

VODAFONE GROUP PUBLIC LTD CO

Form 6-K

February 05, 2015

**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 February 5, 2015**

**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)

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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 contains a news release dated 5 February 2015 entitled INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2014

**Interim management statement for the quarter ended 31 December 2014**

5 February 2015

**Highlights**

- Q3 Group organic service revenue declined 0.4%\*; Europe -2.7%\*, AMAP 5.9%\*
- Steady recovery in Europe, return to growth in UK: Germany -1.0%\*, UK 0.9%\*, Italy -7.4%\*, Spain -8.9%\*
- Continued momentum in AMAP despite tougher conditions in South Africa: India 15.0%\*, Vodacom -3.9%\*, Turkey 11.8%\*
- Strong progress on Project Spring: mobile build 50% complete, European 4G coverage 65%
- 4G now available in 18 markets, with 13.7 million 4G customers across the Group
- Integration of KDG and Ono on track, with synergies in line with expectations
- Full year guidance confirmed, EBITDA £11.6 billion to £11.9 billion, free cash flow positive after all capex. Guidance excludes Ono

	Quarter ended 31 December 2014 £m	Reported %	Change	Organic* %
<b>Group revenue</b>	<b>10,881</b>	<b>13.5</b>		<b>0.7</b>
<b>Group service revenue</b>	<b>9,789</b>	<b>12.4</b>		<b>(0.4)</b>
Europe	6,626	18.2		(2.7)
Africa, Middle East and Asia Pacific ( AMAP )	3,062	2.4		5.9
<b>Capital expenditure</b>	<b>2,134</b>	<b>39.2</b>		
<b>Free cash flow(1)</b>	<b>(11)</b>	<b>n/m</b>		

**Vittorio Colao, Group Chief Executive, commented:**

We have achieved another quarter of improving revenue trends in most of our major markets. Growth in India has accelerated again, driven by data. In Europe, improved commercial execution in both mobile and fixed over the last few quarters, combined with strong data demand and a more stable pricing environment, is supporting the steady recovery in the top line. Our recent cable acquisitions continue to perform well, with good progress made on integration.

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Our Project Spring investment programme is well advanced, with 4G coverage in Europe now 65%, dropped call rates down to 0.64%, and 26 million homes now passed by our own next generation networks: our customers are really beginning to notice the difference in experience that this investment delivers. We are confident that, over time, this will translate into further improvements in customer perception, ARPU and churn.

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### Notes:

\* All amounts in this document marked with an \* represent organic growth which presents performance on a comparable basis including merger and acquisition activity and movements in foreign exchange rates.

(1) Free cash flow excludes restructuring costs for the quarter ended 31 December 2014 of £70 million (2013: £26 million).

**OPERATING REVIEW****Group performance**

Group revenue was £10.9 billion and Group service revenue was £9.8 billion. On an organic basis Group service revenue decreased 0.4%\* (Q2: -1.5%\*) and, excluding the impact of mobile termination rate ( MTR ) cuts, Group service revenue grew 0.2%\* (Q2: -0.9%\*).

**Europe**

In Europe, organic service revenue continued to recover, declining 2.7%\* (Q2: -5.0%\*), or 2.3%\* (Q2: -4.6%\*) excluding the impact of MTR cuts. Our commercial performance in most markets continued to improve, supported by a more stable pricing environment in most markets and a weak prior period.

Improvements in mobile (Q3 mobile service revenue -3.9%\*, Q2: -5.6%\*) came from contract customer growth, the early benefits to ARPU of 4G migration, and increased data usage. We now have 10.1 million 4G customers across Europe. In fixed, the positive customer net additions trend continued. This, combined with a stronger carrier services performance, resulted in a return to growth in fixed line service revenue, with a 4.4\* percentage point sequential improvement quarter-on-quarter (Q3: 2.3%, Q2: -2.1%).

Total revenue increased 19.9%, including a 27.4 percentage point favourable impact from M&A, primarily from KDG and Ono, and a 5.8 percentage point adverse impact from foreign exchange movements.

