Vodacom Group Limited

Preliminary results

for the year ended 31 March 2020

The future is exciting.

Ready?

vodacom

Vodacom Group CEO commented:

An improved second half performance in South Africa and the sustained growth of our International businesses contributed to the Group's 8.9% increase in headline earnings per share to 945cps and a dividend return of 845cps to shareholders.

Shameel Joosub, Vodacom Group CEO commented

This follows last year's substantial investment in South Africa's largest ever Broad-Based Black Economic Empowerment transaction in the telecommunication sector. Group service revenue rose 5.0%.

The past year has been characterised by strong customer growth – we now connect 116 million customers across the Group, including Safaricom – and the benefits of prudent portfolio diversification.

In South Africa, sharp data price reductions, specifically out-of-bundle data rates, announced in the first quarter led to a steady increase in data traffic as the year progressed with 1.9 million more data customers connecting to the Vodacom network, a 9.7% increase to 21.9 million.

While it is still early days, the trend of increased data usage has continued into the current financial year following reductions in 30-day data bundle tariffs of up to 40% from 1 April 2020 and the launch of our ConnectU platform, which provides easy access to numerous zero-rated essential service websites. These initiatives will provide savings of R2.7 billion to customers at a time when economies around the world are suffering from the COVID-19 pandemic.

Despite deteriorating economic pressures and the proactive price cuts to our out-of-bundle rates, service revenue rose 2.3% in our biggest market, where initiatives to deliver greater value to customers through pricing transformation and sustained investment in network infrastructure and IT systems are being rewarded.

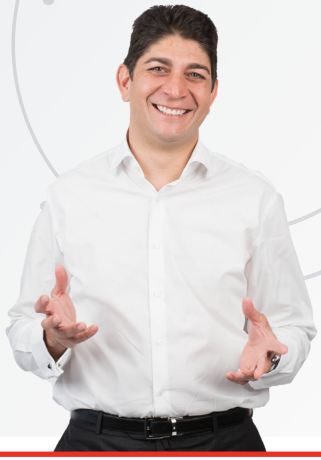
As part of our strategy to build diverse and sustainable revenue streams, our efforts to introduce "one more service" to customers continue to gain momentum. For instance, revenue from our Financial Services business in South Africa jumped by 21.5% to R2.0 billion, on the back of our popular Airtime Advance, insurance and VodaPay services. Our digital services business has also produced solid growth, contributing R1.5 billion in revenues on the back of increasing purchases of our video-on-demand offering and our music, sports, gaming and other video services.

It has been another stellar year for our International portfolio, where we recorded margin expansion for a second year, and further diversifies our currency exposure from the South African rand. An additional 4.0 million customers and increased demand for data and M-Pesa services in each of our operations contributed to a 12.5% increase in service revenue across our International operations.

Our investment in Safaricom, Africa's second biggest Telco by market capitalisation after Vodacom, delivered a 30.4% boost in profits from this associate, with growth bolstered by currency factors and inclusion of the new M-Pesa joint venture. Significant investments in network and infrastructure, an acceleration in pricing transformation and a 17.2% underlying increase in revenue from M-Pesa, all contributed to Safaricom's success.

M-Pesa continues to deliver on its promise of delivering financial inclusion, while at the same time positively contributing to economic growth in markets where it is ubiquitous. Having expanded the M-Pesa ecosystem, customers in our International markets, including Safaricom, now process more than US$14.7 billion a month in transactions through the platform.

We currently have 40 million customers transacting on M-Pesa across all our operations, generating total revenue of R16.2 billion and growing at 22% a year. Our focus, with our newly created joint venture, is to ensure that we align all product roadmaps across our operations and continue to expand the M-Pesa ecosystem across all countries. This will include the roll-out of nano lending platforms and getting the



These initiatives will provide savings of R2.7 billion to customers at a time when economies around the world are suffering from the COVID-19 pandemic.

system ready for a smartphone world, where we can on-board more partners in this space. Our nano lending platform is already being used by 17 million customers in Kenya and Tanzania where it is driving our commitment to promote financial inclusion.

Over the past 12 months, the Group has made significant progress on a number of regulatory matters, including finality on the Competition Commission's data services market inquiry in South Africa. The assignment of available high-demand spectrum seems imminent, with ICASA indicating that this process will be concluded by the end of this year. Looking ahead, our immediate collective emphasis is to assist in addressing pressing societal challenges in each of the markets where we operate, particularly as the world strives to halt the spread of COVID-19 and recovers from the economic impacts of the pandemic. We remain committed to supporting governments where we operate in whatever way we can. Through numerous public and private sector partnerships across our footprint, Vodacom's teams are working hard in difficult conditions to keep communities, businesses and governments connected. The assignment of temporary spectrum in South Africa and elsewhere is welcomed and will assist in alleviating network congestion as more people work and are entertained at home. At the same time, we are executing on our robust, scalable operational continuity plans by anticipating and reacting to the current extraordinary environment to ensure our long-term sustainability.

We believe that collaborative efforts will be instrumental in defeating the pandemic, which is why we have partnered, for example, with Discovery Health to launch a simple but powerful online healthcare platform to help citizens understand their personal risk for COVID-19 and to immediately schedule free healthcare professional consultations where necessary.

We have also partnered with the National Department of Health to deploy 20 000 smartphones with free voice call minutes and data, to be used by frontline health workers to collect and transmit data in real time for resource planning purposes, as government accelerates its COVID-19 testing campaign.

We have consolidated all our existing zero-rated data services with new essential services aimed at social upliftment into our single ConnectU platform. This social platform provides Vodacom customers with access to a wide range of zero-rated content that will assist customers during the lockdown and recovery period. The platform includes free access to job portals, where youth can search for employment and upload their CVs as well as access to our e-School platform that provides CAPS curriculum aligned content from Grades R – 12. In addition to launching special tariffs for virtual classrooms, we have expanded our zero-rated offering to all public schools, universities and T-Vet colleges across the country to ensure that students enrolled into these institutions will be able to access relevant information for free via these portals. In our International operations, we have zero-rated M-Pesa and greatly reduced fees below certain thresholds for person to person transfers, to minimise the use of cash for payments.

These are just some of the numerous activities that we have implemented across our markets to assist governments in their response to COVID-19. We continue to prioritise network quality so that we deliver on our purpose of connecting people to a better tomorrow.

Highlights

Group revenue up

4.8% (3.5 %*)

supported by Group service revenue growth of 5.0% (3.5%*).

Added

5.9 million

customers, to serve a combined 116 million customers across the Group.

South Africa service revenue

grew

2.3%

with data usage elasticity supporting recovery to growth in the second half.

International operations

delivered strong service revenue growth of

12.5%

(7.1%*), with foreign currency translations boosting reported Group growth.

Declared a

final dividend of

405cps.

Earnings per share were up

7.7%

and headline earnings per share up 8.9%, boosted by the one-off BEE costs of R1.5 billion (including transaction costs) included in the prior period.

Total financial services customers

up

12.8%

to 53.2 million, adding 6 million customers in the year.

Statutory performance measures

Rm	Year ended 31 March 2020 IFRS 16	 2019 IAS 17	% change Reported	 Normalised*
Revenue	**90 746**	86 627	**4.8**	**3.5**
Net profit from associate and joint ventures	**4 149**	2 774	**49.6**	
Operating profit	**27 711**	24 490	**13.2**	**2.2**
Net profit	**16 644**	15 532	**7.2**	
Earnings per share (EPS) (cents)	**939**	872	**7.7**	
Headline earnings per share (HEPS) (cents)	**945**	868	**8.9**	
Total dividend per share declared (cents)	**845**	795	**6.3**	

Alternative performance measures

Rm	Year ended 31 March 2020 IFRS 16	 2019 IAS 17	% change Reported	 Normalised*
Service revenue	**73 354**	69 867	**5.0**	**3.5**
EBITDA	**37 610**	33 714	**11.6**	**2.3**
EBITDA-aL	**33 539**	n/a	**n/a**	
Capital expenditure	**13 218**	12 957	**2.0**	
Operating free cash flow	**21 782**	21 643	**0.6**	
Free cash flow	**16 284**	14 865	**9.5**	

Note with regard to the adoption of IFRS 16

IFRS 16 was adopted by the Group on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. As a result, information presented for the year ended 31 March 2019 is presented under the previous statement IAS 17, while the year ended 31 March 2020 is presented in accordance with IFRS 16. The reported change reflected in this document is done on this basis while normalised growth adjusts for differences in reporting of the current year and the prior year, to give the reader a like-for-like comparison of underlying performance.

Notes:
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 52 – 56. The *pro-forma* financial information includes:

* Normalised growth, which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and IFRS 16 related adjustments in the current year and IAS 17 related adjustments in the prior year, to show a like-for-like comparison of results.

Amounts marked with an * in this document, represent normalised growth as defined above.
All growth rates quoted are year-on-year and refer to the year ended 31 March 2020 compared to the year ended 31 March 2019, unless stated otherwise.

Operating review

South Africa

Service revenue grew by 2.3% for the year despite a tough economic environment, out-of-bundle rate cuts and the implementation of the End-User Subscriber Services Charter (EUSSC), affecting out-of-bundle usage and revenue. Excluding the one-off benefit of R389 million from the change in revenue deferral methodology[1] in the prior year and the current year change in mobile termination rates (MTRs), underlying growth for the year was 3.3%. The fourth quarter revenue grew by 3.9%, (5.1% adjusting for MTRs and prior year deferral) maintaining the commercial momentum from the previous quarter.

In the prepaid segment, customer numbers were down 5.6% during the period to 35.2 million. The decline was mainly a result of continued optimisation of gross additions to improve the quality of our base. This has resulted in the one-month active customers being stable, evidencing this improvement. Usage elasticity on data has helped offset the out-of-bundle revenue reduction, resulting in ARPU returning to growth in the fourth quarter.

In the contract segment, customer revenue declined 0.1%. Excluding the impact of the prior year's revenue deferral[1], contract customer revenue increased 1.9%. We have gained customers in this segment, up 4.2% to 6.1 million. Enterprise customers were up 12.8%, with a significant increase in the last two weeks ahead of the lockdown in South Africa. Price transformation in the segment from competitive pressures, as well as new lower value data only contracts, has contributed to ARPU declining 7.9% or 6.1%, excluding the prior year's revenue deferral impact[1].

Data traffic was up 66.0% for the year, with continued acceleration during the fourth quarter, evidencing the expected elasticity to make up for the pricing transformation initiatives during the year. We ended the year with data customers up 9.7% to 21.9 million and smartphone users up 11.8%, of which 73.3% are 4G customers. The number of 4G devices on our network increased 34.5% to 12.9 million, while the average usage per smart device increased 56.0% to 1.5GB. The increase in the drivers of data growth gives us confidence that we will continue to see elasticity to compensate for the pricing transformation initiatives agreed with the Competition Commission and implemented from 1 April 2020.

We improved our fibre roll-out in the second half of the year, more than doubling the total number of homes and businesses connected to 61 427, with our owned fibre passing 104 000 homes and businesses.

Our financial service offering continues to expand and shows growth of 21.5% for the year to R2.0 billion, with 13.6 million customers using a financial services product. We advanced R9.9 billion in airtime via our Airtime Advance platform to 9.9 million customers. Within the payment space, we launched our VodaPay application during the year, offering direct airtime purchases and electricity payments with more to follow in the future. We have also expanded our lending services to the first phase for small-to-medium enterprise lending, and in insurance products we continue to add new offerings while improving process and profitability.

Enterprise service revenue increased 6.7% to R14.3 billion, driven by the strong growth in national roaming more than offsetting the decline in mobile customer revenue. Fixed-line revenue increased 8.5%, supported by strong growth in cloud and hosting and connectivity revenue. IoT connections increased 17.2% to 5.3 million with revenue growth of 38.5%, leveraging our relationship with IoT.nxt, acquired in the first half of the year.

Our costs management efforts contributed to relatively stable margins maintained over the year. We saw a 1.8ppt margin improvement in the second half of the year as service revenue returned back to solid growth. We recently renegotiated and extended our roaming agreement with Rain which improves the cost of our capacity taken up from Rain. On a normalised basis, EBITDA growth was flat* however excluding the impacts of the Rain roaming agreement, BEE staff expenses of R226 million (2019: R18 million) in the current year, a prior year deferral release[1] of R389 million, underlying EBITDA growth was 2.2%.

Our capital investment of R9.9 billion for the year was invested in various projects. We have invested in batteries and back-up power to remain resilient during periods of prolonged load shedding. We have enhanced our IT systems to deliver more services and offers to customers including financial services and renewed loyalty programmes. Our big data platforms are also assisting in more areas of the business, including revenue enhancement, catering to customers' individual needs, fraud prevention and enhanced customer service offerings through innovation such as chatbots and smart call avoidance.

