HEARTLAND EXPRESS INC
Form DEF 14A
March 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by Registrant (X)
Filed by a party other than the Registrant ( )

Check the Appropriate Box:

( ) Preliminary Proxy Statement
( ) Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
(X) Definitive Proxy Statement
( ) Definitive Additional Materials
( ) Soliciting Material under §240.14a-12

HEARTLAND EXPRESS, INC.
(Name of Registrant as Specified in its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the Appropriate Box):

(X)	No fee required
( )	Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11

(1)	Title of each class of securities to which transaction applies:	N/A
(2)	Title of each class of securities to which transaction applies:	N/A
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):	N/A
(4)	Proposed maximum aggregate value of transaction:	N/A
(5)	Total fee paid:	N/A

( )	Fee paid previously with preliminary materials	N/A

( )	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount previously paid:	N/A
(2)	Form, Schedule or Registration Statement No.:	N/A
(3)	Filing Party:	N/A

(4)	Date Filed:	N/A

HEARTLAND EXPRESS, INC.
901 North Kansas Avenue
North Liberty, Iowa 52317

NOTICE AND PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 5, 2011

Dear Fellow Stockholders:

The 2011 Annual Meeting of Stockholders (the “Annual Meeting”) of Heartland Express, Inc., a Nevada corporation (the “Company”), will be held at The Holiday Inn & Conference Center, 1220 First Avenue, Coralville, Iowa, 52241, at 8:00 a.m. local time, on Thursday, May 5, 2011, for the following purposes:

1. To consider and act upon a proposal to elect six (6) directors of the Company;
2. Ratify the appointment of KPMG LLP as Heartland Express, Inc.'s independent registered public accounting firm for the fiscal year ending December 31, 2011;
3. To conduct a non-binding, advisory vote on the Company's named executive officer compensation;
4. To conduct a non-binding, advisory vote on the frequency of future advisory votes on named executive officer compensation;
5. To consider and act upon such other matters as may properly come before the Annual Meeting and any adjournment thereof.

The foregoing matters are more fully described in the accompanying Proxy Statement.

The Board of Directors has fixed the close of business on March 8, 2011, as the record date for the determination of stockholders entitled to receive notice of, to attend, and to vote at the Annual Meeting or any adjournment thereof. Shares of common stock may be voted at the Annual Meeting only if the holder is present at the Annual Meeting in person or by valid proxy. YOUR VOTE IS IMPORTANT. TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE REQUESTED TO PROMPTLY DATE, SIGN, AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE. Returning your proxy now will not interfere with your right to attend the Annual Meeting or to vote your shares personally at the Annual Meeting, if you wish to do so. The prompt return of your proxy may save the Company additional expenses of solicitation.

Important Notice Regarding the Availability of Proxy Materials for the Meeting of Stockholders to Be Held on May 5, 2011

Pursuant to the rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by: (i) sending you this full set of proxy materials, including a proxy card; and (ii) notifying you of the availability of our proxy materials on the internet. This Notice of Meeting, Proxy Statement, and our Annual Report to Stockholders for the fiscal year ended December 31, 2010, are available online and may be accessed at www.eproxyaccess.com/htld. In accordance with such new rules, we do not use "cookies" or other software that identifies visitors accessing these materials on this website. We encourage you to access and review all of the important information contained in the proxy materials before voting.

To obtain directions to the Annual Meeting, please call Thomas E. Hill at (319) 626-3600.

By Order of the Board of Directors,
/s/ Michael J. Gerdin
Michael J. Gerdin
President
North Liberty, Iowa 52317
March 23, 2011

1

HEARTLAND EXPRESS, INC.
901 North Kansas Avenue
North Liberty, Iowa 52317

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 5, 2011

This Proxy Statement is furnished in connection with the solicitation of proxies from the stockholders of Heartland Express, Inc., a Nevada corporation (the “Company”), to be voted at the 2011 Annual Meeting of Stockholders of the Company (the “Annual Meeting”), which will be held at The Holiday Inn Conference Center, 1220 First Avenue, Coralville, Iowa 52241, on Thursday, May 5, 2011, at 8:00 a.m. local time, and any adjournment thereof. THE ENCLOSED PROXY IS SOLICITED BY OUR BOARD OF DIRECTORS. All costs of the solicitation will be borne by the Company. The approximate date of mailing this Proxy Statement and the enclosed form of proxy is March 23, 2011.

PROXIES AND VOTING

Only stockholders of record at the close of business on March 8, 2011 (“Stockholders”) are entitled to vote, either in person or by valid proxy, at the Annual Meeting. On the record date of March 8, 2011, the Company had 90,688,621 shares of $0.01 par value common stock issued and outstanding. Each share is entitled to one vote. The Company has no other class of stock outstanding. Stockholders are not entitled to cumulative voting in the election of directors.

All proxies that are properly executed and received by the Company prior to the Annual Meeting will be voted in accordance with the choices indicated unless timely revoked. Any Stockholder may be represented and may vote at the Annual Meeting by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two (2) or more persons to act as proxies, a majority of such persons present at the meeting shall have and may exercise, or, if only one shall be present, then that one shall have and may exercise, all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No such proxy shall be valid after the expiration of six (6) months from the date of its execution, unless coupled with an interest or unless the person executing it specifies therein the length of time for which it is to continue in force, which in no case shall exceed seven (7) years from the date of its execution. Any Stockholder giving a proxy may revoke it at any time prior to its use at the Annual Meeting by filing with the Secretary of the Company a revocation of the proxy, by delivering to the Company a duly executed proxy bearing a later date, or by attending the meeting and voting in person.

The election of directors (Proposal 1) requires a plurality of the votes cast. The ratification of KPMG LLP as our independent registered public accounting firm for 2011 (Proposal 2) will require the affirmative vote of a majority of the votes cast at the meeting. For purposes of determining the number of votes cast with respect to a particular matter, only those cast “For” or “Against” are included. If no direction is specified by the Stockholder, the proxy will be voted “For” proposals specified in this Proxy Statement, and at the discretion of the proxy holders, upon such other matters as may properly come before the meeting or any adjournment thereof. Proxies marked “Abstain” and broker non-votes are counted only for purposes of determining whether a quorum is present at the meeting. Stockholders may vote "For" or "Against" the advisory resolution on the Company's named executive officer compensation (Proposal 3). With respect to the vote of the non-binding, advisory vote on the frequency of future advisory votes on named executive officer compensation (Proposal 4), Stockholders may vote in favor of holding the vote on named executive officer compensation every year, every two years or every three years, and they may also choose to abstain. The advisory votes in Proposal 3 and Proposal 4 are non-binding on the Board. Although non-binding, the Board will review and consider the voting results when evaluating our executive compensation program and determining whether to hold the advisory vote on executive compensation every year, every two years or every three years. Abstentions will have no effect on the outcome of Proposal 3 or Proposal 4.

PROPOSAL 1

ELECTION OF DIRECTORS

At the Annual Meeting, the Stockholders will elect six (6) directors to serve as the Board of Directors until the 2012 Annual Meeting of Stockholders or until their successors are duly elected and qualified. The Company currently has six directors: Russell A. Gerdin, Richard O. Jacobson, Dr. Benjamin J. Allen, Michael J. Gerdin, Lawrence D. Crouse and James G. Pratt. In the absence of contrary instructions, each proxy will be voted for the election of each of the existing directors.

