

VODAFONE GROUP PUBLIC LTD CO

Form 6-K

November 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Form 6-K**

**Report of Foreign Private Issuer**

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

Dated November 12, 2014

Commission File Number: 001-10086

**VODAFONE GROUP**

**PUBLIC LIMITED COMPANY**

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

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Form 20-F ü      Form 40-F \_\_\_\_\_

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

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 ü \_\_\_\_\_

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .

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This Report on Form 6-K contains a news release dated 11 November 2014 entitled Vodafone announces results for the six months ended 30 September 2014

## Vodafone announces results for the six months ended 30 September 2014

11 November 2014

### Highlights

- H1 Group revenue up 8.9% to £20.8 billion; organic service revenue down 2.8%\* to £19.1 billion
- Q2 Group organic service revenue down 1.5%\* compared to -4.2%\* in Q1 due to improved commercial performance and reduced impact of mobile termination rate ( MTR ) cuts
- Improved service revenue performance in all key markets in Q2: Germany -3.4%\*, Italy -9.7%\*; UK -3.0%\*, Spain -9.3%\*, India 13.2%\*; and Vodacom 0.3%\*
- H1 EBITDA down 10%\* to £5.9 billion; organic EBITDA margin down 2.1\* percentage points; reported margin 28.4%
- Free cash flow<sup>2</sup> break even (£0.0 billion) reflecting Project Spring investments; total capex £3.9 billion, up £1.6 billion year-on-year
- Full year guidance: EBITDA now £11.6 billion to £11.9 billion, free cash flow remains positive. Guidance excludes Ono
- Additional £5.5 billion deferred tax assets recognised
- Net debt of £21.8 billion (or £18.6 billion including Verizon loan notes) including £5.8 billion in relation to Ono
- Interim dividend per share of 3.60 pence, up 2.0%

Six months ended 30 September 2014 £m	Reported %	Change	Organic* %
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<b>Group revenue</b>	<b>20,752</b>	<b>+8.9</b>	<b>(3.0)</b>
<b>Group service revenue</b>	<b>19,139</b>	<b>+9.2</b>	<b>(2.8)</b>
Europe	13,083	+19.0	(6.5)
Africa, Middle East and Asia Pacific ( AMAP )	5,831	(7.7)	+5.7
<b>EBITDA</b>	<b>5,884</b>	<b>+5.5</b>	<b>(10.0)</b>
<b>Adjusted operating profit<sup>1</sup></b>	<b>1,756</b>	<b>(29.5)</b>	<b>(29.9)</b>
<b>Operating profit</b>	<b>917</b>	<b>(58.2)</b>	
<b>Free cash flow<sup>2</sup></b>	<b>1</b>	<b>(99.9)</b>	
<b>Profit for the financial period<sup>3</sup></b>	<b>5,501</b>	<b>(69.5)</b>	
<b>Basic earnings per share<sup>3</sup></b>	<b>20.48p</b>	<b>(69.8)</b>	
<b>Adjusted earnings per share from continuing operations<sup>4</sup></b>	<b>2.63p</b>	<b>(46.5)</b>	
<b>Interim dividend per share</b>	<b>3.60p</b>	<b>+2.0</b>	

- Strong momentum on £19 billion Project Spring investment programme: mobile network deployment 40% complete; European 4G coverage up to 59%; 10.5 million 4G customers across the Group

- 16.1 million Vodafone Red customers; European contract base penetration 26%; ARPU dilution on Vodafone Red migrations continues to stabilise

- H1 Group data traffic up 77% year-on-year, accelerating to +80% in Q2, driven by 4G in Europe and 3G in India

- Unified communications capabilities strengthening: completion of Ono acquisition, ongoing integration of KDG, fibre build progress in Italy, Spain, Portugal and Ireland. Consumer launches announced in Netherlands and UK

- Fixed: 11.2 million broadband customers including 1.6 million from Ono; organic growth 0.2 million in Q2, fixed now represents 23.7% of service revenue in Europe

- Enterprise: strong performance in strategic segments: Q2 service revenue up 1%\* in Vodafone Global Enterprise and 24%\* in machine-to-machine

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

We have made encouraging progress during the quarter. There is growing evidence of stabilisation in a number of our European markets, supported by improvements in our commercial execution and very strong demand for data. Our two year, £19 billion investment programme is well underway, and customers are beginning to see the benefits: in wider 3G and 4G data coverage, improved voice quality and reliability, and increased access to next generation fixed line services. Customers are showing an increasing propensity to trade up to bigger data allowances as a result of the 4G experience. In India, growth has accelerated, stimulated by investment in our 3G network. Our unified communications strategy continues to advance, with accelerating customer growth, further progress on fibre deployment, and the ongoing integration of recent acquisitions.

Our markets continue to be highly competitive, and regulatory and macroeconomic risks remain. However, we are not yet half way through our investment programme, and there is still much more we will do to build a differentiated service for customers and improve perception. Today in Europe, only 6% of our customers are using 4G. In the next 18 months, we will reach 90% 4G coverage in Europe, giving us a great opportunity to increase penetration, stimulate data usage and grow customer spend. At the same time, we remain committed to shareholder returns, as the growth in the interim dividend demonstrates.

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 movements in foreign exchange rates. See page 38 for Use of non-GAAP financial information .

1 Adjusted operating profit has been redefined to exclude amortisation of customer bases and brand intangible assets of £637 million for the six months ended 30 September 2014 (2013: £125 million).

2 Free cash flow for the six months ended 30 September 2014 excludes £167 million of restructuring costs (2013: £107 million), a £365 million UK pensions contribution payment, £359 million of Verizon Wireless tax dividends received after the completion of the disposal, £328 million of interest paid on the settlement of the Piramal option, £116 million of KDG incentive scheme payments that vested upon acquisition and a £100 million (2013: £100 million) payment in respect of the Group's historic UK tax settlement.

3 Six months ended 30 September 2014 includes the recognition of £5,468 million of deferred tax assets in respect of tax losses in Luxembourg. Six months ended 30 September 2013 included the recognition of a deferred tax asset in respect of tax losses in Germany (£1,838 million) and Luxembourg (£16,069 million) and the estimated tax liability related to the rationalisation and reorganisation of our non-US assets prior to the disposal of our stake in Verizon Wireless (£3,016 million).

4 Adjusted earnings per share from continuing operations excludes the results and related tax charge of the Group's former investment in Verizon Wireless in the prior period and the recognition of deferred tax assets in both periods.

## CHIEF EXECUTIVE'S STATEMENT

### Financial review of the half year

The Group's emerging markets business continues to deliver strong organic growth, reflecting the combination of increasing demand for mobile voice and data services, with leading network quality and distribution reach, effective marketing strategies, and innovative services such as mobile money transfer. European market conditions remain challenging mainly due to continued competitive headwinds and the difficult macroeconomic conditions, leading to an overall fall in organic service revenue. However, signs of improvement in our commercial execution, a more stable competitive environment in some markets, and the early benefits of our Project Spring investment programme particularly in India, have led to a stabilisation of revenue quarter-on-quarter in several markets and an improved year-on-year revenue trend in the second quarter.

#### *Group*

Revenue for the first half fell 3.0%\* to £20.8 billion. Group service revenue was £19.1 billion, reflecting a 2.8%\* decrease on an organic basis comprising -4.2%\* in Q1 and -1.5%\* in Q2. Excluding the impact of MTR cuts, organic service revenue declined 2.9%\* and 0.9%\* respectively, with the improvement reflecting better trends in both our European and AMAP regions.

