27,715)	22.7

Notes:

(1) Cash paid for purchase of intangible assets other than licence and spectrum payments, and property, plant and equipment.
(2) Six months ended 30 September 2009 includes £584 million (2008: £226 million) from the Group s interest in Verizon Wireless.
(3) Six months ended 30 September 2009 includes net cash and cash equivalents paid of £1,781 million (2008: £779 million) and assumed debt of £847 million (2008: £3 million).
(4) Six months ended 30 September 2009 includes £549 million (2008: £647 million) in relation to Qatar.
(5) Six months ended 30 September 2009 includes £613 million (2008: £591 million) in relation to Qatar.

Free cash flow increased by 29.1% to £4,003 million due to increased cash generated by operations, dividends received and lower taxation payments partially offset by increased interest payments. The Group invested £975 million in licences and spectrum including £549 million in respect of the licence in Qatar and £223 million in respect of Turkey.

Cash generated by operations increased by £433 million to £7,577 million, with approximately 70% generated in the Europe region. Cash capital expenditure decreased by £113 million primarily due to lower expenditure in India partially offset by higher reported spend in South Africa following the change from proportionate to full consolidation during the period. Capital intensity in Europe and Common Functions was 8.8%.

Payments for taxation decreased by £231 million primarily due to the one-off benefit of additional tax deductions in Italy.

Dividends received from associates and investments increased by over 100% to £725 million in line with expectations following the revised agreement on distributions, discussed on page 42 of the Group s annual report for the year ended 31 March 2009, and the receipt of the delayed US$250 million gross tax distribution from Verizon Wireless in relation to the 2009 financial year in April 2009.

Net interest payments increased 75.8% to £677 million primarily due to higher average net debt and unfavourable exchange rate movements impacting the translation of interest payments into sterling.

An analysis of net debt is as follows:

	30 September 2009 £m	31 March 2009 £m
Cash and cash equivalents (as presented in the consolidated statement of financial position)	**3,738**	4,878
Short-term borrowings		
Bonds	**(3,236)**	(5,025)
Commercial paper(1)	**(1,931)**	(2,659)
Bank loans	**(1,090)**	(893)
Other short-term borrowings(2)	**(911)**	(1,047)
	(7,168)	(9,624)
Long-term borrowings		
Put options over non-controlling interests	**(3,296)**	(3,606)
Bonds, loans and other long-term borrowings(3)	**(28,989)**	(28,143)
	(32,285)	(31,749)
Trade and other receivables(4)	**2,220**	2,707
Trade and other payables(4)	**(506)**	(435)
Net debt	**(34,001)**	(34,223)

Notes:

(1) At 30 September 2009 US$416 million was drawn under the US commercial paper programme and amounts of 1,725 million, £72 million and US$33 million were drawn under the euro commercial paper programme.
(2) At 30 September 2009 amount includes £642 million in relation to collateral support agreements.
(3) At 30 September 2009 £6,573 million related to drawn facilities including £1,800 million for a JPY term loan and £2,280 million for loans within the Indian corporate structure.
(4) Represents mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables and trade and other payables.

The impact of foreign exchange decreased net debt by £1,964 million principally due to approximately 42% of net debt being denominated in US dollars and as the sterling/US dollar exchange rate moved from £1:US$1.43 on 31 March 2009 to £1:US$1.60 on 30 September 2009.

The following table sets out the Group s committed bank facilities:

	Maturity	30 September 2009 £m
Undrawn facilities		
$5.0 billion committed revolving credit facility provided by 28 banks(1)	June 2012	**3,137**
$4.1 billion committed revolving credit facility provided by 22 banks(1)	July 2011	**2,569**
Other committed credit facilities	Various	**2,035**
Total undrawn committed facilities		**7,741**

Note:

(1) Both facilities support US and euro commercial paper programmes of up to $15 billion and £5 billion respectively.

The Group s £1,931 million of commercial paper maturing within one year is covered 4.0 times by the £7.7 billion of undrawn revolving credit facilities. In addition the Group has historically generated significant amounts of free cash flow which can be allocated to pay dividends, repay maturing borrowings and pay for discretionary spending. The Group currently expects to continue generating significant amounts of free cash flow.

The Group has a 30 billion euro medium term note (EMTN) programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 30 September 2009 the total amounts in issue under these programmes split by currency were US$15.1 billion, £2.6 billion, 11.1 billion and other currencies £0.2 billion sterling equivalent.