1. R389 million revenue deferral release in the prior year, of which R292 million related to Q2 and R97 million to Q4.

International

Our International operations continue to show strong growth during the year. International service revenue was up 12.5% (7.1%*) for the year, bolstered by strong performance in M-Pesa and data services. The weakening in the Rand has boosted reported growth in this segment. Macro and political environments have remained largely stable in all our markets. The International operations now contribute 29.7% (2019: 27.7%) to Group service revenue underpinning their faster growth.

Customer numbers continue to reflect good execution of our strategy being the leading operator in all our operations. We have added 4.0 million new customers in these markets, up 11.5% from the prior year to 38.6 million. In Tanzania, we barred services to 2.9 million customers from January 2020 in line with government and regulatory requirements for customers to biometrically register all SIM cards. We have reconnected 707 000 of these customers. 2.5 million customers remain non-biometrically registered as at 31 March 2020. The Tanzania Communications Regulatory Authority has delayed any further barring of services in response to the COVID-19 pandemic.

Data services remain a key area of growth, with 2.3 million new customers added during this period to 20.0 million, of which only 10.2 million customers are on smartphones. We continue to drive the adoption of affordable smartphone devices, with average usage per customer reaching almost 1GB in Tanzania and Mozambique, evidencing continued growth in demand.

The M-Pesa ecosystem continues to grow across all our operations. M-Pesa revenue growth was 29.8% (22.7%*) to R4.0 billion and M-Pesa customers increased 9.2% to 14.7 million representing 38.2% of our customer base. We added new services across most markets including most notably the expansion of our lending products such as Songesha. Launched in Tanzania, Songesha has now extended nano and small loans of up to TZS70 000 (c.R460) to 5.3 million customers, with facilities of TZS52 billion extended during the year. We have also widened our international remittance partner network, extending interoperability to more banks in Mozambique to ensure easier movement of funds to drive transaction volumes.

Vodacom and Safaricom acquired the M-Pesa brand, support and product development services from Vodafone through a newly-created joint venture. The transaction will accelerate M-Pesa's growth in Africa by giving both Vodacom and Safaricom full control of the M-Pesa brand, product development and support services, as well as the opportunity to more closely align product roadmaps to be deployed across all markets. The effective date of the transaction was 31 March 2020.

EBITDA grew 9.4%* as margins improved 0.8ppts*, driven by our 'Fit for growth' programmes. The improvements in the second half of the year were slightly impaired by lower service revenue growth in Tanzania, higher compliance costs to accelerate customer registrations and a 2G licence penalty in DRC[1]. The combined costs amounted to R199 million.

Our capital investment was focussed on expanding the M-Pesa ecosystem with new services, widening our network reach by 546 3G and 1 079 4G base stations as well as investment in our transmission networks to retain our network lead in all our markets.

Safaricom

Despite some top line challenges, Safaricom continues to increase shareholder returns with profit after tax increasing 19.5%. Service revenue grew 4.8%, supported by strong customer acquisition, recovery of market share and mobile data returning to double digit growth. Underlying service revenue grew 5.9% for this year. This excludes the impact of the contraction in the betting industry, and the M-Pesa transactions that were made free in response to the COVID-19 pandemic. M-Pesa revenue grew 12.6% or 17.2% on an underlying basis, with customers increasing 12.2% to 35.6 million. Mobile data revenue grew 12.1% for the year, and 20.4% in the second half, as its recovery gains momentum driven by increased penetration and usage supported by strong uptake of our no-expiry bundle offers. Data customers grew 10.2% to 19.6 million, and usage exited March at 1.3GB per customer. Investment in capital expenditure was KSh36.1 billion for the period, a reduction of 3.1%. This yielded an improvement of 1.1ppts on capex intensity, recording 13.8% for the year. 4G coverage now stands at 77% up 20ppts.

Growth rates included above are in local currency as per the Safaricom results announcement, which is available on **www.safaricom.co.ke/investor-relation/financials/reports/financial-results**.

1. Vodacom Congo resolved a dispute over a claim that its 2G licence was not properly renewed. Vodacom Congo paid US$6.9 million in penalties and administrative costs in return for the extension of our license by an additional 10 years.

Regulatory matters

ICASA – Information Memorandum

ICASA issued an Information Memorandum (IM) on 1 November 2019 in connection with the assignment of High Demand Spectrum (HDS). The IM sets out ICASA's proposed requirements, suggested options for spectrum assignment, obligations and other considerations for the assignment of HDS. Interested parties were invited to make proposals and recommendations on a number of aspects, including the options for spectrum assignment, obligations and the wireless open access network (WOAN) structure as well as the assignment process. Vodacom submitted comments on the IM on 31 January 2020. These comments included alternative recommendations on spectrum assignment, views on the implementation of the WOAN and its objectives, as well as obligations to be imposed on licensees. ICASA has subsequently issued a licensing notice which provides some insights into the process and anticipated timelines for licensing of the WOAN. These timelines envisage an award date for the WOAN during the third quarter of the 2022 financial year.

Competition Commission (CC) data service market inquiry

On 2 December 2019, the CC issued a report in relation to its data services market inquiry. The purpose of the inquiry was to understand the factors or features of the market or markets and value chain that may cause or lead to high prices for data services, and make recommendations that would result in lower prices for data services. The recommendations in the report required Vodacom and MTN to engage with the CC on its findings and agree a way forward.

Following the release of the CC's report, Vodacom engaged constructively with the CC on the issues arising from the report. The consent agreement entered into with the CC provides us with an opportunity to enter into a social contract with the competition authority, our customers and the people of South Africa to bring down the cost to communicate and promote digital inclusion. In terms of the agreement Vodacom introduced price reductions across all its monthly bundles from 1 April 2020 and is providing free access to basic internet for essential services and more affordable pricing to poorer communities. This consent agreement was entered into with no admission of liability on the part of the Group and was in full and final settlement of the concerns identified in the final report of the data services market inquiry. On 25 March 2020, the consent agreement was confirmed, and made an Order of the Competition Tribunal.

ICASA inquiry into mobile broadband services

On 16 November 2018, ICASA gave notice of its intention to conduct an inquiry into mobile broadband services. The purpose of the inquiry is 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 in terms of Chapter 10 of the Electronic Communications Act.

ICASA issued a discussion document on 29 November 2019, setting out its findings from its initial investigation of the mobile broadband services market, proposing remedies where they found insufficient competition.

These findings included:

- Retail pricing: ICASA's benchmarking concluded that data prices in South Africa are neither extremely high nor very low in relation to other African countries. ICASA did not propose any regulation at retail level.
- Site access: ICASA found that individual operators had significant market power in 193 out of 234 municipalities. To deal with the alleged significant market power in many municipalities for site access, ICASA proposed redrafting the current facilities leasing regulation together with more detailed guidelines for site access.
- Wholesale roaming: ICASA referenced that the market for roaming services is changing, noting new roaming agreements in the market, and as such concluded that pricing interventions would be premature.
- Spectrum: ICASA noted no operator had significant market power for spectrum and emphasised the need to assign high demand spectrum.
- MVNO and APN services: ICASA noted that its proposed upstream regulation should be sufficient intervention and no further regulation was proposed.

Vodacom submitted comments on 27 February 2020. Our proposal is for other elements of regulation to first be completed and new arrangements in the market to first take their course, before implementing any further additional remedies. These include the licensing of spectrum, the licensing of a WOAN and Competition Commission remedies as per the above.

Tanzania customer registration

On 1 May 2019, the Tanzania Communications Regulatory Authority (TCRA) required operators to commence implementation of biometric registration using national identification IDs. Initially, the TCRA set 30 December 2019 as the deadline for completion of base migration to biometric registration, however, the President extended this deadline to 20 January 2020. Vodacom Tanzania PLC in alignment with the industry, continuously engaged the TCRA to ensure compliance. All necessary measures were taken, which considerably increased compliance cost.

On 7 February 2020, new SIM Card Registration Regulations were published formalising the 'biometric only' SIM registration requirement. Since then Vodacom Tanzania participated in continuous engagements with the TCRA to ensure compliance.

However, the low penetration of national identification numbers across the country has largely impacted the biometric registration process. Following instructions from the TCRA, Vodacom barred services to 2.9 million customers in various phases from 14 January 2020. At the end of March 2020, Vodacom Tanzania has 2.5 million customers that are yet to be biometrically registered. We are awaiting instruction from the TCRA on how to proceed with these customers, since halting the barring of customers in response to the COVID-19 pandemic. Vodacom expects to recover a significant portion of these customers over the short-to-medium term as we continue to engage with the TCRA and National Identification Authority (NIDA) to ensure that barred customers resume access to services at the earliest time possible.

The new Regulations also impose limits on SIM Card ownership, requiring TCRA's approval to exceed set limits. Accordingly, from 30 June 2020, an individual is allowed to own and use not more than one SIM Card per mobile network operator for use of voice, SMS and data services. For companies, 30 SIM Cards are allowed for one mobile network operator. Vodacom Tanzania PLC and other mobile operators are further engaging with the TCRA with a view of putting in place an automated solution that will enable customers to get approval for additional SIM Cards.

Lesotho enforcement proceedings

In December 2019, the Lesotho Communications Authority (LCA) issued a notice of enforcement proceedings against Vodacom Lesotho on the basis of its opinion of non-independence of the company's external auditors. In February 2020, the LCA directed Vodacom Lesotho to show cause on why Vodacom Lesotho's communications licence should not be withdrawn. In March 2020, following several engagements with the LCA, Vodacom Lesotho made written representations against the revocation its licence. The LCA is yet to issue a final decision on the matter.

COVID-19 impacts and outlook

The COVID-19 pandemic and governments' reactions to stem the spread will have varying impacts on all businesses across our markets. These effects will be wide ranging, from short-term impacts as a result of lockdown measures in some countries, partial lockdown and curfew measures in other countries and restricted travel and trade among various nations – as well as the medium-to-long term impacts that will be suffered globally and across our markets. Telecommunication services remains the lifeblood for consumers and businesses to operate. It is with this in mind that our business will continue to retain a level of resilience in comparison to other industries.

Telecommunication services have been recognised as an essential service which has allowed our businesses to continue operations during the lockdown in South Africa and partial lockdowns in our International markets. During the immediate period of lockdown in South Africa, there was an increase in data traffic of up to 40% driven by growth in paid traffic for businesses as employees work from home and people entertain through streaming and other data services, as well as increased free traffic for education, government and health portals for COVID-19 information.

The strength of our balance sheet allows us to lead our business through volatility and certain levels of economic downturn expected over the short-to-medium term. We have low gearing of 0.7 times net debt (excluding leases) to EBITDA-aL, limited debt repayments in the short-term, with sufficient facilities to maintain liquidity. 90% of our debt is rand denominated, limiting the foreign currency exposure. We maintained a market neutral debt structure between floating and fixed debt, which allows us to participate, with half our debt floating, in lowered interest rates while the other half of fixed debt protects against significant adverse interest movements.

Operating review
continued

We have taken significant steps during the year in further diversifying our business as a technology company and not just a telecommunications company. We have recently made further reductions in data pricing as part of our pricing transformation strategy, despite the absence of new spectrum. These were possible given the elasticity that we continue to see in the South African market. One of the effects of the COVID-19 response will be an acceleration of this elasticity as more people use data in even more ways.

We have also continued our expansion of financial services in South Africa, as well as M-Pesa in our International operations. For the latter, our new Joint Venture with Safaricom to accelerate our joint M-Pesa roadmap and development of future platforms, will assist us in expanding the portfolio of services significantly.

In our Enterprise business, we concluded key strategic acquisitions and partnerships including the acquisition of IoT.nxt which will accelerate the Internet of Things expansion, while our partnership with Amazon Web Services will give us the opportunity to sell solutions to corporates and other businesses.

Our digital platform businesses, including video, music and gaming, continue to gain traction and allows us further opportunities to continue to monetising this business further.

Our 'Fit for growth' initiatives are well embedded in our operations and to a large extent structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business where required.

We believe that continuing to invest into our network, IT and new platforms such as financial services is important throughout this period and we will maintain our flexibility in relation to the amount of capital expenditure and its allocation to different priorities considering the COVID-19 effects on the local economies in our markets.

As the effects of the COVID-19 pandemic continue to unfold, the outlook for the economies in which we operate is uncertain. We will be postponing the issuance of medium-term targets, until such time that we have more clarity on the economic outlook and the effect on our business and operations over the medium term. While the situation remains challenging, we believe that the strength of our balance sheet and our resilient business model will allow us to continue to minimise these impacts and continue to create value for stakeholders. We are monitoring events as they unfold during this period and we are preparing for various different scenarios.