EBITDA fell 10.0%\* to £5.9 billion. The Group EBITDA margin fell 0.9 percentage points to 28.4% (or -2.1\* percentage points on an organic basis). This reduction reflected the impact of continued revenue declines in Europe, particularly in Spain, Germany and Italy, which offset broadly stable margins in AMAP.

Adjusted operating profit decreased to £1.8 billion from £2.5 billion in the prior period as higher reported EBITDA was offset by higher amortisation and depreciation, mainly due to the acquisition of KDG and the consolidation of Vodafone Italy.

The adjusted effective tax rate for the first half was 30.6% and includes the impact from foreign exchange losses. Excluding this impact the adjusted effective tax rate would be 29.5%. We recognised an additional deferred tax asset of £5.5 billion (2014: £14.9 billion) which takes our total deferred tax assets to £25.4 billion.

Adjusted earnings per share<sup>1</sup> of 2.63 pence fell 46.5% mainly reflecting the Group's lower adjusted operating profit over the period.

Free cash flow<sup>2</sup> was £0.0 billion, down £1.9 billion from the same period last year as lower payments for taxation were offset by lower dividends received from associates and investments and higher capital expenditure (£3.9 billion compared to £2.3 billion last year) associated with the Project Spring investment programme.

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Net debt as at 30 September 2014 was £21.8 billion, (or £18.6 billion taking into account the Verizon loan notes) compared to £13.7 billion at 31 March 2014. Net debt includes the impact of the acquisitions of Ono in July 2014 for £5.8 billion and Cobra Automotive in August 2014 for £0.2 billion.

The Board is recommending an interim dividend per share of 3.60 pence, up 2.0% year-on-year, in line with our intention to increase the full year dividend per share annually.

### **Europe**

Service revenue declined 6.5%\* in H1, reflecting ongoing pressures from competition, regulation and weak economies. However, trends are showing signs of stabilisation, with Q2 service revenue growth of -5.0%\* (Q1: -7.9%) reflecting sequential improvements in almost all European markets.

Mobile service revenue declined 7.3%\* (Q1: -9.0%\*; Q2: -5.6%\*). The main factors behind this improvement include the growth of our contract customer base over recent quarters (aided by lower churn), the benefits to ARPU of 4G and increased data usage, a more stable pricing environment in some markets, and a weak prior period.

Revenue from fixed services declined 2.5%\* (Q1: -2.8%\*; Q2: -2.1%\*), with growth in Spain, Italy and Portugal offset by continued declines in Germany and the UK. KDG continued to grow strongly, driven in part by 108,000 broadband net additions. Fixed revenue in Europe now accounts for 23.7% of total service revenue (compared to 18.1% in the prior year).

Organic EBITDA fell 16.3%\* and the EBITDA margin reduced to 28.3%, representing a decrease of 0.4 percentage points, or 3.0\* percentage points on an organic basis. This reflects the decline in revenue, increased customer investment and the cost impact of Project Spring, partly offset by a reduction in other operating expenses.

### **AMAP**

Organic service revenue in the AMAP region, which accounts for 30.5% of total service revenue, increased by 5.7%\*, with continued strong growth 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. In the first half the customer base increased by 11 million to 313 million, and voice and data usage increased 9% and 110% respectively. During the period the pace of service revenue growth improved from 4.7%\* in Q1 to 6.8%\* in Q2, particularly driven by India, Turkey and Egypt. The contribution from data services increased notably, with the number of data users up 29% compared to last year, to 103 million.



## CHIEF EXECUTIVE'S STATEMENT

Organic EBITDA increased 5.3%\* and the EBITDA margin was 30.2%. The EBITDA margin fell 0.3 percentage points on both a reported and organic basis, as increased operating costs from Project Spring and inflationary pressures offset the scale benefits of continued revenue growth.

### Strategic and commercial progress

#### *Project Spring*

Our two year programme to invest £19 billion to accelerate and extend our network and service differentiation in our key markets is progressing well. We are on track to meet our planned network deployment targets, with 21,000 4G sites and 38,000 new high capacity backhaul sites, added since last September. As a result the 4G network in Europe now covers 59% of the population, up from 32% a year ago, and 82% of data sessions take place at speeds greater than 3 Mbps. Over the same period in India we added approximately 12,400 3G sites and now provide 3G coverage across 89% of targeted urban areas. In the fixed business we have also deployed high speed next generation network technology to pass a further 1.6 million households in Europe. In terms of customer service, 26% of the targeted 8,000 stores across the Group have been refurbished so far, and our investments in IT and digital platforms have helped to improve the customer experience and reduce call centre call volumes.

Our investment in the network is delivering clear improvements in network quality. Dropped call rates across Europe have reduced 0.19 percentage points year-on-year to 0.71% and the average call set up success rate improved from 98.8% to 99.7%. Independent network tests in 20 Vodafone European and AMAP markets show that we have the best or equal-best networks for 3G data in 15 markets and for voice in 18 markets.

Our Project Spring investment programme is also delivering further innovation and enhancement to services. High Definition voice technology, for exceptionally clear mobile calls, is now live in 15 markets; 4G carrier aggregation, which bonds together multiple spectrum blocks to increase mobile data speeds significantly is live in the UK, Spain, the Netherlands and the Czech Republic, and will be operational in more European markets by March 2015; and Voice over LTE ( VoLTE ), which reduces call set up times and provides more stable and high quality calls using 4G technology, is currently being trialled in several European markets. Innovation is also taking place in our fixed business. In Germany, for example, KDG, has started to deploy its high speed 200 Mbps cable broadband product as an addition to the standard 100 Mbps offer.

#### *Consumer*

The take-up of data services continues to grow, and data traffic growth on our networks is accelerating. We now have 165 million data users across the Group, driving a 77% year-on-year growth in data usage in H1 (59% in Europe and 110% in AMAP). In India alone we now have 57 million data users, of which 14 million are using 3G.

Our 10.5 million 4G customers across the Group use, on average, 2 to 3 times the amount of data as compared with 3G customers driven by the improved user experience offered by 4G data connections. As a result 4G now accounts for 21% of data traffic in our

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European markets, compared to 16% a year ago. We continue to enhance our 4G propositions with a mixture of attractive music, sport and TV content to increase adoption and usage. We now have content deals in 10 markets and 4G customers that buy content services typically use significantly more data than those without bundled content.

Our Vodafone Red plans, which offer unlimited calls and texts combined with generous data allowances, are now used by 16.1 million customers, with 3.9 million added in H1. Our Vodafone Red plans account for around half of service revenue in the consumer contract segment in Europe and typically lead to both higher data and voice usage as compared to standard plans, and the ARPU dilution from customers migrating to Red plans continues to stabilise. During the last quarter we launched Vodafone Red across India, taking the number of Vodafone markets to 21. We also introduced Vodafone Red + plans, which enable several customers to share one large data plan across a number of devices, in the UK and New Zealand, with more markets to follow later in the year.

Our transition from a predominantly mobile company to a unified communications provider is well advanced. Our fixed broadband customer base grew to around 11.2 million (10.5 million in Europe) at the end of the period, including 1.6 million customers gained from the acquisition of Ono in Spain in July 2014, making us one of the largest fixed broadband providers in Europe. Fixed service revenue across the Group now accounts for 18.7% of total service revenue.

The process of integrating KDG in Germany and Ono in Spain remains on track. In Germany cross-selling of fixed and mobile services and joint marketing of integrated plans is underway, the migration of DSL customers to cable has begun, and network integration has commenced. In Spain cross-selling started in August, the migration of DSL customers to fibre has commenced, and from 1 September one common leadership team manages both the fixed and mobile businesses.