Information Concerning Directors and Executive Officers

Information concerning the names, ages, positions with the Company, tenure as a director, and business experience of the Company's current directors and other executive officers is set forth below. All references to experience with the Company include positions with the Company's operating subsidiaries. The Board of Directors elects all executive officers annually.

NAME	AGE	POSITION	DIRECTOR SINCE
Russell A. Gerdin	69	Chairman of the Board and Chief Executive Officer	1978
Michael J. Gerdin	41	Director and President	1996
Richard O. Jacobson	74	Director	1994
Dr. Benjamin J. Allen	64	Director	1995
Lawrence D. Crouse	70	Director	1999
James G. Pratt	62	Director	2006
John P. Cosaert	63	Executive Vice President of Finance and Treasurer	N/A
Richard L. Meehan	65	Executive Vice President of Marketing and Operations	N/A
Thomas E. Hill	57	Vice President, Controller, and Secretary	N/A

Russell A. Gerdin has served as the Company's Chief Executive Officer since 1978 and Chairman of the Board since 1986. Mr. Russell Gerdin served as President of the Company from 1978 to May 2006. Russell A. Gerdin is the father of Michael J. Gerdin. Mr. Russell Gerdin has over 40 years of trucking experience of which 33 years have been as an executive officer and Chairman of the Board of the Company. He has demonstrated exemplary and successful leadership as Chairman of the Board. Currently Mr. Russell Gerdin is on a leave of absence for health reasons and Michael J. Gerdin has assumed all of Mr. Russell Gerdin's responsibilities of Chairman of the Board and Principal Executive Officer for SEC reporting purposes in Mr. Russell Gerdin's absence.

Michael J. Gerdin has served as President of the Company since May of 2006 and as a director since 1996. During Mr. Russell Gerdin's leave of absence, Mr. Michael Gerdin also has assumed the responsibilities of the Chairman to the Board and Principal Executive Officer for SEC reporting purposes. Mr. Michael Gerdin served as the Company's Vice President of Regional Operations from January 2001 until May 2006. In addition he previously served as President of A & M Express, Inc., a wholly-owned subsidiary of the Company, from September 1998 through December 2000. From July 1997 to September 1998, Mr. Michael Gerdin coordinated the operations departments of Heartland Express and A & M Express. From 1992 until July 1997, Mr. Michael Gerdin held a variety of positions within the Company, including positions in the operations, sales, safety, and driver recruiting departments. Since his employment with the Company in 1983, Mr. Michael Gerdin has gained many years of industry experience and expertise and has demonstrated exemplary leadership in all roles in which he has served as an employee and director of the Company. Michael J. Gerdin is the son of Russell A. Gerdin.

Richard O. Jacobson has served as a director since 1994 and is Chairman of the Nominating Committee and a member of the Audit and Compensation Committees. Mr. Jacobson served as Chairman from October 1998 to June 2007, and served as President and Chief Executive Officer from 1968 to October 1998, of Jacobson Warehouse Company, Inc. and Jacobson Transportation Company, Inc., in Des Moines, Iowa. Mr. Jacobson previously served as a director for Atrion Corporation and FelCor Lodging Trust, Inc. He has gained a strong knowledge of the trucking industry through his experience as Chairman of the Board of Jacobson Transportation Company and from serving as a director of the Company for the past 16 years. Mr. Jacobson has a broad array of successful business experience and has demonstrated dedicated leadership.

Dr. Benjamin J. Allen has served as a director since 1995 and is Chairman of the Compensation Committee and a member of the Audit and Nominating Committees. Dr. Allen is currently the President of the University of Northern Iowa, a position he assumed in June of 2006. Dr. Allen was the Vice President for Academic Affairs and Provost at Iowa State University in Ames, Iowa from 2002 through May 2006. He also served as a Distinguished Professor in Business at Iowa State University, a position to which he was originally appointed in 1988. In addition, Dr. Allen served as Dean of the College of Business at Iowa State University from 1994 to 2001 and as the Interim Vice President for External Affairs of Iowa State University in 2001 and 2002. Dr. Allen was a Brookings Economics Fellow in the Office of Transportation Regulatory Policy of the United States Department of Transportation from 1976 to 1977. Dr. Allen served as Chair of the Committee for the Study of Freight Capacity for the Next Century for the National Academy of Sciences in 2001 and 2002. Dr. Allen has gained extensive knowledge of the transportation industry through his experiences as a Brookings Economics Fellow and work with the Committee for the Study of Freight Capacity for the Next Century. In addition, he has gained a thorough understanding of the Company as a director for the past 15 years. His experiences in leadership roles at two of Iowa's major universities are highly valuable in the performance of his duties on board committees.

Lawrence D. Crouse has served as a director from 1986 to 1991 and from 1999 to present. Mr. Crouse is a member of the Audit, Compensation, and Nominating Committees. He served as the Chairman of the Audit Committee until August 2006. Mr. Crouse is a business consultant and the President of Oak Creek Ranch, LLC, a real estate holding company with operations in several states. Mr. Crouse served as Chairman and CEO of Crouse Cartage Company, a regional, less-than-truckload carrier based in Carroll, Iowa, from 1987 to December 1996 and as its Vice Chairman from January 1997 to May 1998. Crouse Cartage was a subsidiary of Transfinancial Holdings, Inc., a publicly traded company. Mr. Crouse served as Vice President and a director of Transfinancial Holdings, Inc. from 1991 until May 1998. He is the voting trustee of shares held by Gerdin Family Investments, a Gerdin family owned partnership, trustee of three trusts for the benefit of Russell Gerdin's children, and co-trustee of ten trusts for the benefit of Mr. Russell Gerdin's grandchildren. Mr. Crouse has over 40 years of experience in the trucking industry in leadership roles as an owner, executive officer, and director. He has made significant contributions through his strong knowledge and substantial experience in financial matters. Mr. Crouse has served on the Company's board for 16 years including a term as the Chair of the Audit Committee, and has demonstrated a commitment to good corporate goverance.

James G. Pratt has served as a director since June 2006 and is Chairman of the Audit Committee and is a member of the Compensation and Nominating Committees. Mr. Pratt is a Senior Vice President and Chief Financial Officer of Hills Bank and Trust Company in Hills, Iowa, positions he has held since 1986. In addition, he has served as the Treasurer of Hills Bancorporation, an SEC reporting one-bank holding company, since 1983 and Secretary of Hills Bancorporation since 2004. Mr. Pratt is an inactive holder of the certified public accountant certification. Before joining Hills Bank and Trust Company in 1982 he was employed by Ernst & Ernst, now Ernst & Young, and McGladrey & Pullen, now RSM McGladrey. Mr. Pratt has an extensive knowledge of finance, as well as significant experience in the oversight of the operations of a successful and disciplined banking enterprise. He makes a highly valuable contribution to the oversight of risk management and financial matters. Mr. Pratt has made significant contributions to the Audit Committee in his leadership role as its Chair.

John P. Cosaert has served as the Company's Executive Vice President of Finance since April 1996. From 1986 to April 1996 he served as Vice President of Finance and Treasurer of the Company.

Richard L. Meehan has served as the Company's Executive Vice President of Marketing and Operations since April 1996. From 1986 to April 1996 he served as Vice President of Marketing of the Company.