Revenue

	2014 £m	Quarter ended 31 December 2013 £m	Reported %	Change	Organic* %
Germany	1,974	2,049	(3.7)		(1.0)
Italy	1,037				(7.4)
UK	1,532	1,518	0.9		0.9
Spain	924	788	17.3		(8.9)
Other Europe	1,174	1,259	(6.8)		(1.0)
Eliminations	(15)	(6)			
<b>Service revenue</b>	<b>6,626</b>	<b>5,608</b>	<b>18.2</b>		<b>(2.7)</b>
<b>Revenue</b>	<b>7,273</b>	<b>6,065</b>	<b>19.9</b>		<b>(1.7)</b>

Germany

Service revenue declined 1.0%\* (Q2: -3.4%\*) excluding KDG. The quarterly improvement in revenue trends was supported by ongoing contract customer growth.

Mobile service revenue declined 1.5%\* (Q2: -3.6%\*), driven by improved commercial and network performance, and an increase in MVNO revenue. Our contract customer base continued to grow strongly with net additions increasing to 235,000 in the quarter (Q2: 121,000). In total we now have 3.4 million 4G customers. Our network modernisation programme as part of Project Spring continues to progress well, with 4G outdoor population coverage at 73%. Recent Connect network tests published in December highlight the significant network improvements made in voice, data and 4G coverage.

In fixed, service revenue (excluding KDG) grew 0.5%\* (Q2: -2.6%\*) driven by an improvement in carrier services. Broadband service revenue remained under pressure, reflecting a more aggressive commercial strategy which improved the gross customer addition trend but negatively impacted ARPU. In November, we launched our first fixed-mobile bundled product Vodafone All-in-One .

KDG continued to perform strongly with service revenue growth on a local GAAP basis of 6.5%(1) and an acceleration in broadband net additions (Q3: 136,000, Q2: 108,000). The integration of KDG remains on track, and cost and capex synergies remain in line with our expectations. KDG was recognised by consumer organisation Stiftung Warentest as the best broadband provider in Germany.

Italy

Service revenue declined 7.4%\* (Q2: -9.7%\*), reflecting a continued improvement in quarterly trends, led by growth in both enterprise and fixed line.

Mobile service revenue declined 9.6%\* (Q2: -11.7%\*). While ARPU remained stable, our prepay customer base continued to decline, as competition in the consumer market remained challenging. However, our greater emphasis on customer retention saw a reduction in customers porting to competitors. Our 4G network expansion programme continued to progress well, with outdoor population coverage at 76% and 1.2 million customers now subscribing to 4G services.

Fixed line revenue grew 5.0%\* (Q2: 2.0%\*), supported by broadband net additions of 38,000, stable ARPU, and a strong carrier services performance, partially offset by declining fixed line voice usage in the legacy Tele2 business. Our fibre-to-the-cabinet build programme has gained good momentum with 1,800 street cabinets now installed across 37 cities, and we remain on track to install 4,000 cabinets by 31 March 2015.

Enterprise returned to growth in the quarter, with strong growth in fixed and an improving trend in mobile.

UK

The UK returned to growth in the quarter with service revenue increasing 0.9%\* (Q2: -3.0%\*), supported by growth in both mobile consumer and enterprise, and an improving fixed line performance.

Mobile service revenue increased 2.0%\* (Q2: -0.3%\*), with consumer contract and enterprise both growing. In consumer, we delivered strong contract net additions in the quarter of 76,000, supported by successful sales campaigns. Our 4G plans with content have continued to gain good traction, with 2.2 million 4G customers at the end of the quarter. In enterprise, strong data growth drove an improvement in ARPU.

Fixed line revenue declined 2.0%\* (Q2: -10.6%\*) following improvements in both carrier services and enterprise sales.

Steady progress has been made on Project Spring with 4G outdoor population coverage at 57%, and the dropped call rate continued to improve to 0.86% from 0.94% in the prior quarter. The newly acquired Phones 4U stores have been rebranded, further strengthening our direct sales channel presence.

Spain



Service revenue declined 8.9%\* (Q2: -9.3%\*) excluding Ono, reflecting continued intense convergence price competition.

Mobile service revenue declined 11.1%\* (Q2: -11.7%\*) as a result of earlier price reductions in the market which have continued to impact mobile ARPU. Despite the competitive environment, contract customer net additions increased to 28,000 with growth in both consumer and enterprise. Our 4G service is available in all 52 Spanish provinces and the outdoor population coverage is now 69%. We had over 2.2 million 4G customers at the end of the quarter. In December, we launched an online second brand, Lowi, to address the entry level segment of the market.

Fixed line revenue grew 9.9%\* (Q2: +12.9%\*) excluding Ono, supported by strong net customer additions of 40,000 before migrations. We have 0.9 million homes covered by our joint fibre network build with Orange.

