

VODAFONE GROUP PUBLIC LTD CO  
Form 6-K  
May 31, 2006

**Form 6-K**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer**

**Pursuant to Rules 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

Dated May 31, 2006

**VODAFONE GROUP  
PUBLIC LIMITED COMPANY**

(Exact name of registrant as specified in its charter)

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

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

Form 20-F  X

Form 40-F \_\_\_\_\_

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

Yes \_\_\_\_\_

No  X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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This Report on Form 6-K contains a news release issued by Vodafone Group Plc on May 30, 2006, entitled "**VODAFONE ANNOUNCES RESULTS FOR THE YEAR ENDED 31 MARCH 2006**".

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**VODAFONE GROUP PLC**

**VODAFONE ANNOUNCES RESULTS FOR  
THE YEAR ENDED 31 MARCH 2006**

**Embargo:  
Not for publication  
before 07:00 hours  
30 May 2006**

**Financial performance:**

Group revenue of £29.4 billion from continuing operations, with organic growth<sup>(1)</sup> of 7.5%. Mobile telecommunications revenue increased to £28.1 billion, with organic growth of 6.7%

Adjusted basic earnings per share<sup>(1)</sup> increased by 13.0% to 10.11 pence. Basic loss per share was 27.66 pence. Loss before taxation for the year was £14.9 billion after impairment charges of £23.5 billion

Free cash flow<sup>(1)</sup> of £6.4 billion and net cash inflow from operating activities up 10.3% to £10.2 billion, after net taxation paid of £1.7 billion

**Operational highlights:**

Net proportionate customer additions of 21.5 million in the year

Closing proportionate customer base of 170.6 million, with organic growth of 14.9% in the year

Non-messaging data revenue grew by 61.2% to £0.8 billion, with organic growth of 60.4%

Mobile voice usage increased by 24.6% to 178.3 billion minutes, with organic growth of 18.9%

**Increasing returns to shareholders:**

Total dividends per share increased by 49%, to 6.07 pence, with a final dividend per share of 3.87 pence,

giving a dividend pay out ratio of 60% and a total pay out of £3.7 billion for the financial year

£6.5 billion expended on the share purchase programme in the 2006 financial year, reducing shares in issue by 7.5%

£9 billion to be returned to shareholders in the 2007 financial year in the form of a B share arrangement, including an additional £3 billion announced today

Total returns to shareholders announced over the year of £19.2 billion

(1) See page 3 for Group Financial and Operating Highlights and page 40 for use of non-GAAP financial information.

**Arun Sarin, Chief Executive, commented:**

Vodafone has met or exceeded expectations, outperforming its competitors in an increasingly challenging marketplace. We have restructured the Group and updated our strategy and we will seize the opportunities provided by new technologies to continue delivering innovative services to our customers.

In the past year, we have announced returns of £10.2 billion to shareholders through dividends and buybacks and the dividend pay out ratio has been increased to 60% of earnings. We have also committed to a further £9 billion return via a B share arrangement. We will continue to focus on delivering value and superior returns to shareholders.

## CHIEF EXECUTIVE'S STATEMENT

Vodafone has delivered another year of robust financial performance against a backdrop of increasing competition and ongoing regulation, meeting or exceeding expectations for revenue, margin and free cash flow and declaring returns to shareholders of over £19 billion.

We have further enhanced our unique customer franchise through adding a net 22 million organic proportionate mobile customers in the year, taking the total proportionate base to over 170 million. This represents organic growth of 15%, with strong performances across all regions. We continue to drive product innovation and deliver value to customers by stimulating usage and revenue across our base through offerings such as Vodafone Zuhause in Germany, Stop the Clock in the UK and Vodafone Passport.

We also reached our 10 million 3G target ahead of plan before the end of March. Excluding Japan, we closed the year with 7.7 million devices, generating over 5% of total Group revenue during the year. With coverage now approaching 60%, our 3G networks, which are being further enhanced with the launch of HSDPA, provide us with a very important platform for delivering high quality and innovative services to our customers. The first tangible evidence of HSDPA usage is likely to come from our laptop users, either using Vodafone Mobile Connect or through built-in capability.