Our fibre deployment plans in Italy, Spain, Portugal and Ireland are progressing. We have recently launched a combined fixed broadband and TV service in the Netherlands, and are announcing today our plans to launch residential broadband services in the UK in Spring 2015, leveraging the infrastructure acquired with Cable & Wireless Worldwide ( CWW ). Taking into account our wholesale agreements we have access to fibre passing 42 million homes across Europe, representing 29% of households, of which 4.4 million households actively use our fibre services.

## CHIEF EXECUTIVE'S STATEMENT

During the last quarter, we announced the acquisition of an additional 73% of the share capital of Hellas Online (HOL) for a total cash consideration of 72.7 million (£57 million), taking our interest to 91%. HOL is a leading provider of fixed broadband and telephony services in Greece and will accelerate our unified communications strategy in the Greek market. The transaction is expected to complete in the fourth quarter of the 2014 calendar year, following which Vodafone Greece will extend a mandatory takeover offer for the remaining shares in HOL. The purchase price implies an enterprise value for 100% of HOL of 311 million (£242 million).

We continue to drive adoption of a range of innovative consumer services to differentiate our offerings and deliver commercial benefits including incremental revenue and lower churn:

- Our money transfer service, M-Pesa, which operates principally in emerging markets, now serves 18.5 million active customers, up 16% on last year. During the period the M-Pesa product portfolio was enhanced with the introduction of our savings and loans proposition (M-Pawa), in partnership with the Commercial Bank of Africa, and our merchant proposition (Lipa Kwa M-Pesa), both in Tanzania.
- Our mobile payment service for European markets, Vodafone Wallet, expanded to the UK and Italy, taking the number of markets to five.
- Two million customers now take our mobile security services to protect against viruses and harmful websites in two markets – Italy and Portugal.

### *Enterprise*

In Enterprise we continue to focus on strategic growth areas, as corporate customers look to mobility to improve the productivity of their workforces and to enhance the value of services they provide to their own customers. Revenue at Vodafone Global Enterprise, which provides services to multinational companies, rose 1%\* in Q2, supported by a number of significant contract wins including new services for British Gas, Aviva and Robert Bosch. In machine-to-machine, in which we are a global market leader, revenue growth was 24%\*. The acquisition of Cobra Automotive Technologies, which was completed in August, expands our M2M capability beyond connectivity and significantly strengthens our telematics and application services capabilities.

We are also executing on our plans to become a key unified communications provider to businesses. 24% of our Enterprise service revenue in Europe is now from fixed line, as we invest in and enhance the platforms acquired with CWW to take services such as Cloud & Hosting and IP-VPN into new geographical markets. Vodafone One Net, our cloud-based integrated fixed and mobile platform for small and medium sized companies, is now used by 3.6 million customers, representing an increase of 11% year-on-year.

*Organisational efficiency*

We continue to use the benefits of our global reach and scale to standardise and simplify the way we do business to both improve our cost efficiency and improve customer service. We continue to centralise procurement within the Group; 15,000 employees work in lower cost shared service centres, as compared to 13,500 in March 2014; and the number of customers now using our MyVodafone mobile self-care app increased by 68% to 9.8 million, which helps to reduce calls made to call centres and in turn customer care costs.

**Outlook and guidance<sup>3</sup>**

The overall performance of the Group in the first half of the current financial year has been in line with our expectations. Competitive, macroeconomic and regulatory pressures, particularly in Europe, continue. However, we are seeing some signs of stabilisation in our commercial performance and operating trends, and some markets are beginning to demonstrate the early benefits of our Project Spring investment programme.

We anticipate that our investments will begin to translate into further improvements in network performance and customer perception over the coming quarters. In the medium term, this will become more consistently evident in key operational metrics such as churn and ARPU; and subsequently into revenue, profitability and cash flow.

We now expect EBITDA for the 2015 financial year to be in the range of £11.6 billion to £11.9 billion, and free cash flow to be positive, after all capex. Guidance excludes Ono.

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 movements in foreign exchange rates.

1 Adjusted earnings per share from continuing operations excludes the results and related tax charge of the Group's former investment in Verizon Wireless in the prior period and the recognition of deferred tax assets in both periods.

2 Free cash flow for the six months ended 30 September 2014 excludes £167 million of restructuring costs (2013: £107 million), a £365 million UK pensions contribution payment, £359 million of Verizon Wireless tax dividends received after the completion of the disposal, £328 million of interest paid on the settlement of the Piramal option, £116 million of KDG incentive scheme payments that vested upon acquisition and a £100 million (2013: £100 million) payment in respect of the Group's historic UK tax settlement.

3 See Guidance on page 7.

**GROUP FINANCIAL HIGHLIGHTS**

	Page	Six months ended 30 September		Change Reported %	Organic* %
		2014 £m	2013 £m		
<b><u>Statutory basis</u></b> <sup>1</sup>					
Group revenue	22	20,752	19,061	8.9	(3.0)
Operating profit	22	917	2,196	(58.2)	
Profit before taxation	22	406	1,514	(73.2)	
Profit for the financial period from continuing operations <sup>2</sup>	22	5,501	15,711	(65.0)	
Basic earnings per share <sup>2</sup>	22	20.48p	67.73p	(69.8)	
Net cash flow from operating activities	25, 32	3,691	3,878	(4.8)	
<b><u>Adjusted statutory basis</u></b>					
Group service revenue	8	19,139	17,532	9.2	(2.8)
EBITDA	8	5,884	5,576	5.5	(10.0)
EBITDA margin	8	28.4%	29.3%	(0.9pp)	(2.1pp)
Adjusted operating profit <sup>4</sup>	8	1,756	2,490	(29.5)	(29.9)
Adjusted profit before tax	10	1,074	1,949	(44.9)	
Adjusted effective tax rate <sup>5</sup>	10	30.6%	31.8%		
Adjusted profit attributable to owners of the parent	11, 41	697	1,303	(46.5)	
Adjusted earnings per share from continuing operations <sup>6</sup>	11, 41	2.63p	4.92p	(46.5)	
Capital expenditure	18	3,901	2,329	67.5	
Free cash flow <sup>7</sup>	18	1	1,947	(99.9)	
Net debt	18, 19	(21,832)	(23,933)	(8.8)	

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 movements in foreign exchange rates. See page 38 for Use of non-GAAP financial information .

1 Statutory basis prepared in accordance with IFRS accounting principles, including the results of the Group's joint ventures using the equity accounting basis and the profit contribution from Verizon Wireless to 2 September 2013 as discontinued operations.

2 Six months ended 30 September 2014 includes the recognition of £5,468 million of deferred tax assets in respect of tax losses in Luxembourg. Six months ended 30 September 2013 included the recognition of a deferred tax asset in respect of tax losses in Germany (£1,838 million) and Luxembourg (£16,069 million) and the estimated tax liability related to the rationalisation and reorganisation of our non-US assets prior to the disposal of our stake in Verizon Wireless (£3,016 million).

3 See page 38 for Use of non-GAAP financial information and page 45 for Definition of terms .

4 Adjusted operating profit has been redefined to exclude amortisation of customer bases and brand intangible assets of £637 million for the six months ended 30 September 2014 (2013: £125 million).

5 The adjusted effective tax rate for the six months ended 30 September 2013 has been restated to exclude the results and related tax expense of Verizon Wireless and to show the adjusted tax rate as calculated on the same basis as the current year.

