

Vodacom Group Limited

Trading update for the quarter ended 30 June 2019

Results announcement

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

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(Vodacom)

News release

Vodacom Group Limited trading update for the quarter ended 30 June 2019

25 July 2019

Key Highlights

- Solid Group revenue growth of 4.2% (1.9%*) to R21.5 billion and service revenue up 3.9% (1.2%*) to R17.4 billion.
- Added 608 000 customers in South Africa in the quarter, 522 000 added in prepaid and contract customer base grew by 8.9%.
- Added 560 000 customers in our International operations, up 5.3%.
- Strong International service revenue growth of 19.6% (8.1%*) to R5.1 billion, supported by continued success in M-Pesa and data.
- Group data customers increased to 38.9 million adding 1.3 million in the quarter.
- M-Pesa revenue increased 42.7% (28.4%*) to R905 million, representing 17.7% of International service revenue.
- South Africa service revenue declined 1.2% to R12.6 billion, negatively impacted by the proactive reduction in out-of-bundle data rates, data usage regulations and the transition between national roaming partners.

Rm	Quarter ended 30 June 2019		% change	
	2019	2018	Reported	Normalised*
Group service revenue	17 433	16 773	3.9	1.2
South Africa	12 577	12 736	(1.2)	(1.2)
International	5 112	4 275	19.6	8.1
Group revenue	21 527	20 653	4.2	1.9
South Africa	16 559	16 515	0.3	0.3
International	5 276	4 424	19.3	7.7

Shameel Joosub, Vodacom Group CEO commented:

Growth from our International portfolio offset the anticipated slower performance in South Africa, which was impacted by new data usage regulations, significant data price cuts and a subdued economy weighing on consumer spend.

Revenue and service revenue at a Group level grew by 4.2% and 3.9% respectively. Excluding Safaricom, we added 1.2 million customers in the three-month period, serving 79 million customers across the Group, having added 2.4 million customers in total to the Vodacom network over the past year.

Despite the impact of cyclones Idai and Kenneth in Mozambique, International service revenue increased by 19.6% (8.1%*), largely driven by a 42.7% (28.4%*) increase in M-Pesa revenue and data demand. M-Pesa revenue of R905 million accounted for 17.7% of International service revenue, boosted by an overall improved trend in each of our International markets and Tanzania in particular.

In South Africa, service revenue was negatively impacted by the further substantial reduction in out-of-bundle tariffs announced in March as part of our sustained pricing transformation strategy to bring down the prices of our data services. The impact from three months of ICASA's data usage regulations, the transition between national roaming partners and the tough retail operating environment, were other contributors to the 1.2% decline in service revenue in South Africa. Acceleration in the growth in data

Notes:

The quarterly information has not been audited or reviewed by Vodacom's external auditors.

All growth rates quoted are year-on-year and refer to the quarter ended 30 June 2019 compared to the quarter ended 30 June 2018.

Certain financial information presented in this results announcement constitutes *pro-forma* financial information in terms of the JSE Listings Requirements. The applicable criteria on the basis of which this *pro-forma* financial information has been prepared is set out in the supplementary information on pages 13 to 14.

Amounts marked with an * in this document, represent normalised growth which presents performance on a comparable basis. This excludes merger and acquisition activity and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current year as base).

The *pro-forma* financial information has not been audited or reviewed or otherwise reported on by external auditors.

traffic of 52%, and the 45% jump in revenue from our Financial Services business were among the key highlights in South Africa from the quarter.

We are encouraged by President Cyril Ramaphosa's commitment, made in his address at the Fourth Industrial Revolution South Africa Digital Economy Summit, to award new spectrum. This is a vital part of reducing input costs and further bringing down data prices in South Africa, where lengthy delays in completing the digital migration and allocating 4G spectrum has curbed the pace at which data prices could have fallen. Clear policy direction for the country's telecommunications industry is also expected to restore investor confidence in South Africa and boost economic growth.

Looking ahead, we expect to conclude the acquisition of the M-Pesa brand and platform and together with the recent launch of VodaPay, to further enhance the performance of our Financial Services business. We are also encouraged by the growth potential from the IoT.nxt¹ acquisition and AWS partnership agreement announced earlier this year. We expect growth in the second half of the year to improve in South Africa, benefitting from the completion of the national roaming partner switch over and improved commercial momentum in financial services.