Financial review

Summary financial information

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change Reported	Normalised*
Revenue	**90 746**	86 627	**4.8**	**3.5**
Service revenue	**73 354**	69 867	**5.0**	**3.5**
EBITDA	**37 610**	33 714	**11.6**	**2.3**
EBITDA-aL	**33 539**	n/a	**n/a**	
Net profit from associate and joint ventures	**4 149**	2 774	**49.6**	
Operating profit	**27 711**	24 490	**13.2**	**2.2**
Net profit	**16 644**	15 532	**7.2**	
Capital expenditure	**13 218**	12 957	**2.0**	
Operating free cash flow	**21 782**	21 643	**0.6**	
Free cash flow	**16 284**	14 865	**9.5**	
Net debt	**35 180**	23 354	**50.6**	
Net debt (excluding leases)	**22 238**	n/a	**n/a**	
Basic earnings per share (cents)	**939**	872	**7.7**	
Headline earnings per share (cents)	**945**	868	**8.9**	
Contribution margin (%)	**63.8**	63.7	**0.1ppt**	
EBITDA margin (%)	**41.4**	38.9	**2.5ppt**	
EBITDA-aL margin (%)	**37.0**	n/a	**n/a**	
Operating profit margin (%)	**30.5**	28.3	**2.2ppt**	
Effective tax rate (%)	**27.8**	29.7	**(1.9ppt)**	
Net profit margin (%)	**18.3**	17.9	**0.4ppt**	
Capital intensity (%)	**14.6**	15.0	**(0.4ppt)**	
Net debt/EBITDA (times)	**0.9**	0.7	**0.2ppt**	
Net debt/EBITDA-aL (times) (excluding leases)	**0.7**	n/a	**n/a**	

Service revenue

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change Reported	Normalised*
South Africa	**52 712**	51 541	**2.3**	**2.2**
International	**21 799**	19 377	**12.5**	**7.1**
Corporate and eliminations	**(1 157)**	(1 051)	**10.1**	**10.1**
Group service revenue	**73 354**	69 867	**5.0**	**3.5**
Safaricom[1]	**36 319**	32 698	**11.1**	**4.8**

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Commentary:
Group service revenue grew 5.0% (3.5%*) to R73.4 billion, with strong growth in International and improved growth in South Africa.

In South Africa, service revenue increased 2.3% (2.2%*) to R52.7 billion, supported by an increase in data elasticity and usage following the out-of-bundle rate reductions and the implementation of the EUSSC regulations in the prior year. Growth in the second half of the year more than offset the decline in service revenue during the first half. Excluding deferral releases from the prior year of R389 million and the change in MTRs service revenue grew 3.3%.

In our International operations, reported growth benefited from the deterioration of the Rand during the second half with growth of 12.5% for the year. Service revenue increased 7.1%* to R21.8 billion driven by the success of M-Pesa and data revenue, commercial executions as well as the strong net customer additions of 4.0 million. Safaricom service revenue increased 11.1% (4.8%*), driven by M-Pesa revenue growth.

Total expenses[1]

	Year ended 31 March		% change	
Rm	2020 IFRS 16	2019 IAS 17	Reported	Normalised*
South Africa	**40 589**	40 323	**0.7**	**4.1**
International	**13 818**	13 473	**2.6**	**7.5**
Corporate and eliminations	**(1 178)**	(961)	**22.6**	**22.6**
Group total expenses	**53 229**	52 835	**0.7**	**4.6**

Understanding the effects of IFRS 16:

The difference between IFRS 16 and IAS 17 is most notable in operating expenses and the recognition of operating leases. Previously operating leases were expensed on a straight line basis within operating expenses, while under IFRS 16, these leases are capitalised and classified as right of use assets and depreciated over their useful lives. In addition, a lease liability is raised and the resultant finance costs included in finance costs. Operating lease expenses included in the prior period amounted to R2 670 million for the Group.

Commentary:
Group total expenses increased 0.7% (4.6%*) to R53.2 billion.

In South Africa expenses increased 0.7% (4.1%*) to R40.6 billion. The increase in costs includes BEE staff expenses of R226 million (2019: R18 million) as a result of our BEE deal and higher costs relating to the growth in usage under our roaming agreement with Rain. Excluding which, total expenses grew 2.3%, benefitting from savings in publicity costs of 2.0%, reduction in call volumes to call centres through robotic process automation and chatbots by 25% and further savings realised through our 'Fit for growth' programme. International expenses increased 2.6% (7.5%*) to R13.8 billion. These costs include the one-off 2G licence penalty in the DRC and higher compliance costs relating to the biometric registration of customers, excluding these, costs increased 5.9%. This was achieved through continued focus on cost containment from our 'Fit for growth' programme.

1. Excluding depreciation, amortisation, impairments and share based payment charges.

EBITDA

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change Reported	Normalised*
South Africa	**29 094**	27 741	**4.9**	**0.0**
International	**8 679**	6 252	**38.8**	**9.4**
Corporate and eliminations	**(163)**	(279)	**41.6**	**41.6**
Group EBITDA	**37 610**	33 714	**11.6**	**2.3**
Safaricom[1]	**19 950**	16 913	**18.0**	**8.3**

Understanding the effects of IFRS 16:

The difference between IFRS 16 and IAS 17 is most notable in operating expenses and the recognition of operating leases. Previously operating leases were expensed on a straight line basis within operating expenses, while as IFRS 16, these leases are capitalised and classified under right of use assets and depreciated over their useful lives. In addition, a lease liability is raised and the resultant finance costs included in finance costs. Operating lease expenses included in the prior period amounted to R2 670 million for the Group.

Commentary:

Group EBITDA increased 11.6% to R37.6 billion with margin of 41.4%. South Africa EBITDA grew 4.9% (0.0%*) to R29.1 billion. Growth was impacted by the low revenue growth in the year, but offset by good cost containment. Growth was further impacted by the one-off deferral release benefit in the prior year of R389 million[2], the impacts of increased Rain roaming costs and a BEE staff expense charge of R226 million (2019: R18 million) in the current year, which collectively had a 2.2ppts negative impact on EBITDA growth. EBITDA in our International operations increased 38.8% (9.4%*) to R8.7 billion. Margins improved by 7.3ppts from strong revenue growth and the continued improvements made on cost containment.

Operating profit

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change Reported	Normalised*
South Africa	**19 684**	18 904	**4.1**	**(0.6)**
International	**4 582**	3 353	**36.7**	**6.4**
Safaricom	**3 617**	2 773	**30.4**	**12.2**
Corporate and eliminations	**(172)**	(540)	**(68.1)**	**(68.1)**
Group operating profit	**27 711**	24 490	**13.2**	**2.2**

Understanding the effects of IFRS 16:

The difference between IFRS 16 and IAS 17 is most notable in operating expenses and the recognition of operating leases. Previously operating leases were expensed on a straight line basis within operating expenses, while under IFRS 16, these leases are capitalised and classified as right of use assets and depreciated over their useful lives. In addition, a lease liability is raised and the resultant finance costs included in finance costs. Operating lease expenses included in the prior period amounted to R2 879 million, and depreciation relating to the right of use assets amounted to R2 865 million in the current period for the Group.

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.
2. R389 million revenue deferral release in the prior year, of which R292 million related to Q2 and R97 million to Q4.

Commentary:
Group operating profit increased 13.2% (2.2%*) to R27.7 billion. This includes an adjustment for the prior year relating to a R1.4 billion non-cash, non-recurring charge arising from our BEE deal (IFRS 2 charge) and R745 million in the current year relating to a bargain purchase gain in terms of IFRS 3 from the M-Pesa joint venture. In South Africa, operating profit was up 4.1% (declined 0.6%*) to R19.7 billion. Further adjusting normalised growth for the one-off deferral release benefit in the prior year of R389 million and a BEE staff expense of R226 million (2019: R18 million) in the current year, operating profit increased 2.2%. The International operations' operating profit increased 36.7% (6.4%*) to R4.6 billion mainly driven by improved operational performance in DRC and Mozambique.

Net finance charges

	Year ended 31 March		% change
Rm	**2020 IFRS 16**	2019 IAS 17	**19/20**
Finance income	**884**	630	**40.3**
Finance costs[1]	**(4 702)**	(3 008)	**(56.3)**
Net finance costs	**(3 818)**	(2 378)	**60.6**
Net loss on remeasurement and disposal of financial instruments	**(16)**	(23)	**(30.4)**
Net finance charges	**(3 834)**	(2 401)	**59.7**

Net finance charges increased 59.7% to R3.8 billion while the average cost of debt decreased from 8.2% to 7.7%. The finance costs includes interest on leases of R1.4 billion (2019: R124 million) and interest of R301 million (2019: R171 million) on the YeboYethu preference shares held by external parties. The increase in finance income relates to interest on M-Pesa balances and cash balances held in the Group.

Taxation

The tax expense of R6.4 billion was 2.2% lower than the prior year (2019: R6.6 billion).

The effective tax rate decreased to 27.8% for the current period (2019: 29.7%) mainly due to the non-recurring, non-deductible, non-cash IFRS 2 charge in the prior year; a decrease in unrecognised deferred tax assets relating to the losses incurred primarily in the DRC and the increase in the share in the associates after tax profits included in profit before tax.

Earnings

	Year ended 31 March		% change
	2020 IFRS 16	2019 IAS 17	**19/20**
Earnings per share (cents)	**939**	872	**7.7**
Headline earnings per share (cents)	**945**	868	**8.9**
Weighted average number of ordinary shares outstanding for the purpose of calculating EPS and HEPS (million)	**1 697**	1 699	**(0.1)**

EPS and HEPS grew at 7.7% and 8.9% respectively. The growth benefitted from the recognition of the BEE related IFRS 2 charge of R1.4 billion and transaction and finance costs of R295 million in the prior year. Excluding the prior year impact and current year BEE staff expense and finance cost of R542 million, EPS decreased 0.2%, and HEPS increased 0.9%. The growth is slightly below operating profit growth as a result of the adoption of IFRS 16, which requires a higher interest charge in the initial period of a lease due to the higher lease liability required by the standard and higher finance costs.

1. Includes interest on lease liabilities recognised in accordance with IFRS 16 of R1 373 million.

Dividend

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change 19/20
Headline earnings	**16 034**	14 744	**8.7**
Adjusted for:			
Net profit from associate and joint venture	**(3 428)**	(2 707)	**–**
Attributable profits from Safaricom	**(4 275)**	(3 397)	
Amortisation on assets, net of tax	**659**	624	
Adjustment relating to Safaricom	**188**	6	
Withholding tax	**427**	295	**–**
Non-controlling interest and other	**452**	346	**–**
Add back:			
Non-cash non-recurring IFRS 2 charge	**–**	1 404	**–**
Headline earnings available for dividend distribution	**13 485**	14 022	**(3.8)**
Total dividend declared per share (cents)	**845**	795	**6.3**
Interim dividend declared per share (cents)	**380**	395	**(3.8)**
Special dividend declared per share (cents)	**60**	–	**n/a**
Final dividend declared per share (cents)	**405**	400	**1.3**

Owned capital expenditure[1]

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change 19/20
South Africa	**9 860**	9 577	**3.0**
International	**3 358**	3 376	**(0.5)**
Corporate and eliminations	**–**	4	**–**
Group capital expenditure	**13 218**	12 957	**2.0**
Group capital intensity[2] (%)	**14.6**	15.0	**(0.4ppt)**
Safaricom	**5 213**	5 112	**2.0**
Safaricom capital intensity (%)	**13.7**	15.0	**(1.3ppt)**

The Group's capital expenditure was R13.2 billion, representing 14.6% of revenue. This is slightly outside of our guidance range as we pulled forward some capital expenditure to prepare the network for increased data traffic during the lockdown in South Africa as well as investment in batteries across the network, to ensure further network resilience in case of prolonged load shedding. In South Africa, capital expenditure was directed at modernising the network and enhancing our IT system to cater for a diversified range of products and support. We now have 95.4% (2019: 90.4%) 4G population coverage. In our International operations, the focus remained on increasing both coverage and capacity as well as increasing the 4G rollout. We added 452 2G sites, 546 3G sites and 1 079 4G sites since March 2019.