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6 Adjusted earnings per share from continuing operations excludes the results and related tax charge of the Group's former investment in Verizon Wireless in the prior period and the recognition of deferred tax assets in both periods.

7 Free cash flow for the six months ended 30 September 2014 excludes £167 million of restructuring costs (2013: £107 million), a £365 million UK pensions contribution payment, £359 million of Verizon Wireless tax dividends received after the completion of the disposal, £328 million of interest paid on the settlement of the Piramal option, £116 million of KDG incentive scheme payments that vested upon acquisition and a £100 million (2013: £100 million) payment in respect of the Group's historic UK tax settlement.

## GUIDANCE

Please see page 38 for Non-GAAP financial information , page 45 for Definitions of terms and page 46 for Forward-looking statements .

### 2015 financial year guidance

	Original guidance £bn	Updated guidance £bn
EBITDA	11.4-11.9	11.6-11.9
Free cash flow	Positive	Positive

We now expect EBITDA to be in the range of £11.6 billion to £11.9 billion. We expect free cash flow to be positive after all capex, before the impact of M&A, spectrum purchases and restructuring costs. Total capex over the two years to March 2016 is expected to be around £19 billion, after which we anticipate capital intensity normalising to a level of 13-14% of annual revenue. Guidance excludes Ono.

### Assumptions

We have based guidance for the 2015 financial year on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of £1: 1.21, £1:INR 105.8 and £1:ZAR 18.4. It excludes the impact of licences and spectrum purchases, material one-off tax-related payments, restructuring costs and any fundamental structural change to the Eurozone. It also assumes no material change to the current structure of the Group.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact EBITDA by £60 million and have no material impact on free cash flow. A 1% change in the Indian Rupee to sterling exchange rate would impact EBITDA by £10 million and free cash flow by £5 million. A 1% change in the South African Rand to sterling exchange rate would impact EBITDA by £15 million and free cash flow by £5 million.

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## FINANCIAL RESULTS

### Group<sup>1</sup>

	Europe £m	AMAP £m	Other <sup>2</sup> £m	Eliminations £m	Six months ended 30 September		Change	
					2014 £m	2013 £m	Reported %	Organic* %
					7,900			
					5,498			
					1,351			
					3,575			
					815			
					<b>19,139</b>			
					1,613			
					<b>20,752</b>			
					(5,196)			
					(4,176)			
					(5,496)			
					<b>5,884</b>			
					(250)			
					(625)			
					(3,216)			
					(37)			
					<b>1,756</b>			
					(84)			
					(637)			
					(118)			



	917	
	(26)	
	(485)	
	(373)	
	5,468	
	5,501	
	-	
	5,501	

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 movements in foreign exchange rates. See page 38 for Use of non-GAAP financial information .
- 1 Current period reflects average foreign exchange rates of £1: 1.24, £1:INR 100.88 and £1:ZAR 17.86.
- 2 The Other segment primarily represents the results of partner markets and the net result of unallocated central Group costs.
- 3 The analysis of mobile and fixed line service revenue for the six months ended 30 September 2013 has been restated following the integration of CWW into the UK business.
- 4 Adjusted operating profit has been redefined to exclude amortisation of customer bases and brand intangible assets of £637 million for the six months ended 30 September 2014 (2013: £125 million).
- 5 Refer to page 29 for further details.

## FINANCIAL RESULTS

### Revenue

Group revenue increased by 8.9% to £20.8 billion and service revenue increased 9.2% to £19.1 billion. Reported growth rates reflect the acquisitions of Kabel Deutschland ( KDG ) in October 2013 and of Grupo Corporativo Ono, S.A. ( Ono ) in July 2014, as well as the consolidation of Italy after we increased our ownership to 100% in February 2014.

In Europe, service revenue declined by 6.5%\* as growing demand for 4G and data services continues to be offset by challenging competitive and macroeconomic pressures and the impact of MTR cuts.

In AMAP, service revenues increased by 5.7%\* driven by continued strong growth in India, Turkey, Ghana and Qatar, good growth in Vodacom and Egypt, partially offset by declines in New Zealand.

### EBITDA and operating profit

Group EBITDA increased 5.5% to £5.9 billion primarily driven by higher revenue partly offset by higher operating costs. On an organic basis, EBITDA fell 10.0%\* and the Group's EBITDA margin fell 0.9 percentage points to 28.4% (or -2.1\* percentage points on an organic basis), reflecting the impact of continued revenue declines in Europe, which offset broadly stable margins in AMAP.

Operating profit decreased to £0.9 billion from £2.2 billion in the prior period as higher EBITDA was offset by higher amortisation and depreciation, mainly due to the acquisition of KDG and the consolidation of Vodafone Italy.

### Discontinued operations

On 2 September 2013 the Group announced it had reached an agreement with Verizon Communications Inc. to dispose of its US group whose principal asset was its 45% interest in Verizon Wireless. The Group ceased recognising its share of results in Verizon Wireless on 2 September 2013, and classified its investment as a held for sale asset and the results as a discontinued operation. The transaction completed on 21 February 2014.

**Net financing costs**

	Six months ended 30 September	
	2014	2013
	£m	£m
		

Note:

1 Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances.

Net financing costs before interest on settlement of tax issues increased by 24% primarily due to recognition of net foreign exchange losses and net mark-to-market losses offset by the impact of lower average net debt levels following the disposal of the Group's investment in Verizon Wireless and the acquisition of Ono.

## FINANCIAL RESULTS

### Taxation

Six months ended 30 September	
2014	2013
£m	£m

Note:

1 See Earnings per share on page 11.

The adjusted effective tax rate for the six months ended 30 September 2014 was 30.6%. The rate is higher than expected due to the impact from foreign exchange losses for which we are unable to take a tax deduction. Excluding this impact the adjusted effective tax rate would be 29.5%. This is in line with our expectation for the year and our tax rate is expected to remain in the high twenties over the medium term.

This tax rate does not include the impact of the recognition of an additional £3,341 million deferred tax asset in respect of the Group's historic tax losses in Luxembourg. The losses have been recognised as a consequence of the financing arrangements for the acquisition of Ono. The rate also excludes the use of Luxembourg losses in the half year (£272 million) and an additional asset in the year of £2,127 million arising from the revaluation of investments based upon the local GAAP financial statements.

The adjusted effective tax rate for the six months ended 30 September 2013 has been restated to exclude the results and related tax expense of Verizon Wireless and to show the adjusted tax rate as calculated on the same basis as the current year. The rate excludes the recognition of an additional deferred tax asset in respect of the Group's historic tax losses in Germany of

£1,838 million (year ended 31 March 2014: £1,916 million) and Luxembourg of £16,069 million (year ended 31 March 2014: £17,402 million), the estimated US tax liability of £3,016 million (year ended 31 March 2014: £2,210 million) relating to the rationalisation and reorganisation of our non-US assets prior to the disposal of our interest in Verizon Wireless and excludes the use of Luxembourg losses in the half year (£232 million).

## FINANCIAL RESULTS

### Earnings per share

Adjusted earnings per share from continuing operations, which excludes the results and related tax charge of the Group's former investment in Verizon Wireless in the prior period and the recognition of deferred tax assets in both periods, was 2.63 pence, a decrease of 46.5% year-on-year, reflecting the Group's lower adjusted operating profit over the same period.

Basic earnings per share decreased to 20.48 pence (2013: 67.73 pence) due to the prior period impact of the disposal of the Group's investment in Verizon Wireless and the recognition of a higher deferred tax assets in the prior period compared to the current period, as described above, both of which have been excluded from adjusted earnings per share.