It is with deep sadness that we received the news that our colleague Bob Collymore, CEO of Safaricom passed away in July. On behalf of our Board and staff at Vodacom, I extend our deepest condolences to Bob's family and all the staff of Safaricom.

¹ Pending Competition Commission approval.

Operating review

South Africa

Revenue grew by 0.3% and service revenue declined by 1.2%. Service revenue was negatively impacted by three months impact from the End-User Subscriber Service Charter (EUSSC) which came into effect on 1 March 2019, out-of-bundle data rate reduction, proactive pricing transformation, the transition between national roaming partners and a weaker consumer environment. Revenue was boosted by the increase in tower sharing revenue with other operators and an increase in equipment revenue.

Customers increased 1.5% reaching 43.8 million, with 522 000 additions in the prepaid segment and 86 000 new contract customers.

Mobile contract customer revenue was down 3.3%. Contract customer growth of 8.9% and price plan increases implemented on 1 April, were offset by the 50% reduction in out-of-bundle rates, continued efforts to transform data pricing and the effects of a full quarter of EUSSC regulation.

Prepaid customer service revenue declined 1.9% with declines in out-of-bundle data revenue partly offset by good customer growth. We continue to see strong customer additions in this segment as consumers opt for competitive hourly, daily and weekly bundles. We also introduced a new integrated Power Hour, where data is now part of this proposition, appealing mainly to value seekers in the market.

Data traffic increased 51.9%, an acceleration from the previous quarter's growth of 42.0%, reflecting improved demand. We have seen an increase in the migration of customers to larger bundles as customers consume more data through our shorter validity period bundles, with the proportion of bundles sold above 100MB almost doubling year-on-year. Data bundle sales increased 6.3% to 233 000. Average usage on smart devices increased 52.2% to 1.2 GB, with ample room for further growth. 4G take up continues to grow, with devices increasing 28.1% to 10.4 million.

Our platforms to drive access to affordable content have proven successful in stimulating reasons to consume data. Video Play now boasts just under 900 000 customers, while we continue to see good traction in My Muze with 1.5 million downloads to date, as well as launching our new gaming platform PlayInc.

Revenue from Financial Services increased 45.4% to R481 million. We advanced R2.4 billion in airtime via our Airtime Advance platform with 9.7 million customers utilising this service. Insurance revenue increased 21.6%, driven by the introduction of new products and services. We launched the third element of our financial services strategy in the pay segment with the introduction of VodaPay in June, enabling direct airtime purchases and bill payments for electricity and other payments.

Enterprise service revenue declined by 3.7% reflecting mobile out-of-bundle revenue declines, as Enterprises used the new EUSSC regulation to control spend. Fixed line revenue increased 17.2% supported by the growth in cloud and hosting and IPVPN revenue.

There was an ongoing impact from the transition between national roaming partners during the quarter. However, Telkom discontinued roaming services with MTN at the end of the quarter, and all Telkom roaming traffic is now being directed through our network. As a result, we expect national roaming revenue to recover to previous levels.

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International

Our International operations continued their strong momentum in the first quarter of the year with further growth in Tanzania and the DRC. Mozambique grew strongly but at a slightly slower pace than last year given the damage caused by cyclones to our network infrastructure.

Service revenue increased 19.6% (8.1%*) supported by the success of M-Pesa and strong growth in data revenue. We added 560 000 customers in the quarter, reaching 35.2 million, up 5.3%. We expect modest customer growth in Tanzania and the DRC, following implementation of more onerous customer registration requirements.

Data revenue increased 30.9% (19.1%*), driven by a 8.5% increase in customers to 19.0 million. Data revenue represents 16.6% of service revenue up from 15.2% a year ago, with 53.9% of our customers using data.