Thomas E. Hill has served as the Company's Vice President and Controller since April 1996 and as the Company's Secretary since May 2006. Mr. Hill has served in the Company's accounting department since June 1983.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE NOMINEES FOR DIRECTOR PRESENTED IN PROPOSAL 1.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Meetings and Director Compensation

The Board of Directors of the Company meets on a regularly scheduled basis. The Board of Directors held a total of four meetings during the last fiscal year, all of which were regularly scheduled meetings. Each of the directors attended 75% or more of the meetings of the Board of Directors and the meetings held by all of the committees of the Board on which he served with the exception of Mr. Russell Gerdin who attended 50% of the meetings. The Company has no formal policy regarding attendance by its directors at annual stockholders meetings. All directors have historically attended those meetings, and all directors were present at the 2010 annual meeting of stockholders.

Independent Directors

Of the six members currently serving on the Board of Directors, the Board has determined that Lawrence D. Crouse, Richard O. Jacobson, Dr. Benjamin J. Allen, and James G. Pratt are "independent directors" as defined in the rules of the National Association of Securities Dealers, Inc. ("NASD") and also meet the additional independence standards and other requirements for audit committee membership set forth by NASD and Securities and Exchange Commission ("SEC") rules.

Board Leadership Structure

Mr. Russell Gerdin serves as the Company's Chief Executive Officer and Chairman of the Board. Currently, all the duties of Chief Executive Officer and Chairman of the Board are being fulfilled by Mr. Michael Gerdin due to Mr. Russell Gerdin's absence for health reasons. The Board believes that given the size of the Company, the combination of the Chief Executive Officer and Chairman of the Board positions is the most appropriate and suitable structure for proper and efficient Board functioning and communication. Until his medical leave, Mr. Russell Gerdin was the direct link between senior management and the Board and provided critical insight and perception to the Board, as well as feedback to senior management, based on his substantial experience in the industry. Mr. Russell Gerdin was involved in the day-to-day operations of the Company and provided consistent leadership of the Company's key strategic objectives. During Mr. Russell Gerdin's absence, the duties as described above are being fulfilled by Mr. Michael Gerdin in his roll as President of the Company. Given Mr. Michael Gerdin's history with the Company, involvement with the Board, industry knowledge, and involvement with the day-to-day operations, the Board continues to believe the current combination of roles described above continues to be the most suitable and most efficient structure for the Company.

Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of the full Board of Directors in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's independent registered public accounting firm. The Board of Directors is focused on the Company's corporate governance practices and values independent board oversight as an essential component of strong corporate performance to enhance shareholder value. All of the members of the Board's Audit, Compensation, and Nominating Committees are independent. The Company recognizes that different board leadership structures may be appropriate for companies in different situations. The Company will continue to re-examine our corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet the Company's needs.

The Company has determined that it is not reasonably likely that compensation and benefit plans would have a material adverse effect on the Company.

Committees of the Board and Other Corporate Governance Matters

The Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating Committee. All three committees are composed of independent directors.

Audit Committee. The Audit Committee presently consists of James G. Pratt (Chairman), Lawrence D. Crouse, Dr. Benjamin

J. Allen, and Richard O. Jacobson, all of which satisfy the independence and audit committee membership criteria of the NASD. The Board has determined that James G. Pratt qualifies as an “audit committee financial expert,” as defined by the SEC and NASD rules. The Audit Committee's primary duties include maintaining communication between the Board of Directors, the Company's independent registered public accounting firm and the Company's executive officers and accounting personnel with respect to the Company's financial affairs in general, including financial statements and audits, the adequacy and effectiveness of the internal accounting controls and systems and the retention and termination of the independent registered public accounting firm. The Audit Committee also reviews quarterly financial and operating results of the Company, through meetings and conference calls, with the Company's management, independent registered public accounting firm, and, when appropriate, the securities counsel for the Company. The Board has adopted a charter for the Audit Committee, which sets forth the purpose and responsibilities of the Audit Committee in greater detail. A copy of the charter is available on the Company's website at www.heartlandexpress.com. The Audit Committee met six times during fiscal year 2010.

Compensation Committee. The Compensation Committee presently consists of independent directors Dr. Benjamin J. Allen (Chairman), Richard O. Jacobson, James G. Pratt, and Lawrence D. Crouse. The primary responsibilities of the Compensation Committee are to review the compensation policies of the Company and to periodically make salary recommendations to the Board of Directors for all elected officers. The Board has adopted a charter for the Compensation Committee, which sets forth the purpose and responsibilities of the Compensation Committee in greater detail. A copy of the charter is available on the Company's website at www.heartlandexpress.com. The Compensation Committee met one time during fiscal year 2010. A description of the functions of the Compensation Committee is included in “Compensation Discussion and Analysis - Overview”.

Nominating Committee. The Nominating Committee presently consists of independent directors Richard O. Jacobson (Chairman), Lawrence D. Crouse, James G. Pratt, and Dr. Benjamin J. Allen. The Nominating Committee met one time during fiscal year 2010. The primary responsibilities of the Nominating Committee are to identify and recommend to the Board for nomination individuals qualified to serve as directors. The Nominating Committee will consider recommendations from many sources, including stockholders, regarding possible director candidates. Guidelines regarding the qualifications of candidates for directors, including stockholder proposed candidates, insofar as they apply to non-employees, generally favor individuals who have managed relatively large, complex business, educational, or other organizations or who, in a professional or business capacity, are accustomed to dealing with complex business or financial problems. In addition to these guidelines, the Committee will also evaluate whether the candidate's skills are complementary to the existing Board members' skills, and the Board's needs for operational, management, financial, and other expertise. With regard to specific qualities and skills, the Nominating Committee believes it is necessary that: (i) at least a majority of the members of the Board of Directors qualify as independent under NASD Rules; (ii) at least three members of the Board of Directors satisfy the additional independence and other requirements for audit committee membership; and (iii) at least one member of the Board of Directors eligible to serve on the Audit Committee has sufficient knowledge, experience, and training concerning accounting and financial matters so as to qualify as an “audit committee financial expert” within the meaning of applicable SEC and NASD rules.

The Board has adopted a charter for the Nominating Committee, which sets forth the purpose and responsibilities of the Nominating Committee in greater detail. A copy of the charter is available on the Company's website at www.heartlandexpress.com.

The Nominating Committee recommends that the Board of Directors nominate the six directors named in this Proxy Statement for re-election at the Annual Meeting.

It is generally the policy of the Nominating Committee to consider stockholder recommendations of proposed director nominees if such recommendations are serious and timely received. Such recommendations should be submitted to the Secretary of the Company at 901 North Kansas Avenue, North Liberty, Iowa 52317, for consideration by the

Nominating Committee at least 120 days prior to the first anniversary of the date of the proxy statement for the prior year's Annual Meeting (by November 26, 2011 for director candidates to be considered for nomination for election at the 2012 Annual Meeting). In addition, any stockholder director nominee recommendation must include the following information:

- the proposed nominee's name and qualifications and the reason for such recommendation;
- the name and record address of the stockholder(s) proposing such nominee;
- the number of shares of our common stock that are beneficially owned by such stockholder(s); and
- a description of any financial or other relationship between the stockholder(s) and such nominee or between the nominee and the Company including any of the Company's subsidiaries.

In order to be considered by the Board, any candidate proposed by one or more stockholders will be required to submit appropriate biographical and other information equivalent to that required of all other director candidates.