	5,422
	637
	84
	118
	26
	(197)
	<b>668</b>
	(5,383)
	-
	(10)
	<b>697</b>
	26,470
	26,615
	20.48p
	2.63p

#### Notes:

- 1 Six months ended 30 September 2014 includes the recognition of £5,468 million of deferred tax assets in respect of tax losses in Luxembourg. Six months ended 30 September 2013 includes the recognition of a deferred tax asset in respect of tax losses in Germany (£1,838 million) and Luxembourg (£16,069 million) and the estimated tax liability related to the rationalisation and reorganisation of our non-US assets prior to the disposal of our stake in Verizon Wireless (£3,016 million).
- 2 Discontinued operations represent the results and related tax charge of our US group whose principal asset was its 45% interest in Verizon Wireless, the disposal of which was announced on 2 September 2013 and completed on 21 February 2014.
- 3

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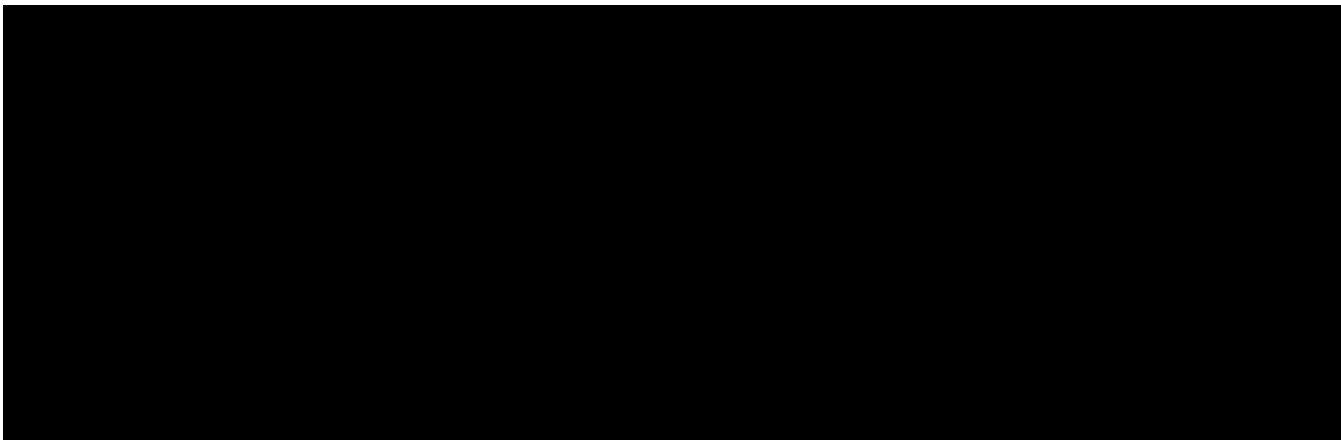
On 19 February 2014, we announced a 6 for 11 share consolidation effective on 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) as at the close of business on 18 February 2014 to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014. Prior year comparatives have been restated.

## FINANCIAL RESULTS

### Europe

6,104
2,610
710
3,104
555
13,083
891
13,974
(3,274)
(3,173)
(3,569)
3,958
(71)
(530)
(2,418)
(2)
937
28.3%

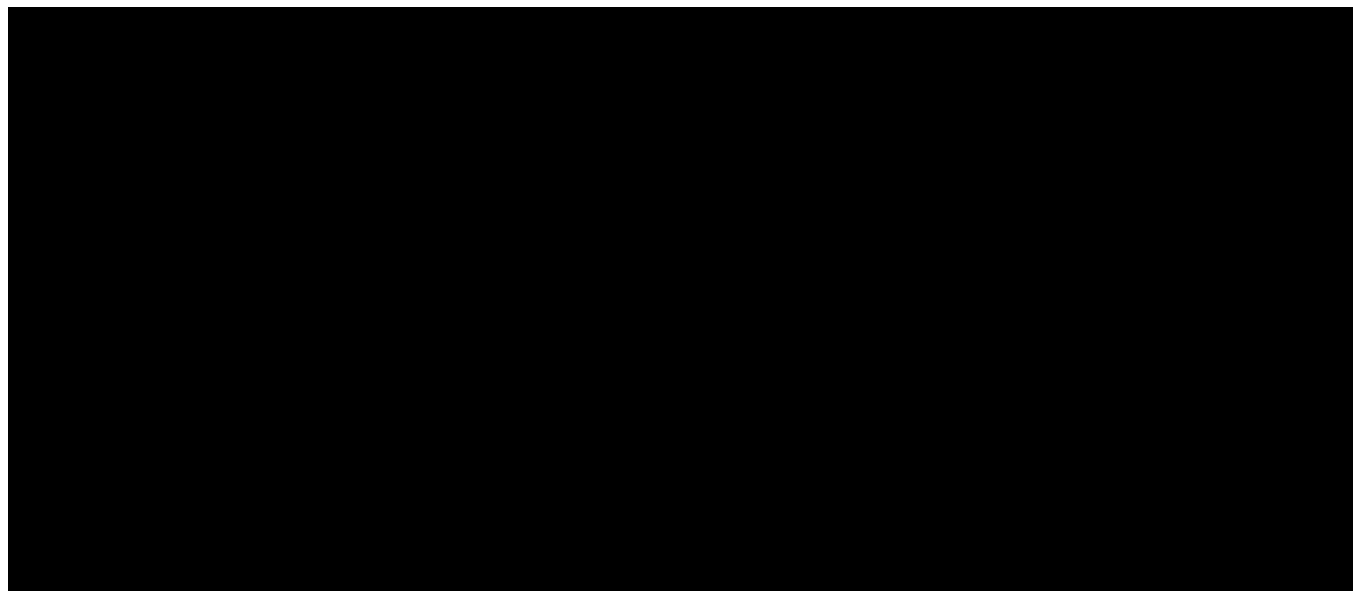




## FINANCIAL RESULTS

Revenue increased 18.6%. M&A activity, including KDG, Ono and the consolidation of Vodafone Italy, contributed a 31.0 percentage point positive impact, while foreign exchange rate movements contributed a 5.3 percentage point negative impact. On an organic basis service revenue declined 6.5%\*, driven primarily by a challenging operating environment in many markets, continued competition and the impact of MTR cuts.

EBITDA increased 17.1%, including a 39.1 percentage point positive impact from M&A activity and a 5.7 percentage point adverse impact from foreign exchange rate movements. On an organic basis EBITDA decreased 16.3%\*, resulting from a reduction in organic service revenue in most markets, partially offset by increased cost efficiencies.



Note:

\* 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 movements in foreign exchange rates. See page 38 for Use of non-GAAP financial information .

### Germany

Service revenue in H1 decreased 4.2%\* excluding KDG, but increased quarter-on-quarter in local currency.

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Mobile service revenue declined 4.6%\* due mainly to the impact of price reductions implemented in the previous year. However, ARPU continued to stabilise quarter-on-quarter. The contract customer base continued to grow, driven by improved commercial performance and continued focus on Vodafone Red and 4G where we had over 3.8 million customers and 2.3 million customers respectively at 30 September 2014. The roll-out of 4G services continued with a focus on urban areas, with overall outdoor population coverage of 71% as at 30 September 2014, and we continued to make significant further improvements to our voice and data networks.

Fixed line revenue decreased 2.9%\* excluding KDG. KDG maintained its strong growth and contributed £752 million to service revenue and £338 million to EBITDA.

EBITDA declined 16.4%\*, with a 4.5\* percentage point decline in EBITDA margin, driven by lower service revenue and a higher level of customer investment.