M-Pesa revenue grew strongly increasing by 42.7% (28.4%*), representing 17.7% of service revenue. We added 686 000 M-Pesa customers in the quarter, up 11.6% to 14.2 million; we now have 40.3% of our customers using our financial services offering. We continue to expand our platform. In Tanzania, for example, we launched Halal-Pesa, an Islamic mobile money service in collaboration with Amana Bank enabling customers who have micro savings and investments with a solution that adheres to Islamic laws. On average for the quarter, 720 million transactions were processed monthly through the M-Pesa system, growing at 22.8% yoy.

We accelerated our 4G site expansion and strengthened our data network to support the increased demand for data services.

Safaricom

Results for Vodacom's associate investment in Safaricom are disclosed on a bi-annual basis and therefore are not included in this quarterly update.

Regulatory matters

Electronic Communications Amendment Bill (ECA Bill)

On 17 November 2017, the Ministry of Telecommunications and Postal Services published an invitation to provide comments on the ECA Bill, having its origins in the Integrated Information and Communication Technology ICT Policy White Paper of 2 October 2016. Following written submission and public hearings on the proposed ECA Bill, the Minister withdrew the bill on 12 February 2019. The effect of the bill's withdrawal is that the licensing of High Demand Spectrum can be managed under the existing legislation; in this regard the Ministry is due to issue a new Policy Direction to the Independent Communications Authority of South Africa (ICASA).

Competition Commission data service market inquiry

The Competition Commission initiated a market inquiry into data services on 30 November 2017. The purpose of the inquiry is to understand what factors or features of the market or markets and value chain may cause or lead to high prices for data services, and to make recommendations that would result in lower prices for data services. This inquiry covers all market participants involved at any point in the value chain for any form of data services that are provided to customers such as government, businesses and consumers in South Africa. The Competition Commission issued a summary of provisional findings and recommendations on 24 April 2019. Vodacom submitted comments to these findings and recommendations on 14 June 2019. The submission reflects on: a wide range of pricing strategies to ensure that services are accessible by all (including low-income households); the impact on costs as a result of the lack of spectrum; and the level of competition across markets as well as submitting updated information on outdated pricing and facts used in the preliminary report. Following the submissions, the Competition Commissioner will schedule meetings with key stakeholders. The date for completion of the data market inquiry is 31 December 2019. We anticipate that the findings from the data service market enquiry will be used as input into ICASA's priority market review.

ICASA priority market review

ICASA's review to assess the state of competition, and to determine whether there are markets or market segments within the mobile broadband services value chain that may require regulatory intervention, is ongoing. It is expected that ICASA will publish preliminary findings on the matter in the third quarter of 2019. ICASA aims to finalise the review into the mobile broadband services market during FY 2020.

DRC 2G Licence

Vodacom Congo resolved a long standing dispute over a claim that its 2G licence was not properly renewed. Vodacom Congo will pay US\$30 million for the renewal of its licence, extending its validity to 2039, plus US\$6.9 million in penalties and administrative costs.

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Financial review

Revenue for the quarter ended

Rm	30 June 2019	31 March 2019	30 June 2018	YoY % change	
				Reported	Normalised*
South Africa	16 559	17 053	16 515	0.3	0.3
International	5 276	5 027	4 424	19.3	7.7
Corporate and eliminations	(308)	(332)	(286)	(7.7)	(7.7)
Group revenue	21 527	21 748	20 653	4.2	1.9

Service revenue for the quarter ended

Rm	30 June 2019	31 March 2019	30 June 2018	YoY % change	
				Reported	Normalised*
South Africa	12 577	12 845	12 736	(1.2)	(1.2)
International	5 112	4 885	4 275	19.6	8.1
Corporate and eliminations	(256)	(289)	(238)	(7.6)	(7.6)
Group service revenue	17 433	17 441	16 773	3.9	1.2