Board Diversity. We do not have a formal policy regarding diversity in identifying nominees for directorship. The membership of the Board has stayed the same for several years and we consider the Board to be diverse in terms of business experience, knowledge, and abilities. If there is a change in Board membership, diversity may be considered at such time.

Stockholder Communications. Stockholders may send communications to any director in writing by sending them to the director in care of the Secretary of Heartland Express at 901 North Kansas Avenue, North Liberty, Iowa 52317. The Secretary will forward all such written communications to the director to whom it is addressed.

Code of Ethics. The Board of Directors has adopted a Code of Business Conduct and Ethics for all employees and directors of the Company, and a Code of Ethics for Senior Financial Officers, as recommended by the Audit Committee. Such code constitutes a "code of ethics" within the meaning of Item 406(b) of Regulation S-K. Copies of the codes are available on the Company's website at www.heartlandexpress.com.

Compensation Committee Interlocks and Insider Participation

In 2010, our Compensation Committee was comprised of Richard O. Jacobson, Dr. Benjamin J. Allen, Lawrence D. Crouse, and James G. Pratt. No member of the Compensation Committee is or has been an officer or employee of the Company, or has or had any relationship with the Company requiring disclosure under Item 404 of SEC Regulation S-K. During 2010, none of our executive officers served as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that had one or more executive officers serving as a member of our Board of Directors.

All compensation decisions affecting the executive officers of the Company are made by the Compensation Committee of the Board of Directors. The Committee deliberates and votes upon the compensation to be paid to each of the five executive officers. The Committee receives recommendations from the Company's Chief Executive Officer regarding the compensation of executive officers (other than the Chief Executive Officer).

Compensation Committee Report

Report of the Compensation Committee. In performing its duties, the Compensation Committee, as required by applicable rules and regulations promulgated by the SEC, issues a report recommending to the Board of Directors that our Compensation Discussion and Analysis be included in this Proxy Statement. The Report of the Compensation Committee follows.

The Report of the Compensation Committee shall not be deemed to be incorporated by reference into any filing made by us under the Securities Act of 1933 or the Exchange Act, notwithstanding any general statement contained in any such filings incorporating this Proxy Statement by reference, except to the extent we incorporate such report by specific reference.

Report of the Compensation Committee

We have reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on that review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

By the Members of the Compensation Committee:
Dr. Benjamin J. Allen (Chairman)
Lawrence D. Crouse
Richard O. Jacobson

James G. Pratt

Compensation Discussion and Analysis

Overview

The Compensation Committee assists the Board of Directors in its responsibilities relating to executive compensation and in fulfilling its responsibilities relating to our compensation and benefit programs and policies. The Compensation Committee may make recommendations with respect to our compensation plans and reviews and approves the compensation of executive officers. The Compensation Committee currently consists of four directors, all of whom are independent under applicable NASD and SEC rules. The Compensation Committee receives recommendations from our Chief Executive Officer regarding the compensation of executive officers (other than the Chief Executive Officer).

Compensation Philosophy and Objectives

Our executive compensation policies are designed to achieve four primary objectives:

- attract and retain well-qualified executives who will lead us and inspire superior performance;
- provide incentives for achievement of corporate goals and individual performance;
- provide incentives for achievement of long-term stockholder return; and
- align the interests of management with those of the stockholders to encourage continuing increases in stockholder value.

Elements of Compensation

The components of compensation are intended to accomplish one or more of the compensation objectives discussed above. The Company has traditionally relied on base salaries as the primary source of compensation. Salaries and wages paid are very competitive in comparison to industry standards and the local business environment. Bonus incentives and equity–based incentives have been utilized periodically and are discretionary. The payment of such elements is based upon the economic environment and the operating results of the organization. The Company generally does not implement compensation elements for executive officers and all other employees that would create incentives to take undue risks. The Company has traditionally hired self-motivated employees who are driven by the successes and achievements of the organization.

Base Salary and Benefits. To attract and retain officers with exceptional abilities and talent, annual base salaries are set to provide competitive levels of compensation. The Compensation Committee considers each officer's performance, current compensation, and responsibilities within our Company. The Compensation Committee does not formally benchmark salary or total executive compensation against the executive compensation of any other company or group of companies. From time to time, the Compensation Committee has considered the form and level of compensation disclosed by other publicly traded truckload carriers, certain other transportation companies, and companies of similar size and market capitalization in general. However, the Compensation Committee does not use a peer group for compensation purposes. The Compensation Committee also considers past individual performance and achievements when establishing base salaries.

Annual Cash Bonus Incentives. Annual cash bonus incentives are sometimes used to reward our employees. Past bonus plans have been based on the percentage increase in growth of our fleet and revenue miles, and maintaining a certain level of customer service. There were not any targets established for annual cash bonuses and there were no cash bonuses paid during 2010 to Named Executive Officers.

Longer-Term Equity-Based Incentives. A portion of potential career compensation is also linked to corporate performance through equity-based compensation awards, historically in the form of stock awards. Since going public in 1986, our Chief Executive Officer has contributed shares of our common stock from his personal holdings to two separate stock award plans. The most recent plan was adopted in March 2002. The plan participants have included our executive officers and other key personnel. The awarded stock vested incrementally over a five-year period. All stock awards for executive officers were fully vested as of March 7, 2007.

Stock awards under our equity-based compensation plan are designed to:

- more closely align executive officer and stockholder interests;
- reward key employees for building stockholder value; and
- encourage long-term investment in the Company by participating officers.

Although we do not have specific stock ownership guidelines, the Compensation Committee believes that stock ownership by management has been demonstrated to be beneficial to stockholders.

We have never granted stock options and have no plans to do so in the foreseeable future.

Tuition Plan. We maintain a tuition award program for the children of certain employees, including executive officers. Contributions to the program are based upon our performance. During 2010, we contributed $406,000 to the program, based upon 2009 performance. There were no payments to our executive officers under the tuition award program in 2010.

Retirement Plan. We have a qualified 401(k) savings plan that covers all employees, except for highly-compensated employees as defined by Internal Revenue code. None of our Named Executive Officers participate in the forgoing plan.

Deferred Compensation Plan. We have a non-qualified deferred compensation plan ("DC Plan") primarily for employees excluded from participation in our qualified retirement plan due to being highly compensated employees as determined by Internal Revenue limitations. The DC Plan is unfunded for tax purposes and for purposes of ERISA. The Named Executive Officers in this proxy statement are eligible to participate in the DC Plan. Employer contributions to the DC Plan are discretionary and subject to the approval of our Compensation Committee. Participants may elect to defer up to 100% of their salary, including any cash bonus, to the DC Plan. The election to defer compensation under the DC Plan is irrevocable for each plan year as of the beginning of each plan year. Participant contributions are made into a trust account for the purpose of administering and providing for payment of the deferred compensation under this plan. The investment of contributions are self-directed by participants within an established array of money market, equity and fixed income mutual funds. Investment in our common stock is prohibited under the DC Plan. We do not pay interest or other earnings on the invested contributions. Earnings are generated by the investments selected by the participants. The aggregate earnings on these investments, by each named executive officer who is a participant in the DC Plan, are included in the Nonqualified Deferred Compensation table and are attributable to the specific investments selected by each participant. Participants may change the designation of their investments at such times as mutually agreed by the parties. As of December 31, 2010, participants could change their investment designation on a daily basis. Participants elect in advance of the deferral of their compensation when the funds will be distributable. The aggregate vested balances of the participants are distributable, as designated by each participant, when the following occur: the participant's termination of employment; a change in control; or the participant's death or disability. The DC Plan provides for distributions to be made in either a lump sum amount or installments.