### Italy

Service revenue decreased 13.0%\* as improving trends in both mobile and fixed line, led by higher prices and improvements in the enterprise segment, were offset by the continuing effects of last year's summer prepaid price war, the difficult macroeconomic environment, and the negative impact of MTR cuts effective from July 2013.

Mobile service revenue declined 15.4%\* due to the lower prepaid customer base and lower ARPU following last year's price cuts. Although there has been some recovery in prices, the consumer mobile market remains very competitive. Enterprise continued its strong commercial performance, with service revenue close to flat in Q2. Customer take-up of Vodafone Red, which had over 1.5 million customers at 30 September 2014, has continued to increase, leading to improved churn in the contract segment. 4G outdoor population coverage reached 64% at 30 September 2014.

Fixed line revenue grew 1.7%\*, with continued broadband revenue growth, supported by further broadband customer additions, partially offset by declining fixed line voice usage. Vodafone Italy now offers fibre services in 8 cities and is continuing to progress on its own fibre build plans, with around 600 street cabinets connected to Vodafone fibre at 30 September 2014.

## FINANCIAL RESULTS

EBITDA declined 21.7%\*, with a 3.5%\* percentage point decline in EBITDA margin. The impact of lower service revenue was only partially offset by lower direct costs and customer investment, and strong efficiency improvements delivered on operating expenses, which fell 3.1%\*.

### UK

Service revenue decreased 3.1%\* as consumer service revenue growth was offset by declines in fixed line and enterprise.

Mobile service revenue declined 0.5%\*. We delivered strong growth in the consumer contract segment due to positive contract customer additions, continued good traction for ARPU accretive 4G plans bundled with content, and increased customer take-up of Vodafone Red plans, which was offset by pricing pressures in the fixed and enterprise segments. The roll-out of 4G services continued, with outdoor population coverage reaching over 48% and nearly 1.4 million 4G customers as at 30 September 2014.

Organic fixed line revenue (which includes the UK portion of CWW and carrier services) decreased 10.4%\* as a result of low conversion of the sales pipeline and lower fixed termination rates. The sales pipeline continues to grow, supporting future revenue trends.

During the period we acquired 139 Phones 4U stores which will all be rebranded as Vodafone stores in November 2014 and signed a new multi-year distribution agreement with Dixons Carphone.

EBITDA declined 8.1%\*, with a 0.9\* percentage point decline in the EBITDA margin, driven by the lower service revenue and higher customer investment.

### Spain

Service revenue decreased 12.4%\* excluding Ono as a result of continued intense convergence price competition, macroeconomic pressure and an MTR cut from July 2013.

Mobile service revenue declined 14.8%\* as a result of price reductions, a change in mix towards mid-tier handsets and increased SIM-only take-up. New tariffs with content have been launched to stabilize the ARPU trend in recent quarters. Despite the competitive environment, we continued to reduce customer churn as a result of an improved customer experience and the continued take-up of Vodafone Red plans, with over 1.8 million customers at 30 September 2014. In Q2, we achieved contract net

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additions growth for the first time in 3 years. We had over 1.7 million 4G customers as at 30 September 2014, with overall 4G outdoor population coverage of 63%.

Fixed line revenue grew 10.1%\* excluding Ono, supported by strong net broadband customer additions. We now have more than 0.8 million homes covered by our joint fibre network with Orange. Following the acquisition of Ono on 23 July 2014, Ono contributed £199 million to service revenue and £86 million to EBITDA. The integration of Vodafone Spain and Ono continues to progress with the cross-selling of products already underway.

EBITDA declined 43.0%\*, with a 7.8\* percentage point decline in EBITDA margin, driven by lower service revenue, partially offset by lower direct costs and customer investment as well as lower operating expenses, which fell 2.9%\*.

### Other Europe

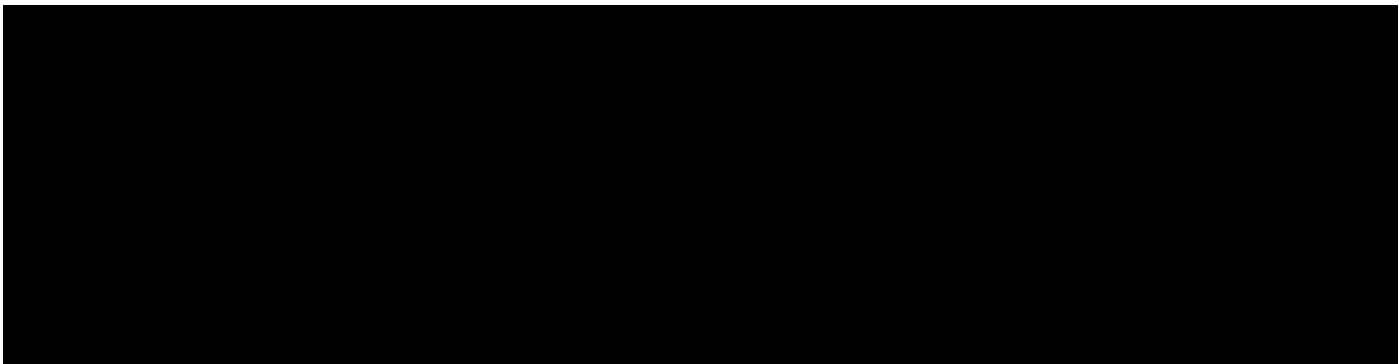
Service revenue declined 3.2%\* due to price competition, the challenging macroeconomic environment and MTR cuts. Service revenue declined 2.2%\*, 4.0%\* and 4.7%\* in the Netherlands, Portugal and Greece respectively. However, in every market apart from Portugal and Malta, the service revenue trend improved in Q2 from Q1. In the Netherlands, we now have nationwide 4G coverage, continue to grow the mobile contract base, and ARPU is stabilizing. In Portugal mobile service revenue continues to decline due to intense converged price competition while, in fixed line, revenue continues to grow, and we now have 1.2m households connected with fibre. In Greece the revenue trend is improving due to customer base growth and ARPU stabilisation.

EBITDA declined 4.2%\*, with a 0.3\* percentage point increase in EBITDA margin, driven by lower revenues, partially offset by lower direct costs, customer investment and operating expenses.

## FINANCIAL RESULTS

### Africa, Middle East and Asia Pacific

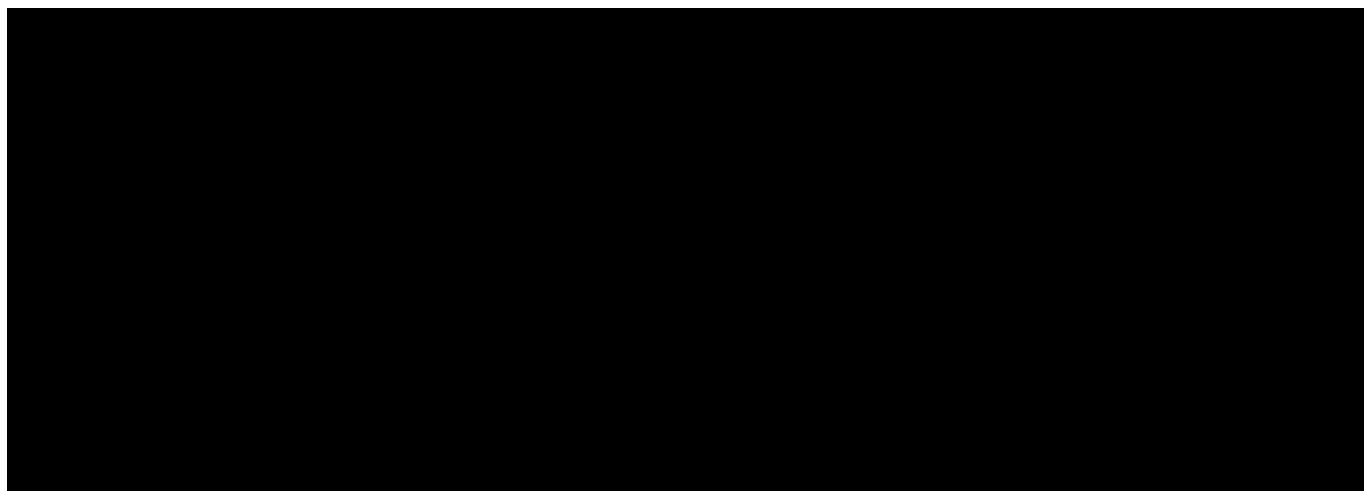
1,697
2,876
641
378
239
<b>5,831</b>
635
<b>6,466</b>
(1,739)
(1,019)
(1,757)
<b>1,951</b>
(179)
(95)
(803)
(35)
<b>839</b>
<b>30.2%</b>