Revenue for the quarter ended 30 June 2019

Rm	South Africa	YoY % change	International	YoY % change	Corporate/ Eliminations	Group	YoY % change
Mobile contract revenue	4 850	(3.3)	310	23.0	(1)	5 159	(2.0)
Mobile prepaid revenue	5 730	(1.9)	4 032	21.4	(1)	9 761	6.5
Customer service revenue	10 580	(2.5)	4 342	21.5	(2)	14 920	3.4
Mobile interconnect	495	0.8	302	2.7	(146)	651	1.9
Fixed service revenue	706	20.9	436	16.9	(102)	1 040	19.3
Other service revenue	796	(1.1)	32	(5.9)	(6)	822	(1.3)
Service revenue	12 577	(1.2)	5 112	19.6	(256)	17 433	3.9
Equipment revenue	3 180	0.6	102	20.0	(7)	3 275	1.0
Non-service revenue	802	29.6	62	(3.1)	(45)	819	28.4
Revenue	16 559	0.3	5 276	19.3	(308)	21 527	4.2
Included in service revenue							
M-Pesa revenue	–	n/a	905	42.7	–	905	42.7

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Revenue for the quarter ended 30 June 2018

Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	5 013	252	(1)	5 264
Mobile prepaid revenue	5 843	3 322	–	9 165
Customer service revenue	10 856	3 574	(1)	14 429
Mobile interconnect	491	294	(146)	639
Fixed service revenue	584	373	(85)	872
Other service revenue	805	34	(6)	833
Service revenue	12 736	4 275	(238)	16 773
Equipment revenue	3 160	85	(3)	3 242
Non-service revenue	619	64	(45)	638
Revenue	16 515	4 424	(286)	20 653
Included in service revenue				
M-Pesa revenue	–	634	–	634

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Key indicators

South Africa

	30 June 2019	31 March 2019	30 June 2018	YoY % change
Customers¹ (thousand)	43 774	43 166	43 107	1.5
Prepaid	37 853	37 331	37 671	0.5
Contract	5 921	5 835	5 436	8.9
Data customers² (thousand)	19 930	19 952	20 434	(2.5)
Internet of Things connections³ (thousand)	4 537	4 514	3 881	16.9
MOU per month⁴	120	118	123	(2.4)
Prepaid	109	106	111	(1.8)
Contract	191	193	201	(5.0)
Traffic⁵ (millions of minutes)	15 695	15 330	15 628	0.4
Outgoing	13 255	12 996	13 333	(0.6)
Incoming	2 440	2 334	2 295	6.3
Total ARPU⁶ (rand per month)	85	87	89	(4.5)
Prepaid	53	54	55	(3.6)
Contract	290	304	326	(11.0)

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during this month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Internet of Things (IoT), is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
5. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
6. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

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Key indicators (continued)

International

	30 June 2019	31 March 2019	30 June 2018	YoY % change
Customers¹ (thousand)	35 180	34 620	33 401	5.3
Tanzania	14 322	14 133	13 277	7.9
DRC	12 348	12 180	12 279	0.6
Mozambique	7 108	6 843	6 255	13.6
Lesotho	1 402	1 464	1 590	(11.8)
Data customers² (thousand)	18 964	17 664	17 472	8.5
Tanzania	8 106	7 892	7 682	5.5
DRC	5 660	4 749	5 150	9.9
Mozambique	4 455	4 289	3 952	12.7
Lesotho	743	734	688	8.0
M-Pesa customers³ (thousand)	14 186	13 500	12 711	11.6
Tanzania	7 277	6 989	6 805	6.9
DRC	2 284	2 116	2 127	7.4
Mozambique	4 028	3 860	3 367	19.6
Lesotho	597	535	412	44.9
MOU per month⁴				
Tanzania	170	157	177	(4.0)
DRC	32	31	38	(15.8)
Mozambique	127	136	129	(1.6)
Lesotho	81	74	68	19.1
Total ARPU⁵ (rand per month)				
Tanzania (TZS)	37	35	33	12.1
DRC (USD)	44	41	37	18.9
Mozambique (MZN)	55	53	51	7.8
Lesotho	73	66	61	19.7
Total ARPU⁵ (local currency per month)				
Tanzania (TZS)	5 901	5 752	5 969	(1.1)
DRC (USD)	3.1	2.9	3.0	3.3
Mozambique (MZN)	241	234	239	0.8

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customer during the period.