1. Owned capital expenditure, excluding spectrum, licences and capitalised right of use assets. Right of use asset additions include R2 770 million for the Group, of which R2 055 million for South Africa and R715 million in International.
2. Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment increased 34.8% to R59.3 billion and intangible assets increased 23.2% to R13.4 billion when compared to 31 March 2019. This includes right of use assets recognised as a result of the implementation of IFRS 16 of R9.8 billion in the current year, net additions of R16.8 billion, which includes the license costs associated with the extension of our 2G licence in the DRC and spectrum costs in Mozambique and Tanzania totalling R780 million and net foreign currency translation gains of R4.4 billion, offset by depreciation and amortisation of R14.0 billion. Intangible assets also include R590 million of goodwill and a trademark of R13 million recognised on the acquisition of IoT.nxt[1] during the year.

Net debt increased by R11.8 billion to R35.2 billion from March 2019 which includes lease liabilities of R13.1 billion raised in accordance with IFRS 16. Total borrowings excluding finance lease liabilities, increased by R6.2 billion to R38.3 billion as a result of new facilities taken up in South Africa with Vodafone Investments in Luxembourg, totalling R3.5 billion, a three-year loan with Standard Bank South Africa, with interest rates linked to sustainability goals as well as a US$25 million loan in the DRC to fund the acquisition of spectrum. Borrowings as at 31 March 2019, included R1.6 billion in finance leases now included in lease liabilities.

	As at 31 March		Movement
Rm	**2020 IFRS 16**	2019 IAS 17	**19/20**
Bank and cash balances	**17 057**	11 066	**5 991**
Bank overdrafts	**(866)**	–	**(866)**
Current borrowings[2]	**(3 707)**	(10 603)	**6 896**
Non-current borrowings[3]	**(47 988)**	(23 641)	**(24 347)**
Other financial instruments	**324**	(176)	**500**
Net debt[4]	**(35 180)**	(23 354)	**(11 826)**
Net debt/EBITDA (times)	**0.9**	0.7	**0.2**
Net debt[4] (excluding lease liabilities)	**(22 238)**	(21 706)	**(532)**
Net debt/EBITDA-aL (times) (excluding lease liabilities)	**0.7**	–	**–**

1. The Group acquired a 51% equity interest in 10T Holdings (Pty) Limited and IoT.nxt B.V. (together "IoT.nxt"). The effective date of acquisition was 23 August 2019. Refer to note 8.2 in the Notes to the preliminary condensed consolidated financial statements.
2. Includes current lease liabilities of R2 395 million.
3. Includes non-current lease liabilities of R10 730 million.
4. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.

Cash flow

Free cash flow[1]

Rm	Year ended 31 March 2020 IFRS 16	2019 IAS 17	% change 19/20
EBITDA	**37 610**	33 714	**11.6**
Working capital	**845**	160	**>200.0**
Capital expenditure[2]	**(13 218)**	(12 957)	**2.0**
Disposal of property, plant and equipment	**68**	467	**(85.4)**
Lease liability payments	**(4 046)**	–	**–**
Other	**523**	259	**101.9**
Operating free cash flow	**21 782**	21 643	**0.6**
Tax paid	**(6 417)**	(6 535)	**(1.8)**
Dividends received from associate	**4 394**	2 466	**78.2**
Finance income received	**763**	943	**(19.1)**
Finance costs paid	**(3 506)**	(3 179)	**10.3**
Dividends paid to non-controlling shareholders	**(732)**	(473)	**54.8**
Free cash flow	**16 284**	14 865	**9.5**

Operating free cash flow was up 0.6%, supported by EBITDA growth of 11.6% offset by the adoption of IFRS 16 and the inclusion of lease payments of R4.0 billion under Lease liability payments. Improvements in working capital was mainly as a result of timing differences relating to inventory shipments and renegotiated terms with key suppliers. This was largely offset by increased capital expenditure, and non-recurrence of gains from disposal of property, plant and equipment. Free cash flow was mainly boosted from the special dividend received from our associate investment in Safaricom.

1. For the reconciliation of cash generated from operations to free cash flow, refer to page 56.
2. Capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments. Purchases of customer bases are excluded from capital expenditure.

Dividend

Declaration of final dividend number 22 – payable from income reserves

Notice is hereby given that a gross final dividend number 22 of 405 cents per ordinary share in respect of the financial year ended 31 March 2020 has been declared payable on Monday 29 June 2020 to shareholders recorded in the register at the close of business on Friday 26 June 2020. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 324.00000 cents per ordinary share.

Last day to trade shares *cum* dividend	Tuesday 23 June 2020
Shares commence trading *ex*-dividend	Wednesday 24 June 2020
Record date	Friday 26 June 2020
Payment date	Monday 29 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday 24 June 2020 and Friday 26 June 2020, both days inclusive.

On Monday 29 June 2020, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 29 June 2020.

Vodacom Group Limited tax reference number is 9316/041/71/5.

Dividend policy

The Board maintains its dividend policy of paying at least 90% of adjusted headline earnings which excludes the contribution of the attributable net profit or loss from Safaricom and any associated intangible amortisation. In addition, the Group intends to distribute any dividend it receives from Safaricom, up to a maximum amount of the dividend received, net of withholding tax.

The Group intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the JSE Listings Requirements.

COVID-19

It is the intention of the Board to continue paying dividends in accordance with the policy as stated above. The Board will give due consideration to the effects that the COVID-19 pandemic could potentially have on the financial position of our business and its solvency and liquidity position.

For and on behalf of the Board

Jabu Moleketi
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Till Streichert
Chief Financial Officer

Midrand

8 May 2020

Independent auditor’s review report

To the shareholders of Vodacom Group Limited

We have reviewed the preliminary condensed consolidated financial statements of Vodacom Group Limited set out on pages 18 to 42, contained in the accompanying preliminary report, which comprises the condensed consolidated statement of financial position as at 31 March 2020, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

Directors’ responsibility for the preliminary condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these preliminary condensed consolidated financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of preliminary condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on these preliminary condensed consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the preliminary condensed consolidated financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of preliminary condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these preliminary condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying preliminary condensed consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2020 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Other matter – Prior period audited by another auditor

The consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2019, was audited by another auditor who expressed an unmodified opinion on those statements on 31 May 2019.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Vinodhan Pillay
Registered Auditor
Chartered Accountant (SA)

8 May 2020

Condensed consolidated income statement

for the year ended 31 March

	Notes	2020[1] Rm Reviewed	2019 Rm Audited
Revenue	3	**90 746**	86 627
Direct expenses		**(32 877)**	(31 427)
Staff expenses		**(6 421)**	(6 026)
Publicity expenses		**(1 907)**	(1 920)
Other operating expenses		**(12 024)**	(13 462)
Broad-based black economic empowerment charge		**–**	(1 404)
Depreciation and amortisation		**(13 955)**	(10 642)
Impairment losses		**–**	(30)
Net profit from associate and joint ventures		**4 149**	2 774
Operating profit		**27 711**	24 490
Net loss on disposal of subsidiaries	8	**(819)**	–
Finance income		**884**	630
Finance costs		**(4 702)**	(3 008)
Net loss on remeasurement and disposal of financial instruments		**(16)**	(23)
Profit before tax		**23 058**	22 089
Taxation		**(6 414)**	(6 557)
Net profit		**16 644**	15 532
Attributable to:			
Equity shareholders		**15 944**	14 822
Non-controlling interests		**700**	710
		16 644	15 532

		2020[1] Cents Reviewed	2019 Cents Audited
Basic earnings per share	4	**939**	872
Diluted earnings per share	4	**923**	856

1. The reported figures for the year ended 31 March 2020 have been significantly impacted by the adoption of IFRS 16 on 1 April 2019. Refer to Note 2 for a detailed analysis of the impact.

Condensed consolidated statement of comprehensive income

for the year ended 31 March

	2020 Rm Reviewed	2019 Rm Audited
Net profit	**16 644**	15 532
Other comprehensive income		
Foreign currency translation differences, net of tax[1]	**13 770**	11 879
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations[1]	**327**	–
Mark-to-market of financial assets held as fair value through other comprehensive income, net of tax[1]	**13**	10
Total comprehensive income	**30 754**	27 421
Attributable to:		
Equity shareholders	**28 953**	25 709
Non-controlling interests	**1 801**	1 712
	30 754	27 421

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations. During the current year, a net amount of R327 million of previously recorded foreign currency translation differences were recognised in profit or loss on the sale of certain subsidiaries within the Vodacom Business Africa group (Note 8).

Condensed consolidated statement of financial position
for the year ended 31 March

	Notes	2020[1] Rm Reviewed	2019 Rm Audited
Assets			
Non-current assets		**142 395**	113 897
Property, plant and equipment		**59 277**	43 989
Intangible assets	8	**13 363**	10 845
Financial assets		**741**	632
Investment in associate and joint ventures		**64 429**	54 299
Trade and other receivables	2	**2 447**	2 137
Finance receivables		**1 867**	1 699
Tax receivable		**260**	183
Deferred tax		**11**	113
Current assets		**47 828**	39 746
Financial assets		**7 763**	6 391
Inventory		**1 382**	1 413
Trade and other receivables	2	**19 197**	17 649
Non-current assets held for sale		**86**	619
Finance receivables		**2 288**	2 251
Tax receivable		**55**	357
Bank and cash balances		**17 057**	11 066
Total assets		**190 223**	153 643
Equity and liabilities			
Fully paid share capital		**57 073**	57 073
Treasury shares		**(16 620)**	(16 387)
Retained earnings	2	**34 294**	32 670
Other reserves		**16 909**	4 636
Equity attributable to owners of the parent		**91 656**	77 992
Non-controlling interests		**8 414**	8 396
Total equity		**100 070**	86 388
Non-current liabilities		**53 403**	29 084
Borrowings	9	**47 988**	23 641
Trade and other payables		**359**	820
Provisions		**1 055**	329
Deferred tax	2	**4 001**	4 294
Current liabilities		**36 750**	38 171
Borrowings	9	**3 707**	10 603
Trade and other payables		**31 437**	26 607
Liabilities directly associated with non-current assets held for sale		**30**	286
Provisions		**228**	218
Tax payable		**468**	340
Dividends payable		**14**	117
Bank overdraft		**866**	–
Total equity and liabilities		**190 223**	153 643

1. The reported figures for the year ended 31 March 2020 have been significantly impacted by the adoption of IFRS 16 on 1 April 2019. Refer to Note 2 for a detailed analysis of the impact. Included in Property, plant and equipment are right of use assets to the value of R12 045 million. Included in borrowings are non-current and current lease liabilities of R10 546 million and R2 395 million respectively.

Condensed consolidated statement of changes in equity

for the year ended 31 March

	Notes	Equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
31 March 2018 – Audited		64 468	6 184	70 652
Adoption of IFRS 15 and IFRS 9		3 187	(57)	3 130
1 April 2018		67 655	6 127	73 782
Total comprehensive income		25 709	1 712	27 421
Dividends		(13 982)	(473)	(14 455)
Repurchase and sale of shares		(352)	–	(352)
Share-based payments		1 862	–	1 862
Broad-based black economic empowerment transaction		1 669	–	1 669
Share-based payments – other		193	–	193
Changes in subsidiary holdings		(2 900)	80	(2 820)
Shareholder's loan converted to equity		–	950	950
31 March 2019 – Audited		**77 992**	**8 396**	**86 388**
Adoption of IFRS 16	2	**23**	**1**	**24**
1 April 2019		**78 015**	**8 397**	**86 412**
Total comprehensive income		**28 953**	**1 801**	**30 754**
Dividends		**(14 348)**	**(732)**	**(15 080)**
Repurchase and sale of shares		**(443)**	**–**	**(443)**
Share-based payments		**571**	**–**	**571**
Business combinations	8	**–**	**46**	**46**
Changes in subsidiary holdings	8	**(1 092)**	**(1 098)**	**(2 190)**
31 March 2020 – Reviewed		**91 656**	**8 414**	**100 070**

Condensed consolidated statement of cash flows

for the year ended 31 March

	Notes	2020 Rm Reviewed	2019 Rm Audited
Cash flows from operating activities			
Cash generated from operations		**39 251**	34 575
Tax paid		**(6 417)**	(6 535)
Net cash flows from operating activities		**32 834**	28 040
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		**(13 890)**	(13 653)
Proceeds from disposal of property, plant and equipment and intangible assets		**68**	467
Acquisition of subsidiary (net of cash and cash equivalents acquired)	8	**(266)**	–
Acquisition of joint venture	8	**(180)**	–
Disposal of subsidiaries (net of cash and cash equivalents disposed)	8	**89**	–
Dividends received from associate		**4 394**	2 466
Finance income received		**763**	943
Other investing activities[1]		**(142)**	(1 411)
Net cash flows utilised in investing activities		**(9 164)**	(11 188)
Cash flows from financing activities			
Borrowings incurred		**9 630**	5 080
Borrowings repaid		**(7 086)**	(3 026)
Finance costs paid		**(4 810)**	(3 179)
Dividends paid – equity shareholders		**(14 358)**	(13 978)
Dividends paid – non-controlling interests		**(732)**	(473)
Repurchase and sale of shares		**(443)**	(352)
Changes in subsidiary holdings	8	**(2 048)**	(3 449)
Net cash flows utilised in financing activities		**(19 847)**	(19 377)
Net increase/(decrease) in cash and cash equivalents		**3 823**	(2 525)
Cash and cash equivalents at the beginning of the year		**11 066**	12 538
Effect of foreign exchange rate changes		**1 302**	1 053
Cash and cash equivalents at the end of the year		**16 191**	11 066

1. Consists mainly of an increase in restricted cash deposits of R445 million (31 March 2019: R1 142 million increase) from M-Pesa related activities, and decreased investment in treasury bills in Tanzania of R352 million.