At 30 September 2009 the Group had bonds outstanding with a nominal value of £22,425 million (31 March 2009: £23,754 million). In the six months ended 30 September 2009 the following bonds were issued:

Date bond issued	Maturity of bond	Currency	Amount Million	Sterling equivalent Million	US shelf programme or EMTN programme
01 April 2009	29 November 2012	EUR	250	229	EMTN programme
05 June 2009	5 December 2017	GBP	600	600	EMTN programme
10 June 2009	10 June 2014	USD	1,250	780	US shelf programme
10 June 2009	10 June 2019	USD	1,250	780	US shelf programme

Information on the maturities of the Group s outstanding bonds is included in the table above and on pages 104 to 106 of the Group s annual report for the year ended 31 March 2009.

Consistent with the development of its strategy the Group targets, on average, a low single A long-term credit rating. At 9 November 2009 the credit ratings were as follows:

	Rating Date	Type of debt	Rating	Outlook
Standard & Poor s	30 May 2006	Short-term	A-2	
	30 May 2006	Long-term	A-	Negative
Moody s	30 May 2006	Short-term	P-2	
	16 May 2007	Long-term	Baa1	Stable
Fitch Ratings	30 May 2006	Short-term	F2	
	30 May 2006	Long-term	A-	Negative

The Group s credit ratings enable it to have access to a wide range of debt finance including commercial paper, bonds and committed bank facilities. Credit ratings are not a recommendation to purchase, hold or sell securities, in as much as ratings do not comment on market price or suitability for a particular investor and are subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently.

Dividends

In November 2008 the Board adopted a progressive dividend policy where dividend growth reflects the underlying trading and cash performance of the Group.

Accordingly the directors have announced an interim dividend of 2.66 pence per share representing a 3.5% increase over last year s interim dividend.

The ex-dividend date is 18 November 2009 for ordinary shareholders, the record date for the interim dividend is 20 November 2009 and the dividend is payable on 5 February 2010. Dividend payments on ordinary shares will be paid by direct credit into a nominated bank or building society account or, alternatively, into the Company s dividend reinvestment plan. The Company will no longer pay dividends by cheque. Shareholders who have not already done so should provide appropriate bank account details to the Company. For further information please refer to www.vodafone.com/investor.

Option agreements and similar arrangements

The Group is party to a number of option agreements which could result in it being required to pay cash to maintain or increase its equity interests in its operations in India and the US. In relation to India, the Group granted put options exercisable between 8 May 2010 and 8 May 2011 to members of the Essar group of companies that, if exercised, would allow the Essar group to sell its 33% shareholding in Vodafone Essar to the Group for US$5 billion or to sell between US$1 billion and US$5 billion worth of Vodafone Essar shares to the Group at an independently appraised fair market value. Details of other agreements, including that in relation to the US, are available on page 44 of the Group s annual report for the year ended 31 March 2009.

ACQUISITIONS, DISPOSALS AND SUBSEQUENT EVENTS

The Group invested a net £1,781 million(1) in acquisition and disposal activities, including the purchase and disposal of investments, in the six months ended 30 September 2009. An analysis of the significant transactions is shown below.

	£m
Cash paid for the acquisition of additional 15.0% stake in Vodacom	**1,572**
Cash paid for other acquisitions	**112**
Net overdraft acquired	**97**
	1,781

Note:

(1) Amounts are shown net of cash and cash equivalents acquired or disposed.

On 20 April 2009 the Group acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR20.6 billion (£1.6 billion). On 18 May 2009 Vodacom became a subsidiary following the listing of its shares on the Johannesburg Stock Exchange and concurrent termination of the shareholder agreement with Telkom SA Limited, the seller and previous joint venture partner. During the period from 20 April 2009 to 18 May 2009 the Group continued to account for Vodacom as a joint venture, proportionately consolidating 65% of the results of Vodacom. The average percentage of results consolidated during the six months ended 30 September 2009 was approximately 90%.

On 10 May 2009 Qatar completed a public offering of 40.0% of its authorised share capital, raising QAR 3.4 billion (£0.6 billion). The shares were listed on the Qatar exchange on 22 July 2009. Qatar launched full services on its network on 7 July 2009.

On 9 June 2009 Vodafone Australia completed its merger with Hutchison 3G Australia to form a 50:50 joint venture, Vodafone Hutchison Australia Pty Limited, which, in due course, will market its products and services solely under the Vodafone brand. To equalise the value difference between the respective businesses, Vodafone will receive a deferred payment of AUS$500 million. The results of the combined business have been proportionately consolidated in the Group s results as a joint venture from the date of the merger.

REGULATION

Introduction

The Group s operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry-specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities. Some regulation implements commitments made by governments under the

Amounts are shown net of cash and cash equivalents acquired or disposed.

Basic Telecommunications Accord of the World Trade Organisation to facilitate market entry and establish regulatory frameworks.

The following section describes the regulatory framework and the key regulatory developments that occurred during the six months ended 30 September 2009 and should be read in conjunction with the information contained under Regulation on pages 135 to 137 of the Group s annual report on Form 20-F for the year ended 31 March 2009. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly the Group is unable to attach a specific level of financial risk to the Group s performance from such matters.