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Historical financial review

Revenue for the quarter ended

Rm	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018
South Africa	16 559	17 053	17 172	17 147	16 515
International	5 276	5 027	5 312	5 218	4 424
Corporate and eliminations	(308)	(332)	(312)	(311)	(286)
Group revenue	21 527	21 748	22 172	22 054	20 653

Revenue yoy % change for the quarter ended

%	% change 30 June 2019	Normalised* 30 June 2019
South Africa	0.3	0.3
International	19.3	7.7
Corporate and eliminations	(7.7)	(7.7)
Group revenue	4.2	1.9

Service revenue for the quarter ended

Rm	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018
South Africa	12 577	12 845	12 975	12 985	12 736
International	5 112	4 885	5 160	5 057	4 275
Corporate and eliminations	(256)	(289)	(261)	(263)	(238)
Group service revenue	17 433	17 441	17 874	17 779	16 773

Service revenue yoy % change for the quarter ended

%	% change 30 June 2019	Normalised* 30 June 2019
South Africa	(1.2)	(1.2)
International	19.6	8.2
Corporate and eliminations	(7.6)	(7.6)
Group service revenue	3.9	1.2

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Historical key indicators

South Africa

	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017
Customers¹ (thousand)	43 774	43 166	43 838	44 089	43 107	41 635	41 602
Prepaid	37 853	37 331	38 215	38 552	37 671	36 275	36 283
Contract	5 921	5 835	5 623	5 537	5 436	5 360	5 319
Data customers² (thousand)	19 930	19 952	20 345	20 538	20 434	20 347	20 503
Internet of Things connections³ (thousand)	4 537	4 514	4 335	4 004	3 881	3 628	3 495
MOU per month⁴	120	118	121	123	123	124	131
Prepaid	109	106	110	112	111	113	120
Contract	191	193	197	201	201	199	202
Traffic⁵ (millions of minutes)	15 695	15 330	15 987	16 128	15 628	15 385	16 013
Outgoing	13 255	12 996	13 595	13 768	13 333	13 101	13 612
Incoming	2 440	2 334	2 392	2 360	2 295	2 284	2 401
Total ARPU⁶ (rand per month)	85	87	86	88	89		
Prepaid	53	54	55	54	55		
Contract	290	304	307	325	326		

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Internet of Things connections (IoT), is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
5. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
6. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers. We are only disclosing five quarters of information based on revenue accounted for in line with IFRS15: Revenue from contracts with customers, adopted 1 April 2018.

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Historical key indicators (continued)

International

	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017
Customers¹ (thousand)	35 180	34 620	35 164	34 715	33 401	32 415	32 184
Tanzania	14 322	14 133	14 070	13 991	13 277	12 899	12 901
DRC	12 348	12 180	12 830	12 801	12 279	11 821	11 982
Mozambique	7 108	6 843	6 689	6 405	6 255	6 108	5 712
Lesotho	1 402	1 464	1 575	1 518	1 590	1 587	1 589
Data customers² (thousand)	18 964	17 664	18 522	17 964	17 472	16 573	16 013
Tanzania	8 106	7 892	8 132	8 064	7 682	7 345	7 317
DRC	5 660	4 749	5 021	5 042	5 150	4 825	4 470
Mozambique	4 455	4 289	4 577	4 161	3 952	3 730	3 501
Lesotho	743	734	792	697	688	673	725
M-Pesa customers³ (thousand)	14 186	13 500	13 409	13 182	12 711	11 757	11 117
Tanzania	7 277	6 989	6 892	6 818	6 805	6 369	6 266
DRC	2 284	2 116	2 240	2 324	2 127	1 891	1 600
Mozambique	4 028	3 860	3 775	3 579	3 367	3 109	2 908
Lesotho	597	535	502	461	412	388	343
MOU per month⁴							
Tanzania	170	157	168	186	177	161	171
DRC	32	31	36	39	38	36	36
Mozambique	127	136	146	134	129	144	152
Lesotho	81	74	82	73	68	71	85
Total ARPU⁵ (rand per month)							
Tanzania	37	35	39	38	33		
DRC	44	41	41	43	37		
Mozambique	55	53	60	59	51		
Lesotho	73	66	72	64	61		
Total ARPU⁵ (local currency per month)							
Tanzania (TZS)	5 901	5 752	6 205	6 116	5 969		
DRC (USD)	3.1	2.9	2.9	3.0	3.0		
Mozambique (MZN)	241	234	255	248	239		

Notes:

- Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
- M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
- Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers. We are only disclosing five quarters of information based on revenue accounted for in line with IFRS15: Revenue from contracts with customers, adopted 1 April 2019.