Organic proportionate mobile revenue growth of 9% reflects the breadth of our footprint. Strong performances in Spain, the US and our emerging markets helped offset lower growth in several of our more established markets, as the impact of higher penetration and increasing competition took effect. Despite these pressures, we continue to outperform substantially all of our principal competitors. EBITDA margins were slightly down year on year on an organic proportionate mobile basis.

During the last financial year, we sought to optimise our portfolio of assets, either disposing of assets where we believed we could not earn a superior return or investing in businesses we believe Vodafone can create substantial additional value for shareholders. The most significant transaction saw the sale of Vodafone Japan for an enterprise fair value of £8.9 billion announced in March. This is an attractive price and will result in £6 billion of the cash proceeds from the sale being returned directly to shareholders as part of a larger £9 billion cash return we are announcing today. Vodafone also announced acquisitions during the year in the Czech Republic, Romania, India, South Africa and Turkey, which enable us to increase our exposure to fast growing emerging markets. We are confident that we can deliver value through these acquisitions and they are all already exceeding the plans we made at the time of making our purchase decision.

However, alongside issues such as competition and regulation, our environment is changing. Our customers' needs are evolving as technology changes provide far greater choice in services. Furthermore, we are seeing changes to the competitive landscape as not only incumbent operators are seeking to offer fixed mobile convergence, but also new internet based players are seeking to expand their communications offerings. We need to ensure we continue to leverage Vodafone's unique customer franchise and continue to outperform our competitors.

The result of these new realities is that Vodafone has five key strategic objectives to deliver. First, in our more mature European markets to focus on both cost reduction and revenue stimulation. Second, to capture strong growth in emerging markets. Third, to meet customers' needs by extending our current mobile only offering to deliver total communications solutions. Fourth, to actively manage our portfolio to maximise returns and, fifth, continue to align our financial policies regarding capital structure and shareholder returns to our strategy.

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Vodafone continues to execute on its One Vodafone programme and remains on track to deliver the benefits of scale. As a result of our review of strategy, we are reiterating our expectation for revenue market share gains, continuing to target 10% capital efficiency and introducing a separate operating expense target.

As a result, we are announcing a new dividend policy with a targeted 60% payout of adjusted earnings per share and are therefore declaring a final dividend of 3.87 pence, bringing the full year dividend to 6.07 pence. In the future, we expect to grow dividends per share in line with underlying earnings per share. Linked also to our strategy, we have announced our new target of a low single A credit rating, one notch below our existing target rating. This provides greater flexibility to increase leverage and, in addition to the £6 billion return of cash from the Japan sale, we are returning a further £3 billion to shareholders. The total £9 billion will be returned via a B share arrangement shortly after our AGM. We currently have no plans for further share purchases or other one off returns to shareholders.

With no let up in intensity in recent months, the operating environment will remain challenging. We see organic growth for next year in proportionate mobile revenue in the range of 5% to 6.5% with underlying proportionate organic mobile EBITDA margins around 1 percentage point lower than the 2006 financial year. Free cash flow is expected to be in the range of £5.2 billion to £5.7 billion before around £1.2 billion of tax payments, with interest, from settling long standing disputes, giving an expected range of £4.0 billion to £4.5 billion for reported free cash flow.

Vodafone is well positioned to deliver on its strategy. Our regional scale, strong brand and unrivalled customer reach provides a significant opportunity to deliver value to both our customers and shareholders.