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March

1. Basis of preparation

These preliminary condensed consolidated financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants' (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited (JSE) Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the parent Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous year, except as disclosed in Note 2. The significant accounting policies are available for inspection at the Group's registered office.

The preparation of these preliminary condensed consolidated financial statements was supervised by the Chief Financial Officer, Dr. phil. T Streichert.

The financial information has been reviewed by Ernst & Young Inc., whose unmodified review report is presented on page 1.

Ernst & Young Inc. was appointed by shareholders at the annual general meeting held on 23 July 2019, as auditor of the Group and as auditor of its subsidiaries in South Africa and certain of its African subsidiaries for the financial year ending 31 March 2020.

2. Change in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2019. The accounting pronouncement considered by the Group as significant on adoption is IFRS 16 Leases as set out below.

Other IFRS changes adopted on 1 April 2019 have no material impact on the consolidated results, financial position or cash flows of the Group. Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2020, which will be available online.

IFRS 16 Leases (IFRS 16)

IFRS 16 Leases was adopted by the Group on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. The Group has applied the following expedients in relation to the adoption of IFRS 16, in terms of the transitional provisions of that standard:

- The right of use assets were measured at an amount equal to the lease liability at adoption, and initial direct costs incurred when obtaining leases were excluded from this measurement. Lease prepayments and accruals previously recognised under IAS 17 at 31 March 2019 were added and deducted, respectively, from the value of the right of use assets on adoption in determining the cumulative retrospective impact recorded on 1 April 2019.
- Onerous lease assessments under IAS 37 at 31 March 2019 were relied upon to impair right of use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption;
- A single discount rate was applied to a portfolio of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment.

The key differences between the Group's IAS 17 accounting policy (the 'previous policy' which is disclosed in the Group's annual financial statements for the year ended 31 March 2019) and the Group's IFRS 16 accounting policy (which is provided below), as well as the primary impacts of applying IFRS 16 in the current financial period are disclosed on page 28 – 29 and below.

2. Change in accounting policies continued

IFRS 16 Leases (IFRS 16) continued

Primary impacts of applying the IFRS 16 accounting policy

The primary impacts on the Group's primary financial statements, and the key causes of the movements recorded in the consolidated statement of financial position on 1 April 2019 (see page 28 – 29), as a result of applying the IFRS 16 ('current') accounting policy in place of the previous policy under IAS 17 are:

As a lessee

- Under IAS 17, lessees classified leases as either operating or finance leases.
- Operating lease costs were expensed on a straight-line basis over the period of the lease.
- Finance leases resulted in the recognition, in the statement of financial position, of an asset and a corresponding liability for lease payments, at present value.
- Under IFRS 16, all lease agreements give rise to the recognition of a 'right of use asset' representing the right to use the leased item and a liability for any future lease payments (see page 28 – 29) over the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options.
- Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right of use asset and finance costs on the lease liability which is generally discounted at the incremental borrowing rate of the relevant Group entity, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stage of a lease and will reduce over the term.
- Under IFRS 16 outflows from operating activities and payments classified within cash flow from financing activities both increase, as payments made at both lease inception and subsequently are characterised as repayments of lease liabilities and interest. Under IAS 17 operating lease payments were treated as operating cash outflows. Net cash flow is not impacted by the change in policy.

As a lessor

- Lessor accounting under IFRS 16 is similar to IAS 17. The only substantive change is that when the Group subleases assets it classifies the lease out as either operating leases or finance leases by reference to the terms of head lease contract, whereas under IAS 17, the classification was determined by reference to the underlying asset leased out. This has resulted in additional finance leases out being recognised under IFRS 16 (see page 28 – 29).

The expedients applied at adoption, above, have resulted in reclassifications of lease-related prepayments and accruals as at 1 April 2019 (see page 28 – 29) to the right of use assets.

IFRS 16 Accounting policy

As a lessee

When the Group leases an asset, a 'right of use asset' is recognised for the leased item, and a lease liability is recognised for any lease payments due at the lease commencement date. The right of use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and dismantling costs, less any lease incentives received. Right of use assets are disclosed as part of property, plant and equipment.

Right of use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension or termination options (see below). The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment. If right of use assets are considered to be impaired, the carrying value is reduced accordingly.

2. Change in accounting policies continued

IFRS 16 Leases (IFRS 16) continued

IFRS 16 Accounting policy continued

As a lessee continued

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include:

- fixed payments and in-substance fixed payments during the term of the lease;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liabilities are disclosed as part of borrowings.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest rate method. It is remeasured when:

- there is a change in the residual value guarantee;
- there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase);
- the Group's assessment of the lease term changes;
- lease modifications occur that are not treated as separate leases.

Any change in the lease liability as a result of these changes also results in a corresponding change in the right of use asset. For a contract that is, or contains, a lease, lease components within the contract are accounted for as a lease separately from non-lease components of the contract.

As a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise, the lease is an operating lease.

Where the Group is an intermediate lessor, the interest in the head lease and the sub-lease is accounted for separately and the lease classification of a sub-lease is determined by reference to the right of use asset arising from the head lease. Income from operating leases is recognised on a straight-line basis over the lease term. Profit or loss from finance leases is recognised in full at lease commencement.

Lease income is recognised as other revenue for transactions that are part of the Group's ordinary activities (primarily leases of handsets or other equipment to customers or leases of wholesale access to the Group's fibre and cable networks). The Group uses IFRS 15 to allocate the consideration in contracts between any lease and non-lease components. Lease income is recognised as a credit in operating expenses for transactions that are not part of the Group's ordinary activities (primarily leases or sub leases of surplus assets).

2. Change in accounting policies continued

IFRS 16 Leases (IFRS 16) continued

Critical accounting judgements and key sources of estimation relating to IFRS 16

Lease identification

Whether the arrangement is considered a lease or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Group and the counterparty to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Group obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The scenarios requiring the greatest judgement include those where the arrangement is for the use of fibre or other fixed telecommunication lines. Generally, where the Group has exclusive use of a physical line it is determined that the Group can also direct the use of the line and therefore leases will be recognised. Where the Group provides access to fibre or other fixed telecommunication lines to another operator on a wholesale basis the arrangement will generally be identified as a lease, whereas when the Group provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

The impact of determining whether an agreement is a lease or a service contract depends on whether the Group is a potential lessee or lessor in the arrangement and, where the Group is a lessor, whether the arrangement is classified as an operating or finance lease. The impacts for each scenario are described below where the Group is potentially:

- A lessee. The judgement impacts the nature and timing of both costs and reported assets and liabilities. A lease results in depreciation and interest being recognised and an asset and a liability being reported; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded (other than trade payables, prepayments and accruals).
- An operating lessor. The judgement impacts the nature of income recognised. An operating lease results in lease income being recognised whilst a service contract results in service revenue. Both are recognised evenly over the life of the contract.
- A finance lessor. The judgement impacts the nature and timing of both income and reported assets. A finance lease results in the lease income being recognised at commencement of the lease and an asset (the net investment in the lease) being recorded.

Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. The impact of this judgement is significantly greater where the Group is a lessee. As a lessee, optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option; this depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset. Where a leased asset is highly customised (either when initially provided or as a result of leasehold improvements) or it is impractical or uneconomic to replace then the Group is more likely to judge that lease extension options are reasonably certain to be exercised. Where extension options are included, the greater value of the right of use asset and lease liability will be recognised. The normal approach adopted for lease term by asset class is described below.

2. Change in accounting policies continued

IFRS 16 Leases (IFRS 16) continued

Critical accounting judgements and key sources of estimation relating to IFRS 16 continued

Lease term continued

The lease terms can vary significantly by type and use of asset and geography. In addition, the exact lease term is subject to the non-cancellable period and rights and options in each contract. In most instances the Group has options to renew or extend leases for additional periods after the end of the lease term which are assessed using the criteria below. Taking into account lease extensions and termination options, lease terms are judged to be the longer of the minimum lease term and:

- Between 5 and 10 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
- The period to the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
- Where leases are used to provide internal connectivity the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected; and
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers.

After initial recognition of a lease, the Group only reassesses the lease term when there is a significant event or a significant change in circumstances, which was not anticipated at the time of the previous assessment. Significant events or significant changes in circumstances could include merger and acquisition or similar activity, significant expenditure on the leased asset not anticipated in the previous assessment, or detailed management plans indicating a different conclusion on optional periods to the previous assessment. Where a significant event or significant change in circumstances does not occur the lease term, and therefore lease liability and right of use asset value, will decline over time.

Transition disclosures

The lease liability recognised at adoption was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised in the statement of financial position at 1 April 2019 was 12.46%.

The Group's undiscounted operating lease commitments at 31 March 2019 were R13 376 million; the most significant differences between the IAS 17 lease commitments and the lease liabilities recognised on transition to IFRS 16 are set out below:

	Rm Reviewed
Operating lease commitment at 31 March 2019	**13 376**
Less effect of discounting on payments included in the operating lease commitment	**(5 326)**
Plus lease liabilities in respect of additional 'reasonably certain' lease extensions assumed under IFRS 16	**1 785**
Increase in borrowings	**9 835**
Plus finance lease liabilities already reported under IAS 17	**1 647**
Lease liability opening balance reported at 1 April 2019	**11 482**

Notes to the preliminary condensed consolidated financial statements
continued

2. Change in accounting policies continued

Opening condensed consolidated statement of financial position

as at 1 April 2019

	31 March 2019 Rm Audited	Impact of adoption of IFRS 16 Rm Reviewed	1 April 2019 Rm Reviewed
Assets			
Non-current assets	**113 897**	**9 608**	**123 505**
Property, plant and equipment	43 989	9 780	53 769
Of which: Right of use assets		9 780	
Intangible assets	10 845	–	10 845
Financial assets	632	–	632
Investment in associate and joint venture	54 299	2	54 301
Trade and other receivables	2 137	(174)	1 963
Of which: Net investment in leases		129	
Prepayments and operating lease receivables		(303)	
Finance receivables	1 699	–	1 699
Tax receivable	183	–	183
Deferred tax	113	–	113
Current assets	**39 746**	**(5)**	**39 741**
Financial assets	6 391	–	6 391
Inventory	1 413	–	1 413
Trade and other receivables	17 649	(5)	17 644
Of which: Net investment in leases		135	
Prepayments and operating lease receivables		(140)	
Non-current assets held for sale	619	–	619
Finance receivables	2 251	–	2 251
Tax receivable	357	–	357
Bank and cash balances	11 066	–	11 066
Total assets	**153 643**	**9 603**	**163 246**

2. Change in accounting policies continued

Opening condensed consolidated statement of financial position continued

as at 1 April 2019

	31 March 2019 Rm Audited	Impact of adoption of IFRS 16 Rm Reviewed	1 April 2019 Rm Reviewed
Equity and liabilities			
Fully paid share capital	57 073	–	57 073
Treasury shares	(16 387)	–	(16 387)
Retained earnings	32 670	28	32 698
Other reserves	4 636	(5)	4 631
Equity attributable to owners of the parent	77 992	23	78 015
Non-controlling interests	8 396	1	8 397
Total equity	86 388	24	86 412
Non-current liabilities	29 084	7 623	36 707
Borrowings	23 641	7 879	31 520
Of which: Lease liabilities		7 879	
Trade and other payables	820	(255)	565
Of which: Reduction in operating lease payables		(255)	
Provisions	329	–	329
Deferred tax	4 294	(1)	4 293
Current liabilities	38 171	1 956	40 127
Borrowings	10 603	1 956	12 559
Of which: Lease liabilities		1 956	
Trade and other payables	26 607	–	26 607
Liabilities directly associated with non-current assets held for sale	286	–	286
Provisions	218	–	218
Tax payable	340	–	340
Dividends payable	117	–	117
Total equity and liabilities	153 643	9 603	163 246

	2020 Rm Reviewed	2019 Rm Audited
3. Segment analysis		
External customer segment revenue	**90 746**	86 627
South Africa	**69 045**	67 445
International	**21 681**	19 182
Corporate and eliminations	**20**	–
Safaricom[1]	**37 951**	34 113
Inter-segment revenue	**–**	–
South Africa	**548**	442
International	**811**	799
Corporate and eliminations	**(1 359)**	(1 241)

Revenue is further disaggregated into product type below.