Compensation Paid to Our Named Executive Officers During 2010

A summary of the Compensation Committee's considerations for setting the compensation for 2010, earned by, or paid to those persons who were, at December 31, 2010, (i) our Chief Executive Officer, (ii) our Chief Financial Officer, and (iii) our three other most highly compensated executive officers with total compensation exceeding $100,000 for the fiscal year ended December 31, 2010 (collectively, the "Named Executive Officers") are set forth below. The Compensation Committee evaluates and sets the compensation of Mr. Russell Gerdin, our Chief Executive Officer differently than it does our other executive officers.

Compensation of Our Chief Executive Officer. Mr. Russell Gerdin receives a base salary only, with no bonus or long-term incentives. The Compensation Committee recognizes Mr. Russell Gerdin's substantial responsibility and contribution to our operating performance, operating margin, revenue and net income growth rates, and attainment of our goals, as well as his large stockholdings. At Mr. Russell Gerdin's request, his salary has remained the same since 1986, and he has never been paid a bonus. The Compensation Committee believes that Mr. Russell Gerdin's salary is reasonable compared to similarly situated executives, and that as a direct and indirect holder of approximately 34% of the Company's outstanding stock, Mr. Russell Gerdin receives an incentive through appreciation in the market value of the Company's stock. Because of Mr. Russell Gerdin's request, the Compensation Committee did not consider or recommend an increase in annual compensation or any incentive compensation for Mr. Russell Gerdin. Thus, the Company's performance directly affects Mr. Russell Gerdin, but not in the form of salary or bonuses.

Compensation of Our Other Named Executive Officers. Our other Named Executive Officers are compensated through a mix of salary and incentive compensation. The Compensation Committee relies on the business experience of its members, the historical compensation levels of the Named Executive Officers, and its general understanding of compensation levels at public companies to determine that the CEO's recommendations with respect to the compensation levels and forms are appropriate. The form of compensation was consistent with past years, with compensation consisting primarily of salary. Salaries paid are very competitive in comparison to industry standards and the local business environment. In addition, the Company relies on conservative operating principles and generally does not implement compensation elements for executive officers and all other employees that would create incentives to take undue risks. For each of the Named Executive Officers, the Compensation Committee considered, among other things, our financial and operating results during 2009, the duties and responsibilities of each executive, and the length of time each executive has been with the Company as further described in each executive's biography found herein.

Based on the foregoing, the Chief Executive Officer recommended and the Compensation Committee approved a $1,920 base salary increase for Thomas E. Hill. There were no base salary increases for any of our other Named Executive Officers during 2010.

All full-time, non-driver personnel are eligible for annual cash bonus incentives that are sometimes used to reward our employees. Past bonus plans have been based on the percentage increase in growth of our fleet and revenue miles, and maintaining a certain level of customer service. There were not any targets established for annual cash bonuses and there were no cash bonuses paid during 2010 to full-time, non-driver personnel, including the Named Executive Officers.

We believe that stock ownership by our Named Executive Officers helps to align the interests of such officers with the interests of stockholders in maximizing long-term stockholder value. This objective was advanced through the award of shares of restricted stock contributed by Mr. Russell Gerdin to key employees, including certain Named Executive Officers, in 2002. The Compensation Committee believes that the equity ownership of our senior management currently is sufficient to align their long-term interests with those of our stockholders, and therefore did not recommend any stock-based awards to the Named Executive Officers in 2010.

Except as provided by the terms of the DC Plan, whereupon employer contributions to this plan immediately become fully vested in the event of a change of control of our Company, there are no employment contracts, termination of employment agreements, change in control agreements, or other arrangements with our executive officers, including our Named Executive Officers, that provide for payment or benefits to any executive officer at, following, or in connection with a change in control of our Company, a change in an executive officer's responsibilities, or an executive officer's termination of employment, including resignation, severance, retirement, or constructive termination.

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION
PAID TO THE NAMED EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth information concerning the total compensation for the fiscal year 2010 awarded to, earned by, or paid to those persons, who were, at December 31, 2010, the Named Executive Officers. There was no other compensation paid to our Named Executive Officers other than the salaries detailed below.

Name and Principal Position	Year	Salary ($)	Total ($)
	2010	300,000	300,000
Russell A. Gerdin, Chairman and Chief Executive Officer	2009	300,000	300,000
	2008	300,000	300,000
Michael J. Gerdin, President and Director	2010	(1) year to date; upgrading free cash flow range by £0.5 billion to between £6.5 billion and £7.0 billion	
		Vittorio Colao, Chief Executive, commented:	
		Service revenue trends have improved with continuing growth in our data and fixed line revenue. Free cash flow guidance	

has been raised reflecting the impact of our cost and working capital reduction programmes. We are on track to deliver on our strategic priorities in the current financial year.

Notes:

(*) All amounts in this document marked with an (*) represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates.

(1) Reflects assumptions of foreign exchange rates for the 2010 financial year of approximately £1: 1.12 and £1:US$1.50.

OPERATING REVIEW

Group

	Quarter ended 31 December					% change
	2009(1)	2008		M&A	Foreign	
	£m	£m	Organic(2)	activity	exchange	Reported
Europe	**7,207**	7,013	(3.2)	0.1	5.9	2.8
Africa and Central Europe	**1,990**	1,290	(0.5)	41.3	13.5	54.3
Asia Pacific and Middle East	**1,570**	1,402	10.4	(5.4)	7.0	12.0
Eliminations	**(33)**	(34)				
Service revenue	**10,734**	9,671	**(1.2)**	**5.3**	**6.9**	**11.0**
Other revenue	**812**	799	(10.7)	4.5	7.8	1.6
Revenue	**11,546**	10,470	**(2.0)**	**5.3**	**7.0**	**10.3**
Capital expenditure	**1,349**	1,371				**(1.6)**
Free cash flow	**1,807**	1,563				**15.6**

Notes:

(1) Reflects average exchange rates of £1: 1.11 and £1:US$1.63.

(2) 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.

Group revenue increased by 10.3% to £11.5 billion and Group service revenue increased by 11.0% to £10.7 billion; organic service revenue declined by 1.2%(*), an improvement of 1.8 percentage points on the previous quarter. Improved service revenue trends were recorded in each of the Group s regions.

In Europe service revenue fell 3.2%(*), a 1.4 percentage point improvement on the previous quarter with continued growth in Italy, improved trends in Germany and the UK and stable trends in Spain. Voice usage growth was similar to the previous two quarters with overall price declines continuing at similar double digit rates. Organic messaging revenue growth was flat, an improvement of 3.8(*) percentage points on the previous quarter with a particularly strong customer response to unlimited bundles and promotions generating growth in Italy and the UK. Fixed line revenue increased by 10.0%(*) with revenue growth in Germany doubling to 4.1%(*). Fixed broadband customers reached 5.2 million with 267,000 net additions and a strong net additions share in Italy and Spain. Data revenue grew by 16.3%(*) with mobile internet revenue increasing by 27.0% (*) due to an increase in the proportion of data plans sold with smartphones and good PC connectivity sales across the region. Enterprise revenue was down 3.8%(*) reflecting continued economic pressure on customers, but declined at a lower rate than the previous two quarters with noticeable improvements in roaming activity.