**Arun Sarin**

## GROUP FINANCIAL AND OPERATING HIGHLIGHTS

	Page	Year ended 31 March		Change % £	Organic
		2006 £m	2005 £m		
<b>Continuing operations<sup>(1)</sup>:</b>					
<b><u>Financial information</u></b>					
Revenue	6	29,350	26,678	10.0	7.5
Operating (loss)/profit	6	(14,084)	7,878		
(Loss)/profit before taxation	25	(14,853)	7,285		
(Loss)/profit for the financial year	25	(17,233)	5,416		
Basic (loss)/earnings per share (pence)	32	(27.66)p	8.12p		
Capitalised fixed asset additions		4,005	4,227	(5.3)	
Net cash flow from operating activities	23	10,190	9,240	10.3	
<b><u>Performance reporting<sup>(2)</sup></u></b>					
Group EBITDA	37	11,766	10,740	9.6	6.9
Adjusted operating profit	6	9,399	8,353	12.5	11.4
Adjusted profit before tax	21	8,793	7,832	12.3	
Adjusted effective tax rate	21	30.4%	27.8%		
Adjusted profit for the year attributable to equity shareholders	32	6,328	5,925	6.8	
Adjusted basic earnings per share (pence)	32	10.11p	8.95p	13.0	
Free cash flow	23	6,418	6,592	(2.6)	
Net debt at 31 March	23	17,318	10,175	70.2	
<b><u>Operational</u></b>					
Vodafone live! - active devices (million) <sup>(3)(4)</sup>	43	27.1	17.4	55.7	
3G registered devices (million) <sup>(3)(4)</sup>	43	7.7	1.4	450.0	
Vodafone Mobile Connect data card - registered devices (million) <sup>(3)(4)</sup>		0.7	0.2	250.0	
Mobile voice usage (billion minutes) <sup>(3)(4)</sup>	47	178.3	143.1	24.6	18.9
Non-voice services as a % of service revenue	6	17.0%	15.5%		

The full year results have been prepared in accordance with International Financial Reporting Standards ( IFRS ) (including International Accounting Standards ( IAS ) and interpretations issued by the International Accounting Standards Board ( IASB ) and its committees, and as interpreted by any

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*regulatory bodies applicable to the Group) and adopted for use in the European Union ( EU ).*

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

See page 41 for definition of terms

- (1) Excluding the results of the discontinued operations in Japan in the 2005 and 2006 financial years
- (2) These measures are stated excluding impairment losses, non-recurring amounts related to business acquisitions and disposals and changes in the fair value of equity put rights and similar arrangements
- (3) Cumulative number at 31 March
- (4) Figures represent 100% of subsidiary information and a pro-rata share in joint ventures



**GROUP PROPORTIONATE INFORMATION**

	<b>Year ended 31 March</b>			
	<b>2006</b>	<b>2005</b>	<b>Change %</b>	
	<b>£m</b>	<b>£m</b>	<b>£</b>	<b>Organic</b>
<b><u>Financial</u></b>				
<b>Revenue</b>				
Mobile telecommunications				
- Germany	<b>5,754</b>	5,684	1.2	
- Italy	<b>4,363</b>	4,273	2.1	
- Spain	<b>3,995</b>	3,261	22.5	
- UK	<b>5,048</b>	5,065	(0.3)	
- Other mobile operations <sup>(1)</sup>	<b>8,947</b>	7,482	19.6	
- Common functions <sup>(2)</sup>	<b>145</b>	127	14.2	
Less: revenue between mobile operations	<b>(442)</b>	(333)		
	<b>27,810</b>	25,559	8.8	6.4
- Associated undertakings and investments	<b>12,407</b>	10,475	18.4	
	<b>40,217</b>	36,034	11.6	9.0
Other operations	<b>1,275</b>	1,094	16.6	
Less: revenue between mobile and other operations	<b>(137)</b>	(269)		
Continuing operations	<b>41,355</b>	36,859	12.2	9.6
<i>Discontinued operations - Japan</i>	<b>7,100</b>	6,743	5.3	
<b>EBITDA<sup>(3)</sup></b>				
Mobile telecommunications				
- Germany	<b>2,703</b>	2,645	2.2	
- Italy	<b>2,270</b>	2,280	(0.4)	
- Spain	<b>1,373</b>	1,136	20.9	
- UK	<b>1,623</b>	1,709	(5.0)	
- Other mobile operations <sup>(1)</sup>	<b>3,117</b>	2,726	14.3	
- Common functions <sup>(2)</sup>	<b>279</b>	(15)		
	<b>11,365</b>	10,481	8.4	6.1
- Associated undertakings and investments	<b>4,821</b>	4,146	16.3	
	<b>16,186</b>	14,627	10.7	8.2
Other operations	<b>194</b>	134	44.8	
Continuing operations	<b>16,380</b>			