The performance and integration of Ono remains in line with our expectations. Revenue (excluding wholesale) on a local GAAP basis declined 1.3%(1) (Q2: flat(1)). Cost and capex synergies from the integration have been confirmed and 25,000 DSL customers have been migrated to cable.

#### Other Europe

Service revenue declined 1.0%\* (Q2: -1.8%\*), with a number of markets showing improving trends despite ongoing competitive pressures. The Netherlands returned to service revenue growth at 2.2%\* in the quarter (Q2: -0.3%\*), supported by continued growth in the mobile contract base and stable ARPU. In Ireland, service revenue declined 1.2%\* (Q2: -0.1%\*) due to continued price pressure in prepaid, which was not fully offset by migrations to consumer contract. In Portugal, service revenue declined 4.8%\* (Q2: -4.8%\*) reflecting continued intense converged price competition. In Greece, the revenue trend improved to -1.4%\* (Q2: -3.5%\*) due to customer base growth and ARPU stabilisation. We saw improving service revenue trends in the Czech Republic and continued growth in Hungary, partially offset by a decline in Romania.

**AMAP**

Organic service revenue in the AMAP region increased 5.9%\* (Q2: 6.8%\*), with continued momentum in most markets. The region continues to benefit from strong customer growth, increased usage of voice and data services, and effective marketing and pricing strategies. The total customer base grew to 318.2 million, with voice and data usage up 9% and 110% respectively.

Total revenue increased 6.8%, including a 3.9 percentage point favourable impact from foreign exchange movements.

Revenue

	2014 £m	Quarter ended 31 December 2013 £m	Reported %	Change	Organic* %
India	1,103	937	17.7		15.0
Vodacom	891	987	(9.7)		(3.9)
Other AMAP	1,068	1,067	0.1		6.1
<b>Service revenue</b>	<b>3,062</b>	<b>2,991</b>	<b>2.4</b>		<b>5.9</b>
<b>Revenue</b>	<b>3,461</b>	<b>3,364</b>	<b>2.9</b>		<b>6.8</b>

India

Service revenue increased 15.0%\* (Q2: 13.2%\*), with an acceleration in quarterly revenue trends driven by data uptake and customer growth.

Data revenue continued to grow strongly, with mobile internet revenue up 70%. This was supported by 30% growth in data customers to 59 million, of which 16.6 million were 3G, and 40% growth in average data usage per customer. Voice rates per minute remained flat, with average minutes of use down 6.6%. Total mobile customers increased 4.8 million in the quarter giving a closing customer base of 178.7 million.

We continue to make good progress on Project Spring with 5,500 radio sites added in the quarter, (26,000 since the build commenced) taking our 3G outdoor coverage in targeted urban areas to 90%. The expansion of our retail store footprint also remains on track. M-Pesa continues to expand and now has 337,000 active customers, generating 78,000 transactions per day, supported by over 85,000 agents.

Vodacom

Service revenue declined 3.9%\* (Q2: 0.3%\* growth), with quarterly revenue trends deteriorating further following increased competitive and macroeconomic pressures in South Africa.

South African service revenue decreased 5.8%\* (Q2: -0.6%), mainly due to a weakening in prepaid customer voice activity as a result of competitive pressures. Data revenue increased 19% with growth driven by an 86% increase in data volume, with average monthly usage per customer now 445MB, and a 22% increase in active smartphones to 8.4 million. Project Spring continued to progress well with 4G outdoor coverage at 34% and 78% of all sites connected with high capacity backhaul. The acquisition of fixed line provider Neotel is currently under review by the telecoms and competition authorities.

Vodacom's international operations outside of South Africa delivered service revenue growth of 1.9%\* (Q2: 4.2%\*) mainly from continued customer base growth as we invest in expanding our data and voice networks, partially offset by pricing pressure in highly competitive market environments. M-Pesa continued to perform well across all of Vodacom's international mobile operations, with over 5 million customers actively using the service.

#### Other AMAP

Service revenue increased 6.1%\* (Q2: 6.8%\*), with growth in Turkey, Egypt, Qatar and Ghana partially offset by a decline in New Zealand.

Service revenue in Turkey grew 11.8%\* (Q2: 10.6%\*) reflecting continued strong growth in consumer contract and enterprise revenue, including higher ARPU and data usage. Total customer numbers reached 20.5 million, with 354,000 net additions in the quarter (excluding one-off adjustments). In Egypt, service revenue grew 4.1%\* (Q2: 4.2%\*) as a result of an increase in data and voice usage and a more stable economic environment. Total revenue growth in Qatar slowed to 16.6%\* (Q2: 20.1%\*), reflecting a significant increase in price competition.