EUROPEAN UNION

In July 2009 the European Parliament voted on and proposed amendments to the European Commission s (the Commission) proposals to amend the EU Framework for Electronic Communications. The Parliament s amendments are now being considered by the Council of Ministers, representing the EU Member States and the Commission, in a conciliation process and they have indicated that they will accept the majority of them. The Group expects that a final set of amendments, which must be agreed by the Parliament, Commission and Council, will be adopted in late 2009.

Spectrum

In September 2009 the revised GSM Directive was adopted, allowing refarming of the 900/1800MHz bands to UMTS and potentially long-term evolution technologies.

The Commission and European Parliament are cooperating in the preparation of a spectrum summit in January 2010 to set a strategy for future European spectrum management.

A European consultation process on the release of digital dividend spectrum (790-862MHz) was completed in September 2009. The Commission recommendation states that the analogue switchover should be completed by January 2012 at the latest. Vodafone now expects the delayed auction for 3G/broadband and wireless access in India to take place in early 2010 and the auction in Germany for 800/1800/2100/2600 MHz in the first half of 2010. This will be the first auction of 2600 MHz and 800 MHz UHF spectrum in any Vodafone European market. UK auctions have been delayed and are not expected until Q3 2010.

International roaming

In July 2009 revised European roaming regulations came into force amending and extending the requirements on mobile operators to supply voice roaming by means of a euro-tariff (from which customers may opt out) under which the cost of making and receiving calls within the EU is capped. The roaming regulations also regulate roaming text messages and data roaming including a retail cap of 11 eurocents and a wholesale cap of 4 eurocents on roaming text messages. An average wholesale price cap for data roaming services of 100 eurocents per megabyte is also included. This price cap reduces to 80 eurocents in July 2010 and to 50 eurocents in July 2011. In addition the regulations set out a number of transparency measures to be implemented. Discussion of international roaming regulation is also occurring among non-European regulators, including in Africa and the Middle East, and at the Organisation for Economic Co-operation and Development.

Call termination

At 31 March 2009 the termination rates effective for the Group s subsidiaries and joint ventures within the EU, which differs from the Group s Europe region, ranged from 4.7 eurocents to 9.7 eurocents at the relevant 31 March 2009 exchange rate. The Spanish National Regulatory Authority reduced mobile termination rates from 7 eurocents to 6.13 eurocents effective October 2009 on a per second billing basis and has proposed further reductions every six months to 5.51 eurocents in April 2010, 4.95 eurocents in October 2010, 4.45 eurocents in April 2010 and finally to 4.00 eurocents in October 2011.

Fibre regulation

On 2 June 2009 the European Commission published its second draft recommendation on regulated access to next generation access networks (NGA). The overall objective of this recommendation is to foster the application of consistent regulatory responses throughout the EU in the relevant markets. A final version is expected to be adopted in 2010.

OTHER

In May 2009 the Government of Ghana conducted a review of Vodafone s acquisition of 70% of the share capital of Ghana Telecommunications Limited in August 2008 in accordance with its declared intention from its election manifesto. The review committee considered a number of questions of political significance concerning the details of the transaction. As a consequence of public speculation following the committee s report the Ghana Serious Fraud Office requested information concerning the transaction. The Government announced on 3 November that it had no intention of abrogating the sale and purchase agreement. The South African National Regulatory Authority is investigating termination rates at the direction of the Department of Communications and Parliament, and the South African Competition Commission s investigation of termination rates is ongoing.

LEGAL PROCEEDINGS

The following section describes developments in legal proceedings which may have, or have had, during the six months ended 30 September 2009, a significant effect on the financial position or profitability of the Company and its subsidiaries. This section should be read in conjunction with the information contained under Legal proceedings on pages 114 to 115 of the Group s annual report on Form 20-F for the year ended 31 March 2009.

Developments in the Vodafone 2 enquiry

The Court of Appeal overturned the High Court s decision in relation to the Vodafone 2 enquiry. Vodafone 2 has subsequently petitioned the Supreme Court for permission to appeal.

Developments in the India tax case

On 30 October 2009 Vodafone International Holdings B.V. (VIHBV) received a notice from the Indian tax authorities requiring VIHBV to show cause as to why it believes that the Indian tax authorities do not have competent jurisdiction to proceed against VIHBV for the default of non-deduction of withholding tax from consideration paid to Hutchison Telecommunications International Limited group. VIHBV is currently preparing a response. VIHBV continues to believe that neither it nor any other member of the Group is liable for such withholding tax and intends to defend this position vigorously.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

		Six months ended 30 September	
		2009	2008
	Note	**£m**	£m
Revenue	**2**		

Amounts are shown net of cash and cash equivalents acquired or disposed.