In Africa and Central Europe service revenue fell by 0.5%(*), a 3.4 percentage point improvement on the previous quarter driven by a return to growth in Turkey, where service revenue increased by 12.9%(*), and continued robust growth at Vodacom, where service revenue grew by 5.5%(*) in part as a result of another good quarter for data revenue in South Africa. In Central Europe revenue continued to decline reflecting the challenging economic conditions in these markets but the rate of decline was broadly stable when compared with the previous quarter.

In Asia Pacific and Middle East service revenue increased by 10.4%(*). India s service revenue increased by 13.8%(*), half of which was delivered by the network sharing joint venture Indus Towers with the remaining growth driven by a 51.0% increase in average mobile customers and a 35.1% increase in voice usage offset in part by declining average voice rates. India s organic service revenue increased sequentially compared to the previous quarter. In Egypt service revenue returned to growth at 2.7%(*) and in Australia the joint venture is delivering cost synergies in line with management s expectations.

The Group s EBITDA margin decline during the quarter was consistent with management s expectations underlying the guidance for the current financial year. Capital expenditure of £1.3 billion was at a similar level to the same quarter last year reflecting continued investment in Europe to support network quality and data growth and targeted lower investment in India consistent with previous guidance.

Free cash flow increased by 15.6% to £1.8 billion driven, in part, by Verizon Wireless dividends. Group net debt decreased by £2.3 billion in the quarter to £31.7 billion reflecting free cash flow generated and a £0.6 billion beneficial impact of exchange rate movements on non-sterling denominated debt.

OPERATING REVIEW

Outlook for the 2010 financial year

The Group is trading in line with management s expectations with stronger cash generation.

Cumulative free cash flow for the first three quarters of the financial year was £5.8 billion with the increase driven by working capital, timing of the Verizon Wireless dividend which in the prior year had been deferred and the increase in Verizon Wireless dividend agreed at the time of the Alltel acquisition. Given the likely benefit of the working capital improvement programme and other factors, free cash flow is now expected to be higher than anticipated and will be in the range £6.5 billion to £7.0 billion.

Taking into account the results of the first three quarters and current trading, adjusted operating profit is now expected to be in the range of £11.4 billion to £11.8 billion(1) reflecting a small improvement in underlying trading and the contribution from associates, and lower depreciation and amortisation. Depreciation and amortisation is now expected to be around £8.0 billion for the current financial year. Third quarter EBITDA trends were in line with management s expectations underlying the guidance for the current financial year and cost reduction programmes remain on track.

The outlook ranges for the 2010 financial year included full year foreign exchange assumptions of £1: 1.12 and £1:US$1.50. The actual rates experienced during the first three quarters of the 2010 financial year were £1: 1.13 and £1:US$1.61. On a full year basis the impact on adjusted operating profit of a 1% change in the euro/sterling exchange rate is approximately £60 million and of a 1% change in the US dollar/sterling exchange rate is approximately £40 million.

Note:

(1) The outlook has been prepared on the same basis as the outlook included on page 37 of the Group s 2009 annual report on Form 20-F. Specifically, the outlook does not include the impact of reorganisation costs arising from the Alltel acquisition by Verizon Wireless, which are expected to be around £0.2 billion.

OPERATING REVIEW

Europe

Revenue	2009	Quarter ended 31 December 2008				% change
	£m	£m	Organic	M&A	Foreign exchange	Reported
Germany	**1,991**	1,909	(2.8)		7.1	4.3
Italy	**1,470**	1,363	0.7		7.2	7.9
Spain	**1,328**	1,328	(6.8)		6.8	
UK	**1,177**	1,226	(4.9)	0.9		(4.0)
Other Europe	**1,288**	1,253	(4.3)		7.1	2.8
Eliminations	**(47)**	(66)				
Service revenue	**7,207**	7,013	**(3.2)**	**0.1**	**5.9**	**2.8**
Other revenue	**459**	534	(18.2)		4.2	(14.0)
Revenue	**7,666**	7,547	**(4.3)**	**0.2**	**5.7**	**1.6**

Revenue grew by 1.6% including a 5.7 percentage point benefit arising from favourable exchange rate movements. Service revenue fell by 3.2%(*), an improvement on the previous quarter. Strong growth in data revenue, driven by both mobile internet services and mobile broadband, combined with fixed line revenue growth partially offset lower voice revenue which continues to be impacted by market and regulatory pricing pressures. Italy and the Netherlands maintained positive organic growth in service revenue while most other markets showed an improvement on the previous quarter.

Germany

Service revenue fell by 2.8%(*), a lower rate than the previous quarter due to improvements in both mobile and fixed revenue trends. Continued data revenue growth benefited from the take up of mobile internet devices and was partially offset by lower voice revenue, which was impacted by the termination rate cut effective from April 2009 and competitive pricing pressures. Higher fixed line revenue was driven by continued strong retail net additions and the wholesale business. The fixed broadband customer base increased to 3.4 million with an additional 0.3 million wholesale customers.

Italy

Service revenue grew by 0.7%(*) as growth in data and fixed line services, driven by the continued success of PC connectivity and mobile internet services and strong fixed broadband customer additions, respectively, were partially offset by a decline in voice revenue. Despite the commercial success of Christmas promotions, increased competition and optimisation of spending by prepaid customers in the current economic climate led to lower voice revenue. Mobile customer additions were strong overall and the closing contract customer base was up 19%.

Spain

The 6.8% (*) decline in service revenue was stable compared to the previous quarter despite continued economic weakness and a high unemployment rate. Growth in data and fixed line revenue continued to benefit from Vodafone Station but was more than offset by a decline in voice revenue. Continued improvement in voice usage trends helped partially offset the termination rate cuts effective from April 2009.

UK

Service revenue declined by 4.9%(*) with the trend improving compared to the previous quarter driven by strong mobile customer additions achieved through the launch of new products and indirect distribution channels. Messaging and data revenue growth was supported by unlimited message plans and the growth in mobile internet bundles. These trends were offset by the continued fall in voice revenue, a consequence of competitive price reductions and a termination rate cut effective from July 2009.

Other Europe

Service revenue declined by 4.3%(*). The Netherlands maintained positive growth with all other markets improving or remaining stable compared to the previous quarter. Portugal s service revenue declined at a lower rate compared to the previous quarter driven by continued strong voice usage and reduced pressure on pricing and termination rates. Service revenue in Greece continued to be under pressure due to the economy and price declines.

OPERATING REVIEW

Africa and Central Europe

Revenue	**2009**	Quarter ended 31 December 2008				% change
	£m	£m	Organic(1)	M&A	Foreign exchange	Reported
Vodacom	**1,111**	391	5.5	117.8	60.8	184.1
Other Africa and Central Europe	**879**	899	(6.8)	2.8	1.8	(2.2)
Service revenue	**1,990**	1,290	**(0.5)**	**41.3**	**13.5**	**54.3**
Other revenue	**193**	103	(0.5)	61.5	26.4	87.4
Revenue	**2,183**	1,393	**(0.5)**	**42.9**	**14.3**	**56.7**

Note:

(1) Organic growth includes Vodacom (except the results of Gateway) at the current level of ownership.