## FINANCIAL RESULTS

Revenue declined 7.2% as a result of a 13.7 percentage point adverse impact from foreign exchange rate movements, particularly with regards to the Indian rupee, the South African rand and the Turkish lira. On an organic basis service revenue grew 5.7%\* driven by a higher customer base, increased customer voice usage and demand for data and strong commercial execution, partially offset by the impact of MTR reductions.

EBITDA decreased 8.2%, including a 13.2 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA grew 5.3%\* driven by strong growth in India, Turkey, Qatar and Ghana, and an improved performance in Egypt.



Note:

\* 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 movements in foreign exchange rates. See page 38 for Use of non-GAAP financial information .

### India

Service revenue increased 11.7%\*, driven by continued customer growth, strong data usage and improved voice pricing. Mobile customers increased by 7.3 million during the first half of the financial year giving a closing customer base of 173.8 million at 30 September 2014.

Data usage grew 94.6%, primarily driven by mobile internet customer growth. At 30 September 2014 active data customers totalled 57.2 million, including 13.6 million 3G customers and 33.9 million smartphone users representing 19.5% penetration of the total customer base.



We continue to make good progress on several key initiatives. We have accelerated our Project Spring investment programme, with 3,145 3G sites added in Q2 (Q1: 2,305), taking 3G coverage in targeted urban areas to 89%. Vodafone Red was launched in India in August, attracting some 163,000 customers by the end of September. M-Pesa continues to expand rapidly, with over 79,000 sales agents and 2.1 million registered customers (Q1: 1.5 million), of which approximately 370,000 are active.

EBITDA grew 11.9%\*, with EBITDA margins remaining stable, as higher service revenue and resulting economies of scale on costs were offset by higher acquisition costs.

#### Vodacom

Service revenue increased 0.2%\* as growth in Vodacom's mobile operations outside South Africa were offset by the negative impact of MTR cuts in South Africa.

In South Africa, organic service revenue decreased 1.3%\* as strong growth in data revenue of 21.6%\* driven by higher active data customers and smartphone penetration was offset by intensifying price competition and a 4.2 percentage point negative impact of an MTR cut which took effect from 1 April 2014. We relaunched M-Pesa in South Africa in August with a segmented proposition offer.

Vodacom's mobile operations outside of South Africa delivered service revenue growth of 6.2%\* mainly from continued customer base growth as we continue to invest in expanding our data and voice networks. M-Pesa continued to perform well across all of Vodacom's mobile operations outside of South Africa, with over 5 million customers actively using the service.

EBITDA declined 2.7%\* with a 1.3\* percentage point decrease in EBITDA margin, driven by the reduced MTRs, weaker currency and increased customer investment.

## FINANCIAL RESULTS

On 14 April 2014, Vodacom announced the acquisition of the Vodacom customer base from Nashua Mobile, a mobile cellular service provider for South African mobile network operators. The transaction was approved by the Competition Commission on 29 September 2014. Customer migration will commence by the end of the 2014 calendar year.

We aim to complete the acquisition of Neotel by the end of the 2015 financial year, subject to regulatory approval.

### Other AMAP

Service revenue increased 5.1%\*, with growth in Turkey, Egypt, Qatar and Ghana which was partially offset by a decline in New Zealand.

Service revenue in Turkey increased 7.1%\* reflecting continued strong growth in consumer contract and enterprise revenue, including higher ARPU and data usage, partly offset by a negative impact from voice and SMS MTR cuts. As at 30 September 2014 the total customer base in Turkey was 20.6 million, with continued acceleration in net additions largely driven by contract, Vodafone Red and higher smartphone penetration.

In Egypt service revenue increased 1.7%\* as a result of an increase in data and voice usage and a more stable economic environment. Revenue increased 23.7%\* in Qatar due to continued net customer additions and the success of segmented commercial offers. In Ghana, service revenue grew 19.1%\*, driven by an increase in customers, higher data usage and re-pricing to mitigate the impact of the deteriorating economy.

EBITDA grew 9.8%\* with a 0.6\* percentage point improvement in EBITDA margin due to higher service revenue, the resulting economies of scale on costs and more efficient customer investment.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows and funding

	Six months ended 30 September	
	2014 £m	2013 £m
	5,884	
	(1,072)	
	45	
	<b>4,857</b>	
	(3,907)	
	(3,901)	
	(6)	
	62	
	<b>1,012</b>	
	(418)	
	127	
	-	
	127	
	(140)	
	(580)	
	<b>1</b>	
	(127)	
	(6,679)	
	(1,979)	
	-	
	843	
	-	
	(191)	
	<b>(8,132)</b>	
	(13,700)	
	<b>(21,832)</b>	

#### Notes:

- 1 Cash generated by operations, operating free cash flow and free cash flow have been redefined to exclude restructuring costs for the six months ended 30 September 2014 of £167 million (2013: £107 million). See also note 4 below.
- 2 Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the period.
- 3 Acquisitions and disposals for the six months ended 30 September 2014 primarily includes a £2,945 million payment in relation to the acquisition of the entire share capital of Ono plus £2,858 million of associated net debt acquired, a £563 million payment in relation to the acquisition of the remaining 10.97% equity interest in Vodafone India and £131 million payment in relation to acquisition of the entire share capital of Cobra plus £40 million of associated debt acquired.
- 4 Other cash flows for the six months ended 30 September 2014 include £167 million of restructuring costs (2013: £107 million), a £365 million UK pensions contribution payment, £359 million of Verizon Wireless tax dividends received after the completion of the disposal, £328 million of interest paid on the settlement of the Piramal option, £116 million of KDG incentive scheme payments that vested on acquisition and a £100 million (2013: £100 million) payment in respect of the Group's historic UK tax settlement.

Cash generated by operations decreased by 12.9% to £4.9 billion, primarily driven by working capital movements which more than offset the higher EBITDA.

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Free cash flow decreased to £1 million compared to £1.9 billion in the prior period as lower payments for taxation were offset by higher cash capital expenditure and lower dividends received from associates and investments.

Capital expenditure increased £1.6 billion to £3.9 billion primarily driven by investments in the Group's networks as a result of Project Spring.

Payments for taxation decreased 72.0% to £0.4 billion and dividends received from associates and investments decreased £1.3 billion to £0.1 billion primarily as a result of the Group's disposal of its 45% interest in Verizon Wireless.