31 March 2020 – reviewed	South Africa Rm	International Rm	Corporate and elimination Rm	Total Rm	Safaricom Rm
Mobile contract revenue	19 841	1 344	(6)	21 179	3 510
Mobile prepaid revenue	23 372	17 327	–	40 699	29 230
Customer service revenue	43 213	18 671	(6)	61 878	32 740
Mobile interconnect	1 893	1 328	(644)	2 577	1 227
Fixed service revenue	3 189	1 709	(471)	4 427	1 296
Other service revenue	4 417	91	(36)	4 472	1 056
Service revenue	52 712	21 799	(1 157)	73 354	36 319
Equipment revenue	13 543	411	(17)	13 937	1 247
Non-service revenue	3 164	274	(165)	3 273	385
Revenue from contracts with customers	69 419	22 484	(1 339)	90 564	*
Interest income recognised as revenue	114	8	–	122	*
Other[2]	60	–	–	60	*
Revenue	69 593	22 492	(1 339)	90 746	37 951

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom.
2. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases" (2019: IAS 17: "Leases").
* Not reviewed by the chief operating decision maker.

3. Segment analysis continued

31 March 2019 – audited	South Africa Rm	International Rm	Corporate and elimination Rm	Total Rm	Safaricom Rm
Mobile contract revenue	19 856	1 169	(7)	21 018	4 628
Mobile prepaid revenue	23 713	15 132	1	38 846	24 869
Customer service revenue	43 569	16 301	(6)	59 864	29 497
Mobile interconnect	2 001	1 253	(646)	2 608	1 161
Fixed service revenue	2 809	1 659	(372)	4 096	1 106
Other service revenue	3 162	164	(27)	3 299	934
Service revenue	51 541	19 377	(1 051)	69 867	32 698
Equipment revenue	13 377	367	(12)	13 732	1 063
Non-service revenue	2 730	224	(178)	2 776	352
Revenue from contracts with customers	67 648	19 968	(1 241)	86 375	*
Interest income recognised as revenue	116	13	–	129	*
Other[1]	123	–	–	123	*
Revenue	67 887	19 981	(1 241)	86 627	34 113

	2020 Rm Reviewed	2019 Rm Audited
EBITDA	**37 610**	33 714
South Africa	**29 094**	27 741
International	**8 679**	6 252
Corporate and eliminations	**(163)**	(279)
Safaricom[2]	**19 950**	16 913
Operating profit[3]	**27 711**	24 490
South Africa	**19 684**	18 904
International	**4 582**	3 353
Corporate and eliminations	**3 445**	2 233
Safaricom[2]	**12 856**	9 886

1. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases" (2019: IAS 17 "Leases").
2. The Group's effective interest of 34.94% in Safaricom is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible assets.
3. During the year, the Group changed its measure of profit or loss from EBIT to operating profit, in order to take into account net profit from associate and joint ventures, following the acquisition of a material equity accounted associate investment in Safaricom in prior years.

* Not reviewed by the chief operating decision maker.

3. Segment analysis continued

	2020 Rm Reviewed	2019 Rm Audited
EBITDA-aL	**33 539**	*
South Africa	**26 930**	*
International	**6 709**	*
Corporate and eliminations	**(100)**	*
Safaricom[2]	**19 292**	*
Reconciliation of segment results		
EBITDA-aL	**33 539**	*
Depreciation – leases	**2 697**	*
Finance charges – leases	**1 374**	*
EBITDA	**37 610**	33 714
Depreciation and amortisation excluding acquired brands and customer bases	**(13 955)**	(10 642)
Net profit on disposal of property, plant and equipment and intangible assets	**23**	205
Impairment losses	**–**	(30)
Broad-based black economic empowerment charge	**–**	(1 404)
Net profit from associate and joint ventures	**4 149**	2 774
Other	**(116)**	127
Operating profit[1]	**27 711**	24 490
Total assets	**190 223**	153 643
South Africa	**77 787**	66 881
International	**46 829**	30 761
Corporate and eliminations	**65 607**	56 001
Safaricom[2]	**76 079**	63 432
Total liabilities	**(90 153)**	(67 255)
South Africa	**(58 269)**	(48 560)
International	**(29 497)**	(17 245)
Corporate and eliminations	**(2 387)**	(1 450)
Safaricom[2]	**(24 153)**	(16 039)

1. For a reconciliation of operating profit to net profit for the year, refer to the Condensed consolidated income statement on page 2.
2. The Group's effective interest of 34.94% in Safaricom is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible and intangible assets, excluding goodwill that arose on acquisition.

* During the year, the Group adopted a new measure of profit or loss, namely EBITDA-aL. This measure consists of EBITDA, after depreciation on right of use assets and finance costs related to lease liabilities. A comparative is not presented, as the cumulative retrospective approach was applied in adopting IFRS 16.

	2020 Cents Reviewed	2019 Cents Audited
4. Per share calculations		
4.1 Earnings and dividends per share		
Basic earnings per share	**939**	872
Diluted earnings per share	**923**	856
Headline earnings per share	**945**	868
Diluted headline earnings per share	**928**	852
Dividends per share	**840**	820

	Million Reviewed	Million Audited
4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating		
Basic and headline earnings per share	**1 697**	1 699
Diluted earnings and diluted headline earnings per share	**1 728**	1 731
4.3 Ordinary shares for the purpose of calculating dividends per share:		
425 cents per share declared on 11 May 2018	**–**	1 721
395 cents per share declared on 9 November 2018	**–**	1 836
400 cents per share declared on 10 May 2019	**1 836**	–
440 cents per share declared on 8 November 2019	**1 836**	–

Vodacom Group Limited acquired 3 443 315 shares in the market during the period at an average price of R118.26 per share. The Innovator Trust, a structured entity consolidated by the Group in terms of IFRS 10: Consolidated Financial Statements, also purchased 839 341 shares at an average price of R112.87. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital.

Dividend per share calculations are based on a dividend paid of R15 421 million (31 March 2019: R14 568 million) of which R60 million (31 March 2019: R52 million) was offset against the forfeitable share plan reserve, R9 million (31 March 2019: R8 million) expensed as staff expenses and R130 million (31 March 2019: R126 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. An amount of R961 million (31 March 2019: R452 million) was paid to YeboYethu Investment Company (RF) (Pty) Limited, a special purpose vehicle holding shares in Vodacom Group Limited on behalf of broad based black economic participants, of which R93 million was paid out as a trickle dividend to participants. R6 million (31 March 2019: R2 million) was paid to The Innovator Trust. The Group declared a final dividend in respect of the year ended 31 March 2020 after the reporting period (Note 13).

	2020 Rm Reviewed	2019 Rm Audited
4. Per share calculations continued		
4.4 Headline earnings reconciliation		
Earnings attributable to equity shareholders for basic and diluted earnings per share	**15 944**	14 822
Adjusted for:		
Net profit on disposal of property, plant and equipment and intangible assets[1]	**(25)**	(214)
Impairment losses	**–**	30
Bargain purchase gain on acquisition by joint venture[2]	**(745)**	–
Loss on disposal of subsidiaries	**819**	–
Loss on disposal, before foreign currency translation of the operations	**492**	–
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations	**327**	–
	15 993	14 638
Tax impact of adjustments	**10**	(34)
Non-controlling interests' share in adjustments	**31**	140
Headline earnings for headline- and diluted headline earnings per share[3]	**16 034**	14 744

1. Includes attributable share of net profit on disposal of property, plant and equipment and intangible assets of associate and joint ventures of R2 million (31 March 2019: R9 million).
2. Includes attributable share of bargain purchase gain recognised by Safaricom, our joint venture partner, of R213 million (31 March 2019: R nil).
3. This disclosure is a requirement of the JSE Limited. It has been calculated in accordance with Circular 1/2019 as issued by SAICA.

5. Related parties

The amounts disclosed in Notes 5.1 and 5.2 include significant balances and transactions with the Group's parent, entities in its group as well as an associate and joint ventures.

		2020 Rm Reviewed	2019 Rm Audited
5.1	**Balances with related parties**		
	Borrowings (including accrued finance cost)	**28 753**	25 251
5.2	**Transactions with related parties**		
	Dividends declared	**(9 329)**	(9 107)
	Finance costs	**(2 280)**	(2 294)

5.3 Directors and key management personnel remuneration

Compensation paid to the Group's Board and key management personnel will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2020, which will be available online.

M Joseph stepped down from the Board with effect from 24 July 2019 and was replaced by LS Wood, who was appointed to the Board as a non-executive director on the same day. F Bianco was appointed as alternate director to LS Wood on 24 July 2019.

PJ Moleketi, Chairman of the Group will step down from the Board at the forthcoming annual general meeting to be held on Tuesday 21 July 2020 and will be succeeded by SJ Macozoma. SJ Macozoma was first appointed to the Board in July 2017. Following the appointment of SJ Macozoma as Chairman, DH Brown is appointed as lead independent non-executive director with effect from Wednesday 22 July 2020.

T Reisten has resigned from the Board with effect from 31 March 2020. P Klotz and CB Thomson were appointed to the Board as non-executive director and independent non-executive director respectively with effect from Wednesday 1 April 2020. On his appointment as a director, CB Thomson became a member of the Audit, Risk & Compliance Committee.

KL Shuenyane will join the Board as an independent non-executive director with effect from Tuesday 21 July 2020.

NC Nqweni has been appointed as alternate to P Mahanyele-Dabengwa with effect from Wednesday 1 April 2020.

	2020 Rm Reviewed	2019 Rm Audited
6. Capital commitments		
Capital expenditure contracted for but not yet incurred[1]	**3 537**	3 210

1 The Group entered into an agreement with Edge Network Services Limited (Facebook) in terms of which the Group has committed to incur capital expenditure of US$110 million (R1 964 million) over the next four years in exchange for the right to use half a fibre pair on the high-capacity fibre optic cable systems being constructed along the east and west coasts of Africa and the Mediterranean. Capital commitments as reflected above do not include the aforementioned.

	2020 Rm Reviewed	2019 Rm Audited
7. Capital expenditure incurred		
Capital expenditure additions including software	**13 218**	12 957

8. Changes in composition

8.1 Changes in subsidiary holdings

The Group acquired 588 million shares in Vodacom Tanzania Plc (Vodacom Tanzania) from its local Tanzanian shareholder, Mirambo Limited (Mirambo), resulting in the Group increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75% (direct). The transaction was effective on 27 September 2019, and a purchase consideration to the value of US$224 million (R3 381 million) was paid in cash and US$87 million (R1 314 million) was received from the realisation of the indirect interest.

8. Changes in composition continued

8.2 Business combination

10T Holdings (Pty) Limited and IoT.nxt B.V. acquisition

The Group acquired a 51% equity interest in 10T Holdings (Pty) Limited and IoT.nxt B.V. (together "IoT.nxt") for a maximum consideration of R1 028 million, of which R469 million was settled in cash, with the remainder being contingent on the future performance of the business. IoT.nxt creates data connectivity between new data sources and legacy systems which allows for real-time data availability across a wide business segment. The effective date of the acquisition was 23 August 2019.

The acquisition of IoT.nxt will contribute in accelerating the Group's internet of things (IoT) strategy, and take advantage of the significant opportunities within the IoT space. The fair value of receivables acquired approximates their carrying amount due to the short-term nature thereof.

The amounts recognised as at the acquisition date were as follows:

	Rm Reviewed
Property, plant and equipment	**8**
Brand	**9**
Technology	**89**
Right of use asset	**15**
Financial assets	**2**
Inventory	**6**
Trade and other receivables	**139**
Bank and cash balances	**203**
Trade and other payables	**(93)**
Borrowings	**(142)**
Deferred tax	**(32)**
Fair value of net assets acquired	**204**
Non-controlling interest	**(46)**
Goodwill	**590**
Purchase price	**748**
– Cash	**469**
– Fair value of contingent consideration	**279**
Cash and cash equivalents	**(203)**
Final settlement adjustment receivable	**(279)**
Cash consideration	**266**

Non-controlling interest was measured at the proportionate value of assets and liabilities. Goodwill recognised amounted to R590 million and represents future synergies.