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Average quarterly exchange rates

	30 June 2019	31 March 2019	30 June 2018	YoY % change	Quarterly % change
USD/ZAR	14.39	14.02	12.65	13.8	2.6
ZAR/MZN	4.39	4.45	4.74	(7.4)	(1.3)
ZAR/TZS	159.82	165.36	179.60	(11.0)	(3.4)
EUR/ZAR	16.17	15.92	15.08	7.2	1.6
ZAR/KES	7.04	7.19	7.98	(11.8)	(2.1)

Reconciliation of normalised and adjusted growth

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 13–14, is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting *pro-forma* financial information is to assist the user in understanding the underlying growth trends on a comparable basis. This *pro-forma* information has not been reviewed or reported on by Vodacom's external auditors.

Reconciliation of normalised values for the quarter ended 30 June 2019

Rm	Reported	Translation FX	Normalised*
Revenue			
Group	21 527	—	21 527
International	5 276	—	5 276
Service revenue			
Group	17 433	—	17 433
International	5 112	—	5 112
Data revenue			
International	849	—	849
M-Pesa revenue			
International	905	—	905

Reconciliation of normalised values for the quarter ended 30 June 2018

Rm	Reported	Translation FX ¹	Normalised*
Revenue			
Group	20 653	473	21 126
International	4 424	473	4 897
Service revenue			
Group	16 773	452	17 225
International	4 275	452	4 727
Data revenue			
International	648	64	714
M-Pesa revenue			
International	634	71	705

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Reconciliation of normalised growth for the quarter ended 30 June 2019

The reconciliation below presents normalised growth adjusted at a constant currency (using current period as base).

Year-on-year reconciliation 30 June 2019

%	% change ²	Translation FX ¹ ppts	Normalised* % change
Revenue			
Group	4.2	(2.3)	1.9
International	19.3	(11.6)	7.7
Service revenue			
Group	3.9	(2.7)	1.2
International	19.6	(11.5)	8.1
Data revenue			
International	30.9	(11.8)	19.1
M-Pesa revenue			
International	42.7	(14.3)	28.4

The quarterly information has not been audited or reviewed by Vodacom's external auditors.

Notes:

1. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed on page 13. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the quarter ended 30 June 2019 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 30 June 2018 numbers, thereby giving a user a view of the performance which excludes exchange variances.
2. The percentage change relates to the year-on-year percentage growth on a comparable basis calculated as the percentage change between the quarter ended 30 June 2019 and quarter ended 30 June 2018 values.

Additional financial and operational measures

This announcement contains certain financial (i.e. service revenue, enterprise service revenue) and operational (i.e. customers, ARPU) measures. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Connected Farmer, Vodafone Supernet, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This announcement which sets out the quarterly results for Vodacom Group Limited for the quarter ended 30 June 2019 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations including the confirmation of the Group's targets, expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. 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, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to 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 document will be realised. Subject to compliance with applicable law and regulations, Vodacom does not intend to update these forward-looking statements and does not undertake any obligation to do so.

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Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 1993/005461/06

(ISIN: ZAE000132577 Share Code: VOD)

(ISIN: US92858D2009 ADR code: VDMCY)

(Vodacom)

Directors

PJ Moleketi (Chairman), MS Aziz Joosub (CEO),

T Streichert (CFO)¹, T Reisten¹, V Badrinath², DH Brown, L Wood³ (Alternate F Bianco⁴),

BP Mabelane, SJ Macozoma, P Mahanyele-Dabengwa, JWL Otty⁵,

S Sood⁵.

1. German 2. French 3. British 4. Italian 5. Indian

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Rosebank Towers

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Rosebank 2196

South Africa

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Sponsor

UBS South Africa (Pty) Limited

ADR depository bank

Deutsche Bank Trust Company Americas

Company secretary

SF Linford

Investor relations

Shaun van Biljon

Media relations

Byron Kennedy