A foreign exchange gain of £0.8 billion was recognised on net debt due to favourable exchange rate movements resulting primarily from the weakening of the Euro and the Indian Rupee against Sterling.

## LIQUIDITY AND CAPITAL RESOURCES

Analysis of net debt:

	30 September 2014 £m	31 March 2014 £m
	5,891	
	(417)	
	(3,562)	
	(1,391)	
	(3,483)	
	(1,588)	
	(10,441)	
	(5)	
	(22,171)	
	(22,176)	
	4,894	
	(21,832)	

Notes:

- 1 At 30 September 2014 US\$3,311 million was drawn under the US commercial paper programme and 1,953 million was drawn under the euro commercial paper programme.
- 2 At 30 September 2014 the amount includes £1,476 million (31 March 2014: £1,185 million) in relation to cash received under collateral support agreements.
- 3 Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (30 September 2014: £2,798 million; 31 March 2014: £2,443 million) and trade and other payables (30 September 2014: £726 million; 31 March 2014: £881 million) and short-term investments primarily in index linked government bonds and a managed investment fund included as a component of other investments (30 September 2014; £2,822 million, 31 March 2014: £3,805 million).

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

Maturity	30 September 2014 £m
	2,617
	3,006
	798
	6,421

Notes:

- 1 Both facilities support US and euro commercial paper programmes of up to US\$15 billion and £5.0 billion, respectively.
- 2 US\$155 million of this facility matures March 2016.

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The Group's £3,562 million of commercial paper due to mature within one year is covered 1.8 times by £6,421 million in undrawn committed facilities. In addition, the Group has historically generated significant amounts of free cash flow which has been allocated to pay dividends, repay maturing borrowings and pay for discretionary spending.

The Group has a 30 billion euro medium-term note ( EMTN ) programme and a US shelf registration programme which are used to meet medium to long-term funding requirements. At 30 September 2014 the total amounts in issue under these programmes split by currency were US\$14.6 billion, 7.8 billion and £1.7 billion.

At 30 September 2014 the Group had bonds outstanding with a nominal value of £17.3 billion (31 March 2014: £17.0 billion). During the six months ended 30 September 2014 the Group issued a 1.75 billion bond which matures in September 2020 and a 1.0 billion bond that matures in September 2025.

### **Dividends**

The directors have announced an interim dividend per share of 3.60 pence, representing a 2.0% increase over the prior financial year's interim dividend. The ex-dividend date for the interim dividend is 20 November 2014 for ordinary shareholders, the record date is 21 November 2014 and the dividend is payable on 4 February 2015. Dividend payments on ordinary shares will be paid directly into a nominated bank or building society account.

## RISK FACTORS

There are a number of key factors and uncertainties that could have a significant effect on the Group's financial performance, including the following:

### Network or IT systems failure

Major failures of, or malicious attacks on, our network or IT systems may result in service interruption and consequential customer and revenue loss.

### Failure to protect customer information

We host increasing quantities and types of customer data in both our enterprise and consumer segments, and any failure to protect adequately this data could affect our reputation or lead to legal action.

### Competition

We operate in an increasingly competitive environment, where all operators are looking to secure a growing share of the potential customer base. This may lead to lower future revenues and profitability.

### Regulation

We are required to comply with an extensive range of regulatory requirements including the licensing, construction and operation of our networks and services. To the extent that we need to commit significant expenditure and resources to maintain such compliance, our business, financial condition and results of operation could be materially and adversely affected.

### Converged and over-the-top (OTT) services

Several of our competitors offer converged services that we may not be able to replicate or provide at similar price points. Furthermore, recent advances in smartphone technology have been more focused on the type and quality of applications, operating systems and devices being offered, rather than the quality of services provided by operators. To the extent that consumers may in the future prefer to use applications and services offered by our competitors over those that we offer, notwithstanding the quality of our services, our revenues could be materially and adversely affected.

### Weak economic conditions

Economic conditions in many markets, especially in Europe, continue to stagnate or show nominal levels of growth. Some markets remain impacted by austerity measures which could affect disposable incomes and may result in customers moving to lower-priced plans or giving up their mobile devices.

### Health risks

Concerns have been expressed that the electromagnetic signals emitted by mobile handsets and base stations may pose health risks. While authorities, including the World Health Organization ( WHO ), agree that there is no convincing evidence that exposure to radio frequency fields from mobile devices and base stations operated within guideline limits will result in any adverse health effects, such concerns, to the extent that they result in unfavourable press coverage or affect public perception of our services in the markets in which we operate, could result in material adverse effects on our business, financial condition, results of operations and prospects.

### Integration of acquired businesses

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The consideration that we pay for businesses that we acquire is based upon current and future expected cash flows that are expected to be generated from benefits and synergies resulting from being part of the Vodafone Group. If market conditions negatively impact the Group's future expected cash flows, or if we fail to deliver any expected integration benefits and synergies, then there may be an impairment of the carrying value of the acquired business.

### Key suppliers

We depend on a limited number of suppliers for strategically important network and IT infrastructure and associated support services to operate and upgrade our networks and provide key services to our customers. Our operations could be materially and adversely impacted by the failure of any of our key suppliers.

### Tax disputes

We operate in many jurisdictions around the world and have from time to time been involved in disputes with tax authorities on the amount of tax due. For example, we are currently involved in an ongoing tax dispute in India, where the Indian Government has introduced retrospective legislation that overturns a decision by the India Supreme Court which would have avoided adverse tax consequences for the Group.

### Impairment assumptions

Any future revisions to the assumptions used in assessing the recoverability of goodwill, including discount rates, estimated future cash flows or anticipated changes in operations, could lead to the impairment of certain Group assets.

### **Currency related risks**

The Group is subject to a range of currency risks primarily related to its operations in Europe, India and South Africa. In Europe, the Group faces a number of operational and financial risks resulting from the challenging economic conditions and we continue to review our policies and procedures to minimise the Group's economic exposure and to preserve our ability to operate in a range of potential conditions that may exist in the future. The main potential short-term financial statement impact of the current economic uncertainties is the potential impairment of non-financial and financial assets. We have performed impairment testing for each country in Europe as at 30 September 2014 and did not identify any required impairment changes. The significant areas of additional risk for the Group are investment risk, particularly in relation to the management of the counterparties holding our cash and liquid investments; trading risks primarily in relation to procurement and related contractual matters; and business continuity risks focused on cash management in the event of disruption to banking systems.

Further information in relation to these risk factors and uncertainties, which have not changed materially since 31 March 2014, can be found on pages 46 to 47 and on pages 196 to 200 of the Group's annual report for the year ended 31 March 2014, which is available at [Vodafone.com/investor](http://Vodafone.com/investor).



## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ; and
- the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 4.2.8R.

Neither the Company nor the directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

By Order of the Board

Rosemary Martin

Group General Counsel and Company Secretary

11 November 2014

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated income statement

	20,752
	(15,476)
	5,276
	(1,707)
	(2,499)
	(35)
	(118)
	917
	(26)
	305
	(790)
	406
	5,095
	5,501
	-
	5,501
	5,422
	79
	5,501
	20.48p
	20.37p
	20.48p
	20.37p

The accompanying notes are an integral part of the unaudited condensed financial statements.

### Consolidated statement of comprehensive income

	5,501
	5
	(3,016)

	(1)	
	(4)	
	(149)	
	<b>(3,165)</b>	
	(13)	
	<b>(13)</b>	
	<b>(3,178)</b>	
	<b>2,323</b>	
	2,221	
	102	
	<b>2,323</b>	

The accompanying notes are an integral part of the unaudited condensed financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated statement of financial position