Revenue increased by 56.7% benefiting from the treatment of Vodacom as a subsidiary and the full consolidation of its results in the current period. Service revenue declined by 0.5%(*) as the 3.5 percentage point impact of termination rate cuts and lower prices offset the impact of net mobile customer additions in the quarter and good data revenue growth. Continued solid growth in Vodacom and a much improved performance in Turkey were more than offset by revenue declines in Central Europe.

Vodacom

Service revenue grew by 5.5%(*) with continued robust performance in South Africa offsetting service revenue declines in Tanzania and the Democratic Republic of Congo. Data revenue continued to increase strongly with growth of 36.1%(*) following increased penetration of mobile PC connectivity devices and mobile internet usage. Customer growth in the South African market continued to be impacted by customer registration requirements. Service revenue declined in Tanzania and the Democratic Republic of Congo reflecting price reductions aimed at improving competiveness in key markets and a challenging economy in the Democratic Republic of Congo.

Other Africa and Central Europe

Service revenue declined by 6.8%(*) as growth in Turkey was more than offset by revenue declines in other markets in the region. Turkey returned to growth this quarter with service revenue increasing by 12.9%(*) driven by incoming mobile voice revenue and an improving trend in outgoing mobile voice revenue. Vodafone continues to be the market leader in mobile number portability which contributed to a substantial increase in the contract customer base. Turkey continued to invest in improving both network quality and coverage and significantly expanded its distribution channels. In Romania service revenue declined by 23.8% (*), with voice revenue declining by 24.7% (*) as competition remained intense and new promotional deals resulted in lower effective pricing.

Asia Pacific and Middle East

Revenue	Quarter ended 31 December **2009**	2008				% change
	£m	£m	Organic(1)	M&A	Foreign exchange	Reported
India	**767**	674	13.8			13.8
Other Asia Pacific and Middle East	**803**	728	5.8	(7.9)	12.4	10.3
Service revenue	**1,570**	1,402	**10.4**	**(5.4)**	**7.0**	**12.0**
Other revenue	**91**	112	(20.1)	(10.1)	11.4	(18.8)
Revenue	**1,661**	1,514	**8.8**	**(6.6)**	**7.5**	**9.7**

Note:

(1) Organic growth includes India at the current level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

Revenue grew by 9.7% including a 7.5 percentage point benefit from favourable exchange rate movements. Service revenue grew by 10.4%(*) driven by 45.7% growth in the average mobile customer base and continued strong data revenue growth. India contributed around 75% of the region s organic service revenue growth.

OPERATING REVIEW

India

Service revenue grew by 13.8%(*), including a 6.9 percentage point benefit from the revenue stream generated by the network sharing joint venture Indus Towers. The growth rate was lower than the previous quarter primarily due to pressure on voice pricing in what is becoming an increasingly competitive market. The impact of the 51.0% increase in average mobile customers was largely offset by lower effective prices. Indus Towers continued to show improved performance with tenancy rates up to an average of 1.7 operators per site.

Other Asia Pacific and Middle East

Service revenue increased by 5.8%(*) driven primarily by the growth in Qatar and Egypt. Having launched services in July 2009 Qatar more than doubled its mobile customer base in the quarter to 354,000 customers at 31 December 2009, representing 22% of the population. In Egypt service revenue increased by 2.7%(*) following an increase in the average mobile customer base and strong data revenue growth resulting from increased penetration of mobile internet devices. These factors were partially offset by aggressive competition and pricing deregulation in the market. The Group s joint venture in Australia is performing well and delivering cost synergies in line with management s expectations.

Verizon Wireless

In the United States Verizon Wireless reported 2.2 million net mobile customer additions during the quarter bringing the closing mobile customer base to 91.2 million, up 7.0% on a pro forma basis compared to the same quarter last year. Service revenue growth of 4.7%(*) was driven by the expanding customer base and robust data revenue derived from growth in mobile broadband products.

Other transactions and developments

Since 30 September 2009 the Group has completed or announced the transactions listed below. Sterling equivalents are based on exchange rates on the date of announcement or completion.

In December 2009 the Group acquired a 49% interest in each of two companies that hold indirect equity interests in Vodafone Essar Limited (Vodafone India) following the partial exercise of options which are described on page 44 of the Group s 2009 annual report on Form 20-F. As a result the Group increased its aggregate direct and indirect equity interest in Vodafone India from 51.58% to 57.59%.

On 17 December 2009 the UK Supreme Court refused Vodafone 2 permission to appeal against a Court of Appeal decision with regard to the legal issue of compatibility of the UK s CFC legislation with EU law. As a result the Court of Appeal s judgement, that under specific circumstances dictated by European Law the UK CFC rules may be applied, resolves this legal issue initially pursued by Vodafone. Attention will now turn to the facts and circumstances of the case. For further information on the background to this case, please refer to the information under the heading Legal proceedings on pages 114 and 115 of the Group s 2009 annual report on Form 20-F.

ADDITIONAL INFORMATION

Service revenue quarter ended 31 December

	Group		Europe		Africa and Central Europe		Asia Pacific and Middl
	2009	2008	**2009**	2008	**2009**	2008	**2009**
	£m	£m	**£m**	£m	**£m**	£m	**£m**
Voice revenue	**7,138**	6,779	**4,402**	4,609	**1,538**	1,039	**1,196**
Messaging revenue	**1,261**	1,149	**967**	918	**165**	121	**130**
Data revenue	**1,053**	786	**792**	642	**147**	67	**114**
Fixed line revenue	**862**	695	**775**	656	**64**	26	**23**
Other service revenue	**420**	262	**271**	188	**76**	37	**107**
Service revenue	**10,734**	9,671	**7,207**	7,013	**1,990**	1,290	**1,570**

	% change															
	Group				Europe				Africa and Central Europe				Asia Pacific and Middle			
	Organic	M&A	Foreign exchange	Reported	Organic	M&A	Foreign exchange	Reported	Organic	M&A	Foreign exchange	Reported	Organic	M&A	Foreign exchange	Rep
Voice revenue	(6.4)	5.2	6.5	(5.3)	(9.9)		5.4	(4.5)	(2.9)	37.5	13.4	48.0	6.2	(5.8)	5.4	
Messaging revenue	0.3	2.7	6.7	9.7			5.3	5.3	(0.5)	28.5	8.4	36.4	5.9	(5.5)	17.8	
Data revenue	17.7	7.6	8.7	34.0	16.3		7.1	23.4	24.9	66.9	27.6	119.4	21.7	16.0	10.4	
Fixed line revenue	10.0	5.9	8.1	24.0	10.0		8.1	18.1	(72.2)	247.1	(28.7)	146.2	40.9		23.4	
Other service revenue	41.8	10.7	7.8	60.3	33.6	6.2	4.3	44.1	25.1	58.0	22.3	105.4	61.6	(19.7)	8.8	
Service revenue	**(1.2)**	**5.3**	**6.9**	**11.0**	**(3.2)**	**0.1**	**5.9**	**2.8**	**(0.5)**	**41.3**	**13.5**	**54.3**	**10.4**	**(5.4)**	**7.0**	

	Germany		Italy		Spain		UK		Vodacom		India	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Voice revenue	**994**	1,017	**923**	909	**967**	994	**648**	787	**858**	332	**630**	588
Messaging revenue	**201**	191	**233**	214	**107**	114	**267**	239	**69**	24	**28**	23
Data revenue	**264**	209	**135**	105	**122**	102	**150**	123	**96**	25	**42**	38
Fixed line revenue	**499**	445	**141**	107	**81**	68	**8**	8	**42**			
Other service revenue	**33**	47	**38**	28	**51**	50	**104**	69	**46**	10	**67**	25
Service revenue	**1,991**	1,909	**1,470**	1,363	**1,328**	1,328	**1,177**	1,226	**1,111**	391	**767**	674