The acquisition date fair value of the consideration has been determined as R748 million, after raising a liability for contingent consideration payable of R279 million. The estimate of the fair value of the contingent consideration payable is based on the probability weighted payout approach.

Revenue of R23 million and net loss after tax of R40 million were included in the consolidated income statement for the year ended 31 March 2020.

8. Changes in composition continued

8.3 Acquisition of joint venture

M-Pesa Global Services

During March 2020, the Group and Safaricom completed the acquisition of the M-Pesa brand, product development and support services from Vodafone Group Plc through a newly-created joint venture, in which each of Safaricom and the Group hold a 50% equity interest. The acquisition will accelerate M-Pesa's growth in Africa by giving both the Group and Safaricom full control of the M-Pesa brand within specified regions, product development and support services as well as the opportunity to expand M-Pesa into new African markets.

Reconciliation of carrying amount included in the statement of financial position:

	2020 Rm Reviewed
Investment at cost	**180**
Bargain purchase gain	**532**
Foreign exchange profit	**29**
Closing carrying amount of investment	**741**

8.4 Disposal of subsidiary

Certain subsidiaries within the Vodacom Business Africa group were disposed of during March 2020. The proceeds (net of cash and cash equivalents disposed) amounted to R89 million, realising a net loss on disposal of R819 million.

9. Borrowings

On 7 June 2019, a R1 500 million loan facility was obtained from Vodafone Investments Luxembourg s.a.r.l. (Vodafone Luxembourg) for a 3 year term at a rate of 3 months Jibar +1.04%. The loan is repayable on 7 June 2022.

On 10 September 2019, a short term loan of US$98 million was obtained from Vodafone Group Plc at a rate of Overnight Libor +0.2% for payment of a portion of the purchase consideration for the acquisition of additional shares in Vodacom Tanzania (Note 8). The loan was subsequently repaid.

Vodacom Congo (RDC) SA (Vodacom Congo) obtained an additional US$25 million non-recourse loan at a rate of 6 month Libor +3.60% with a repayment date of 5 August 2022 from Standard Bank RDC S.A.. Vodacom Congo refinanced its existing loan of US$75 million with Standard Bank RDC S.A. at a rate of 6 month Libor +1.90% with a repayment date of 5 August 2022. This loan is guaranteed by Vodacom Group Limited.

On 26 November 2019, the Group refinanced an R8 000 million loan and obtained an additional R2 000 million loan with a term of 3 years from Vodafone Luxembourg. This was split between a R6 000 million loan bearing interest at a fixed all-in-rate of 7.91% and a R4 000 million loan bearing interest at 3 months Jibar + 1.15%. These loans are both repayable on 26 November 2022.

On 30 January 2020, the Group obtained a R2 000 million 3 year sustainability linked loan from Standard Bank of South Africa Limited. The loan bears interest at a fixed all-in rate of 7.68%, calculated with a fixed three year interest rate of 6.49% plus a sustainability linked margin of 1.19%. The sustainability linked margin is reviewed annually and determined with reference to the overall Environmental, Social and Corporate Governance (ESG) management score published annually in the applicable Sustainalytics ESG Risk-Rating Report.

As at the end of the financial year, existing facilities from Vodafone Luxembourg of R5 500 million were refinanced bearing a fixed all-in-rate of 7.545%. The loans are repayable on 7 April 2023.

10. Impact of COVID-19

On 11 March 2020, the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic, triggering various government interventions in order to stem the spread. As most of the countries that we operate in are in the very early stages of the pandemic, the full impact of the pandemic on our operations and the economies they operate in will only be known over time. The Group has assessed the potential impact, including a wide range of related risks that the aforementioned will have on its performance and liquidity in the short to medium term. The going concern assumption, as adopted in the preparation of the preliminary condensed consolidated financial statements for the Group, remains applicable. The Group will continue to monitor its position as more data becomes available and circumstances change.

11. Contingent liabilities

11.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R64 million (31 March 2019: R138 million).

Foreign denominated guarantees amounting to R1 340 million (31 March 2019: R1 082 million) are in issue in support of Vodacom Congo relating to liabilities included in the consolidated statement of financial position.

11.2 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings, the most significant of which are capital allowances, withholding taxes and transfer pricing in certain jurisdictions. The consequence of such reviews is that disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. The tax laws are in some instances ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. All major tax positions taken are subject to review by executive management and are reported to the Board. The Group has support from external advisors with regards to the positions taken in respect of the significant tax matters which confirms the application and interpretation of the tax legislation. The Group has considered all matters in dispute with the relevant tax authorities and has accounted for any exposure identified, if required. The Group has not disclosed all the details in respect of the open tax disputes as these matters are still under the dispute resolution process. These disputes may not necessarily be resolved in a manner that is favourable to the Group.

11.3 Legal contingencies

The Group is currently involved in various legal disputes across its different jurisdictions and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 31 March 2020.

12. Other Matters

12.1 Kenneth Makate (Mr Makate) vs Vodacom (Pty) Limited

Following the deadlock in the negotiations between the parties, Mr Makate elected to refer the matter to the Group's Chief Executive Officer, in his judicially sanctioned role as a deadlock breaking mechanism (the deadlock breaker), to make a determination on the reasonable amount of compensation payable to him. The deadlock breaker has made such a determination, in accordance with the Constitutional Court order, but Mr Makate has rejected his determination. Mr Makate has since launched an application in the High Court of South Africa to have the decision of the deadlock breaker reviewed and set aside.

12.2 Competition Commission data services market inquiry

On 2 December 2019 the Competition Commission issued a report in relation to its market inquiry into data services. The purpose of the inquiry was to understand the factors or features of the market or markets and value chain that may cause or lead to high prices for data services, and make recommendations that would result in lower prices for data services. The recommendations in the report required the Group and MTN to engage with the Competition Commission on its findings and agree a way forward.

The Group entered into a consent agreement with the Competition Commission, in terms of which, effective from 1 April 2020, the Group would: introduce price reductions across all its monthly bundles; provide free access to basic internet for essential services; and offer lower prices to poor communities. This consent agreement was entered into with no admission of liability on the part of the Group and was in full and final settlement of the concerns identified in the final report of the Data Services Market Inquiry. On 25 March 2020, the consent agreement was confirmed, and made an Order of the Competition Tribunal.

12.3 Policy on High Demand Spectrum and policy direction

The policy on High Demand Spectrum (HDS) and policy direction on the licensing of a wireless open access network (WOAN) was gazetted in July 2019. The policy recommends that HDS be assigned to the WOAN and the remaining HDS assigned to other Electronic Communications Network Service (ECNS) licencees. Under the policy direction, ICASA is directed to issue an Invitation to Apply (ITA), and consider applications for an individual ECNS licence for the WOAN.

ICASA issued an Information Memorandum (IM) on 1 November 2019. The IM sets out ICASA's proposed requirements, options for spectrum assignment, obligations and other considerations for the assignment of HDS. Interested parties were invited to make proposals and recommendations on a number of aspects including the options for spectrum allocation, obligations, and the WOAN structure. The Group submitted comments on the IM on 31 January 2020. These comments included alternative recommendations on spectrum allocation, views on the implementation of the WOAN and its objectives, as well as obligations to be imposed on licensees. ICASA has issued a licensing notice detailing the process and anticipated timelines for licensing of the WOAN. These timelines envisage an award date for the WOAN during the 3rd quarter of the 2022 financial year.

12. Other Matters continued

12.4 Vodacom Congo (DRC) SA (Vodacom Congo)

12.4.1 Organisation for the Harmonisation of Business Law in Africa (OHADA)

Vodacom Congo is not in compliance with the minimum capital requirements as set out under the OHADA. Vodacom Congo has to increase its share capital to meet the minimum OHADA requirements. In a bid to remedy this non-compliance, the shareholders of Vodacom Congo agreed on 28 December 2018 to convert the initial shareholder loans into equity. This recapitalisation resulted in a 32% improvement in the negative equity position. A non-compliance gap remains, but this matter is continuously being discussed by the Board and shareholders of Vodacom Congo.

12.4.2 Investigation on unpaid taxes for devices

The Democratic Republic of Congo (DRC) Customs Authority (DGDA) has instituted a criminal claim against Vodacom Congo for unpaid custom duties on alleged smuggled devices bought by Vodacom Congo from a local supplier, who subsequently closed its business in the DRC. The Group has objected to the claim, and the investigation is ongoing.

12.5 Vodacom Tanzania Public Company Limited (Vodacom Tanzania) customer registration

On 1 May 2019, the Tanzania Communications Regulatory Authority (TCRA) required operators to commence implementation of biometric registration using national identification documents.

On 7 February 2020, new SIM Card Registration Regulations were published formalising the 'biometric only' SIM registration requirement. Since then, Vodacom Tanzania participated in continuous engagements with the TCRA to ensure compliance. All necessary measures were taken, which considerably increased compliance cost. Due to COVID-19, the TCRA has put a pause to any further barring.

The low penetration of national identification numbers across the country has largely impacted the biometric registration process. Following instructions from the TCRA, Vodacom Tanzania barred services to 2.9 million customers in various phases from January 2020. At the end of March 2020, Vodacom Tanzania reported to have registered 79% of its 14.2 million SIMs. Vodacom Tanzania has 2.5 million customers that are yet to be biometrically registered. We are awaiting instruction from the TCRA on how to proceed with these customers. Vodacom expects to recover a significant portion of these customers over the short to medium term as we continue to engage with the TCRA and National Identification Authority (NIDA) to ensure that barred customers resume access to services at the earliest time possible.

The new Regulations also impose limits on SIM Card ownership, requiring TCRA's approval to exceed set limits. Accordingly, from July 2020 an individual is allowed to own and use not more than one SIM Card per mobile network operator for use of voice, SMS and data services. For companies, 30 SIM Cards are allowed for one mobile network operator. Vodacom Tanzania and other mobile operators are further engaging with the TCRA with a view of putting in place an automated solution that will enable customers to get approval for additional SIM Cards.

12.6 Vodacom Lesotho (Pty) Limited (Vodacom Lesotho) enforcement proceedings

In December 2019, the Lesotho Communications Authority (LCA) issued a notice of enforcement against Vodacom Lesotho premised on its view that the company's statutory external auditors were not independent, as required by the Companies Act. The statutory external auditors of Vodacom Lesotho are not affiliated to the Group auditors, Ernst & Young Inc.. The LCA has directed Vodacom Lesotho to show cause why its communications license should not be withdrawn. Vodacom Lesotho has made written representations to the LCA against the revocation of its license. The LCA is yet to issue a final decision on the matter.

13. Events after the reporting period

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period, other than the following:

13.1 Dividend declared after the reporting date and not recognised as a liability

A final dividend of R7 435 million (405 cents per ordinary share) for the year ended 31 March 2020, was declared on 7 May 2020, payable on 29 June 2020 to shareholders recorded in the register at the close of business on 26 June 2020 . The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 324.00000 cents per share.

13.2 Safaricom dividend declared on 29 April 2020

Safaricom proposed a dividend of KES 56.09 billion for the financial year ended 31 March 2020. The dividend is payable to shareholders on or about 1 November 2020, subject to shareholders' approval at the annual general meeting. The Group's share of these dividend proposals, at a KES/ZAR exchange rate of 5.88, after withholding tax, amounts to R2 999 million.

14. Fair value hierarchy

The table below sets out the valuation basis of financial instruments measured at fair value:

	2020 Rm Reviewed	2019 Rm Audited
Level one[1]		
Financial assets at fair value through profit or loss		
Unit trust investments	**320**	291
Level two[2]		
Financial assets at fair value through other comprehensive income		
Finance receivables[3]	**4 084**	3 896
Financial assets and liabilities at fair value through profit or loss		
Derivative financial assets	**658**	76
Derivative financial liabilities	**(335)**	(252)
	4 727	4 011

1. Level one classification is used when the valuation is determined using quoted prices in an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices. Finance receivables are valued using a market approach, with cash flows discounted at the 24 month weighted average rate credit risk adjusted risk free rate at which finance receivables are sold across multiple financial institutions.
3. The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". As a result, the Group has reclassified finance receivables relating to device financing from loans and receivables to fair value through other comprehensive income. The inclusion in the fair value hierarchy arises from a change in measurement attribute on transition to IFRS 9.