Capital expenditure, cash flow and net debt

Capital expenditure was £2.1 billion in the quarter, an increase of 39.2% year-on-year, reflecting the significant investment we are making as part of Project Spring. Guidance free cash flow was £0.0 billion, a decrease of £1.2 billion year-on-year, principally as a result of the increase in capital expenditure. Net debt at 31 December 2014 was £22.3 billion, an increase of £0.5 billion quarter-on-quarter. This includes the impact of the acquisition of 72.7% of Hellas Online SA in December 2014 for £180 million.

**Strategic progress**

Project Spring

We are half way through our mobile build programme having modernised 61,000 mobile sites, added a further 86,000 2G, 3G and 4G sites, and upgraded 50,000 sites to high capacity backhaul since the build began. In fixed line we have deployed our own high speed next generation network technology to a further 0.7 million households in the quarter, bringing the total number of households passed in Europe to 26 million, or 48 million including wholesale agreements.

As a result of this investment we are seeing clear improvements in network coverage and quality. Our 4G outdoor population coverage in Europe is 65%, up from 38% a year ago, equivalent to covering 222 million people. The dropped call rate in Europe has fallen to 0.64%, down from 0.9% when we announced Project Spring, and the number of data sessions achieving 3Mbps or more is 87%, as we remain on-track to reach our 90% target by March 2016. In India, we have added 11,000 2G and 15,000 3G sites and are further accelerating our plans to maintain the strong momentum achieved. In December, we signed a global 15 year small cell framework agreement with JCDecaux to provide access to street level infrastructure in key city centres across Europe and AMAP to further enhance network performance. Our retail store transformation is also progressing well with a total of 32% of our targeted 8,000 stores now refitted with the new Vodafone global design.

Data and 4G

Demand for data has continued to accelerate. Across the Group, the total amount of traffic carried over our network has grown by 84% year-on-year (Q2: 81%), with AMAP growing 110% and Europe 67%.

4G is now available in 18 markets and our customer base has continued to grow strongly with 13.7 million customers across the Group at the end of the quarter. 4G now accounts for 26% of all data traffic in our European markets compared to 17% a year ago. Contract penetration across 4G enabled devices in Europe has continued to rise to 66% from 57% in Q1 14/15, supported by our attractive 4G content plans. We now have content packages available in 10 markets following new launches in Germany, Ireland, Australia and South Africa in the quarter.

Unified communications

Our transition to become a fully unified communications provider is well advanced. The commercial performance of fixed line continued to strengthen with our total fixed broadband customer base in Europe growing to 11.1 million in the quarter.

The organic fibre build programmes in Spain and Portugal are progressing well with a total of 0.9 million and 1.4 million households now passed respectively. In Italy, our fibre-to-the-cabinet build has gained momentum having built 1,800 cabinets in 37 cities and we are on track to install 4,000 cabinets by the end of the financial year. In the Netherlands, our fibre unbundling programme now reaches 300,000 homes with the target to expand this to 1 million by March 2015. In Greece, we further strengthened our unified communications position with the acquisition of 72.7% of Hellas Online SA, a leading provider of broadband and fixed line telephony, taking our overall ownership to 91.2% with a mandatory takeover offer now in place for the remaining shares.

#### Acquisition integration

The process of integrating both KDG in Germany and Ono in Spain remains on track. In Germany, we have begun to leverage KDG's infrastructure for mobile backhaul having connected our first site, and have also made further progress towards creating one common national network backbone. We launched a fixed-mobile bundled product in November and delivered our first Enterprise customer connection via cable. In Spain, our new organisational structure has been implemented and the relocation of Ono's headquarters and most of the regional offices is complete. The network integration plan has been implemented with joint network operations in place. New agreements with the main backbone fibre provider are delivering significant cost synergies and improved terms, and Ono fibre is now connected to over 230 mobile radio sites. We also won our first joint Ono-Vodafone total communications deal in Spain.

**Summary and outlook(2)**

The performance of the Group remains in line with our expectations. Consequently we remain on target to deliver EBITDA for the 2015 financial year in the range of £11.6 billion to £11.9 billion, and expect free cash flow to be positive, after all capex. Guidance excludes Ono.