	% change											
	Germany		Italy		Spain		UK		Vodacom		India	
	Reported	Organic	Reported	Organic	Reported	Organic	Reported	Organic	Reported	Organic	Reported	Organic
Service revenue	**4.3**	**(2.8)**	**7.9**	**0.7**		**(6.8)**	**(4.0)**	**(4.9)**	**100+**	**5.5**	**13.8**	**13.8**

ADDITIONAL INFORMATION

Mobile customers(1) quarter ended 31 December 2009

COUNTRY (in thousands)	AT 1 OCT 2009	NET ADDITIONS	OTHER MOVEMENTS(2)	AT 31 DEC 2009	PREPAID
Europe					
Germany(3)	34,540	85		**34,625**	53.5%
Italy	22,403	563		**22,966**	86.3%
Spain	17,069	(159)		**16,910**	39.1%
UK	18,704	410		**19,114**	56.0%
	92,716	899		**93,615**	61.3%
Other Europe					
Albania	1,619	56		**1,675**	94.1%
Greece	6,255	301		**6,556**	74.1%
Ireland	2,119	26		**2,145**	68.2%
Malta	220	4		**224**	84.9%
Netherlands	4,708	92		**4,800**	39.3%
Portugal	5,813	95		**5,908**	80.1%
	20,734	574		**21,308**	69.0%
Europe	113,450	1,473		**114,923**	62.7%
Africa and Central Europe					
Vodacom(4)	41,587	(78)	(1,055)	**40,454**	88.3%
Czech Republic	2,984	22		**3,006**	47.9%
Ghana	2,604	106		**2,710**	99.6%
Hungary	2,518	84		**2,602**	55.8%
Poland	3,451	(27)		**3,424**	50.4%
Romania	9,535	128		**9,663**	61.9%
Turkey	15,683	(18)		**15,665**	85.6%
	78,362	217	(1,055)	**77,524**	76.9%
Asia Pacific and Middle East					
India	82,846	8,556		**91,402**	93.9%
Australia	3,274	135		**3,409**	45.8%
Egypt	22,065	1,260		**23,325**	95.9%
Fiji	340	15		**355**	96.3%
New Zealand	2,484	9		**2,493**	70.7%
Qatar	151	203		**354**	90.6%
	111,160	10,178		**121,338**	91.2%
Group	302,972	11,868	(1,055)	**313,785**	77.0%
Reconciliation to proportionate					
Group	302,972	11,868	(1,055)	**313,785**	
Minority interests in above**(5)**	(55,767)	(3,765)	705	**(58,827)**	
Associates and investments:					
Verizon Wireless	40,056	965	41	**41,062**	8.0%
Other	35,770	1,193		**36,963**	97.3%
	75,826	2,158	41	**78,025**	
Proportionate(5)	323,031	10,261	(309)	**332,983**	83.8%
Europe	122,281	1,540		**123,821**	59.4%

Africa and Central Europe	65,822	289	(350)	**65,761**	80.2%
Asia Pacific and Middle East	94,872	7,467		**102,339**	97.8%
Verizon Wireless	40,056	965	41	**41,062**	8.0%

Notes:

(1) Group customers are presented on a controlled (fully consolidated) and jointly controlled (proportionately consolidated) basis in accordance with the Group s current segments.

(2) Other movements relate primarily to the disconnection of inactive SIM cards by Vodacom s subsidiary in the Democratic Republic of Congo in December 2009.

(3) German customers at 1 October 2009 have been adjusted to remove 234,000 mobile data SIMs issued in conjunction with a fixed broadband offering.

(4) Vodacom refers to the Group s interests in Vodacom Group (Pty) Limited and its subsidiaries, including those located outside of South Africa.

(5) Proportionate customers are based on equity interests as at 31 December 2009. The calculation of proportionate customers for India also assumes the exercise of call options that could increase the Group s equity interest from 57.59% to 66.98%. These call options can only be exercised in accordance with Indian law prevailing at the time of exercise.

ADDITIONAL INFORMATION

Annualised mobile customer churn quarter ended 31 December 2009

Country	Contract	Prepaid	Total
Germany	17.8%	40.2%	**29.7%**
Italy	23.3%	24.9%	**24.7%**
Spain	21.7%	41.9%	**29.7%**
UK	18.1%	51.7%	**36.9%**
Vodacom(1)	14.6%	59.8%	**54.7%**
India	26.0%	38.9%	**38.1%**

Note:

(1) The customer churn for Vodacom in the quarter ended 31 December 2009 includes the effect of 1,055,000 prepaid inactive SIM card disconnections by Vodacom s subsidiary in the Democratic Republic of Congo during December 2009. The underlying prepaid customer churn excluding this change was 48.3% and total churn was 44.5%.

OTHER INFORMATION

Notes:

1. Vodafone, the Vodafone logo, Vodafone Station and Vodacom are trade marks of the Vodafone Group. Other product and company names mentioned herein may be the trade marks of their respective owners.

2. All growth rates reflect a comparison to the quarter ended 31 December 2008 unless otherwise stated. References to the previous quarter are to the quarter ended 30 September 2009 unless otherwise stated.

3. All amounts marked with an (*) represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates. All relevant calculations of organic growth include Vodacom (except the results of Gateway) at the current level of ownership and exclude all results of the Group s business in Australia.

4. Reported growth is based on amounts reported in pounds sterling as determined under IFRS.

5. The Group s outlook for the 2010 financial year is contained on page 37 of the Group s 2009 annual report on Form 20-F as updated on page 3 of the Group s half-year financial report for the six months ended 30 September 2009.

6. Quarterly historical information including customers, churn, voice usage and ARPU is provided in a spreadsheet available at www.vodafone.com/investor.

Forward-looking statements

This document contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 which are subject to risks and uncertainties because they relate to future events. In particular, such forward-looking statements include but are not limited to: statements with respect to Vodafone s expectations as to savings from cost reduction programmes, including the working capital improvement programme; expectations as to levels of capital expenditure and operating expenditure; the anticipated impact of exchange rate movements on the Group s results for the current fiscal year; the Group s expectations for adjusted operating profit, free cash flow, EBITDA and foreign exchange rates for the 2010 financial year; the impact of reduced mobile termination rates; and expectations regarding market trends including price trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, Vodafone s ability to realise anticipated cost savings, the impact of legal or other proceedings, continued growth in the market for mobile services and general economic conditions.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the heading Other Information Forward-looking statements in Vodafone Group Plc s half-year financial report for the six months ending 30 September 2009, and Forward-looking statements and Principal risk factors and uncertainties in Vodafone Group Plc s annual report on Form 20-F for the year ended 31 March 2009. The half-year financial report and the annual report on Form 20-F can be found on the Group s website (www.vodafone.com/investor). All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this press release will be realised. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

VODAFONE GROUP
PUBLIC LIMITED COMPANY
(Registrant)

Dated: February 10, 2010

By: /s/S R SCOTT
Name: Stephen R. Scott
Title: Group General Counsel and Company Secretary