Supplementary information

Operating results for the year ended 31 March 2020

Rm	South Africa	% 19/20	International	% 19/20	Corporate/ Eliminations	Group	% 19/20	Safaricom[1]
IFRS 16								
Mobile contract revenue	19 841	**(0.1)**	1 344	**15.0**	(6)	21 179	**0.8**	3 510
Mobile prepaid revenue	23 372	**(1.4)**	17 327	**14.5**	–	40 699	**4.8**	29 230
Customer service revenue	43 213	**(0.8)**	18 671	**14.5**	(6)	61 878	**3.4**	32 740
Mobile interconnect	1 893	**(5.4)**	1 328	**6.0**	(644)	2 577	**(1.2)**	1 227
Fixed service revenue	3 189	**13.5**	1 709	**3.0**	(471)	4 427	**8.1**	1 296
Other service revenue	4 417	**39.7**	91	**(44.5)**	(36)	4 472	**35.6**	1 056
Service revenue	52 712	**2.3**	21 799	**12.5**	(1 157)	73 354	**5.0**	36 319
Equipment revenue	13 657	**1.2**	419	**10.3**	(17)	14 059	**1.4**	1 247
Non-service revenue	3 224	**13.0**	274	**22.3**	(165)	3 333	**15.0**	385
Revenue	69 593	**2.5**	22 492	**12.6**	(1 339)	90 746	**4.8**	37 951
Direct expenses	(27 587)	**3.5**	(6 467)	**10.8**	1 177	(32 877)	**4.6**	(11 123)
Staff expenses	(4 140)	**9.2**	(1 791)	**(0.3)**	(490)	(6 421)	**6.6**	(2 092)
Publicity expenses	(1 265)	**(2.0)**	(624)	**3.0**	(18)	(1 907)	**(0.7)**	(818)
Other operating expenses	(7 597)	**(11.4)**	(4 936)	**(5.7)**	509	(12 024)	**(10.7)**	(3 960)
Share based payment charges	–	**–**	–	**–**	–	–	**–**	–
Depreciation and amortisation	(9 322)	**24.1**	(4 624)	**48.0**	(9)	(13 955)	**31.1**	(7 640)
Impairment charges	–	**–**	–	**–**	–	–	**–**	–
Net profit from associate and joint ventures	2	**–**	532	**–**	3615	4 149	**49.6**	538
Operating profit	19 684	**4.1**	4 582	**36.7**	3 445	27 711	**13.2**	12 856
EBITDA	29 094	**4.9**	8 679	**38.8**	(163)	37 610	**11.6**	19 950
EBITDA margin (%)	41.8	**0.9ppt**	38.6	**7.3ppt**	–	41.4	**2.5ppt**	52.6
EBITDA-aL	26 930	**n/a**	6 709	**n/a**	(100)	33 539	**n/a**	19 292
EBITDA-aL margin (%)	38.7	**n/a**	29.8	**n/a**	–	37.0	**n/a**	50.8
Included in service revenue:								
M-Pesa revenue	–	**–**	3 993	**29.8**	–	3 993	**29.8**	12 185

1. The Group's effective interest of 34.94% in Safaricom Pic (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Supplementary information
continued

Operating results for the year ended 31 March 2019

Rm	South Africa	International	Corporate/ Eliminations	Group	Safaricom[1]
IAS 17					
Mobile contract revenue	19 856	1 169	(7)	21 018	4 628
Mobile prepaid revenue	23 713	15 132	1	38 846	24 869
Customer service revenue	**43 569**	**16 301**	**(6)**	**59 864**	**29 497**
Mobile interconnect	2 001	1 253	(646)	2 608	1 161
Fixed service revenue	2 809	1 659	(372)	4 096	1 106
Other service revenue	3 162	164	(27)	3 299	934
Service revenue	**51 541**	**19 377**	**(1 051)**	**69 867**	**32 698**
Equipment revenue	13 493	380	(12)	13 861	1 063
Non-service revenue	2 853	224	(178)	2 899	352
Revenue	67 887	19 981	(1 241)	86 627	34 113
Direct expenses	(26 664)	(5 838)	1 075	(31 427)	(9 882)
Staff expenses	(3 790)	(1 796)	(440)	(6 026)	(1 958)
Publicity expenses	(1 291)	(606)	(23)	(1 920)	(1 008)
Other operating expenses	(8 578)	(5 233)	349	(13 462)	(4 330)
Share based payment charges	(1 150)	–	(254)	(1 404)	–
Depreciation and amortisation	(7 511)	(3 125)	(6)	(10 642)	(7 050)
Impairment charges	–	(30)	–	(30)	–
Net profit from associate and joint venture	1	–	2 773	2 774	1
Operating profit	**18 904**	**3 353**	**2 233**	**24 490**	**9 886**
EBITDA	27 741	6 252	(279)	33 714	16 913
EBITDA margin (%)	40.9	31.3	–	38.9	49.6
EBITDA-aL	n/a	n/a	n/a	n/a	n/a
EBITDA-aL margin (%)	n/a	n/a	n/a	n/a	n/a
Included in service revenue:					
M-Pesa revenue	–	3 077	–	3 077	10 183

1. The Group's effective interest of 34.94% in Safaricom Pic (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

South Africa key indicators

	Year ended 31 March		% change
	2020	2019	**19/20**
Customers[1] (thousand)	**41 312**	43 166	**(4.3)**
Prepaid	**35 231**	37 331	**(5.6)**
Contract	**6 081**	5 835	**4.2**
Data customers[2] (thousand)	**21 891**	19 952	**9.7**
Internet of Things connections[3] (thousand)	**5 289**	4 514	**17.2**
Traffic[4] (millions of minutes)	**64 070**	63 073	**1.6**
Outgoing	**53 875**	53 692	**0.3**
Incoming	**10 195**	9 381	**8.7**
MOU per month[5]	**122**	121	**0.8**
Prepaid	**112**	110	**1.8**
Contract	**189**	198	**(4.5)**
Total ARPU[6] (rand per month)	**86**	87	**(1.1)**
Prepaid	**54**	54	**–**
Contract	**290**	315	**(7.9)**
Messaging (million)	**8 885**	9 057	**(1.9)**
Number of employees	**5 403**	5 197	**4.0**

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 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. 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.
5. 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.
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.

Supplementary information
continued

International key indicators

	Year ended 31 March		% change
	2020	2019	**19/20**
Customers[1] (thousand)	**38 595**	34 620	**11.5**
Tanzania	**15 513**	14 133	**9.8**
DRC	**13 766**	12 180	**13.0**
Mozambique	**7 656**	6 843	**11.9**
Lesotho	**1 660**	1 464	**13.4**
Data customers[2] (thousand)	**19 983**	17 664	**13.1**
Tanzania	**7 687**	7 892	**(2.6)**
DRC	**6 594**	4 749	**38.9**
Mozambique	**4 855**	4 289	**13.2**
Lesotho	**847**	734	**15.4**
30-day active M-Pesa customers[3] (thousand)	**14 738**	13 500	**9.2**
Tanzania	**6 685**	6 989	**(4.3)**
DRC	**2 864**	2 116	**35.3**
Mozambique	**4 389**	3 860	**13.7**
Lesotho	**800**	535	**49.5**
MOU per month[4]			
Tanzania	**172**	172	**–**
DRC	**34**	36	**(5.6)**
Mozambique	**132**	136	**(2.9)**
Lesotho	**80**	74	**8.1**
Total ARPU[5] (rand per month)			
Tanzania	**36**	36	**–**
DRC	**46**	41	**12.2**
Mozambique	**59**	55	**7.3**
Lesotho	**69**	66	**4.5**
Total ARPU[5] (local currency per month)			
Tanzania (TZS)	**5 616**	6 010	**(6.6)**
DRC (US$)	**3.1**	3.0	**3.3**
Mozambique (MZN)	**252**	244	**3.3**
Number of employees	**2 054**	2 357	**(12.9)**

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. Three month active.
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 customers during the period.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period.

Safaricom key indicators

	Year ended 31 March		% change
	2020	2019	**19/20**
Customers[1] (thousand)	**35 610**	31 730	**12.2**
Data customers[2] (thousand)	**19 622**	17 808	**10.2**
M-Pesa customers[3] (thousand)	**24 910**	22 640	**10.0**
ARPU[4] (local currency per month)	**614.58**	659.34	**(6.8)**

Notes:
1. A customer is defined as a Subscriber Identity Module (SIM), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose (including data only usage) except telemetric applications.
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 month reported.
3. Number of unique customers who have generated revenue related to M-Pesa in the past 30 days.
4. ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.

International financial review per country

	Year ended 31 March		% change
	2020 IFRS 16	2019 IAS 17	**19/20**
Revenue (local currency)			
Tanzania (TZSm)	**1 032 667**	1 024 587	**0.8**
DRC (US$000)	**511 523**	473 386	**8.1**
Mozambique (MZNm)	**24 601**	21 071	**16.8**
Lesotho (LSLm)	**1 377**	1 308	**5.3**
EBITDA (local currency)			
Tanzania (TZSm)	**359 690**	293 937	**22.4**
DRC (US$000)	**194 369**	130 511	**48.9**
Mozambique (MZNm)	**11 504**	8 446	**36.2**
Lesotho (LSLm)	**619**	628	**(1.4)**

Supplementary information
continued

Historical financial review

Revenue for the quarter ended

Rm	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018
South Africa	**17 493**	18 183	17 358	16 559	**17 053**	17 172	17 147
International	**5 558**	5 789	5 869	5 276	**5 027**	5 312	5 218
Corporate and eliminations	**(320)**	(346)	(365)	(308)	**(332)**	(312)	(311)
Group revenue	**22 731**	23 626	22 862	21 527	**21 748**	22 172	22 054

Revenue yoy % change for the quarter ended

	Reported				Normalised*
%	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2020
South Africa	**2.6**	5.9	1.2	0.3	**2.6**
International	**10.6**	9.0	12.5	19.3	**3.5**
Corporate and eliminations	**3.6**	(10.9)	(17.4)	(7.7)	**3.6**
Group revenue	**4.5**	6.6	3.7	4.2	**2.8**

Service revenue for the quarter ended

Rm	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018
South Africa	**13 348**	13 567	13 220	12 577	**12 845**	12 975	12 985
International	**5 397**	5 622	5 668	5 112	**4 885**	5 160	5 057
Corporate and eliminations	**(293)**	(290)	(318)	(256)	**(289)**	(261)	(263)
Group service revenue	**18 452**	18 899	18 570	17 433	**17 441**	17 874	17 779

Service revenue yoy % change for the quarter ended

	Reported				Normalised*
%	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2020
South Africa	**3.9**	4.6	1.8	(1.2)	**3.9**
International	**10.5**	9.0	12.1	19.6	**3.5**
Corporate and eliminations	**(1.4)**	(11.1)	(20.9)	(7.6)	**(1.4)**
Group service revenue	**5.8**	5.7	4.4	3.9	**3.8**

Exchange rates

	Average YTD			Closing YTD		
	31 March		% change	31 March		% change
	2020	2019	**19/20**	**2020**	2019	**19/20**
US$/ZAR	**14.79**	13.76	**7.5**	**17.86**	14.42	**23.9**
ZAR/MZN	**4.27**	4.42	**(3.4)**	**3.78**	4.40	**(14.1)**
ZAR/TZS	**155.93**	166.81	**(6.5)**	**129.62**	160.37	**(19.2)**
EUR/ZAR	**16.42**	15.92	**3.1**	**19.60**	16.18	**21.1**
ZAR/KES	**6.93**	7.36	**(5.8)**	**5.88**	6.99	**(15.8)**

	Average QTD				Closing QTD			
	31 March 2020	31 December 2019	30 September 2019	30 June 2019	**31 March 2020**	31 December 2019	30 September 2019	30 June 2019
US$/ZAR	**15.37**	14.70	14.68	14.39	**17.86**	13.98	15.16	14.10
ZAR/MZN	**4.21**	4.28	4.20	4.39	**3.78**	4.40	4.07	4.41
ZAR/TZS	**150.57**	156.59	156.76	159.82	**129.62**	164.34	151.56	163.11
EUR/ZAR	**16.94**	16.27	16.32	16.17	**19.60**	15.70	16.53	16.06
ZAR/KES	**6.65**	6.97	7.05	7.04	**5.88**	7.25	6.85	7.25

Supplementary information
continued

Historical key indicators

South Africa for the quarter ended

	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018
Customers[1] (thousand)	**41 312**	44 341	43 857	43 774	**43 166**	43 838	44 089
Prepaid	**35 231**	38 279	37 830	37 853	**37 331**	38 215	38 552
Contract	**6 081**	6 062	6 027	5 921	**5 835**	5 623	5 537
Data customers[2] (thousand)	**21 891**	22 878	21 420	19 930	**19 952**	20 345	20 538
Internet of Things connections[3] (thousand)	**5 289**	4 678	4 574	4 537	**4 514**	4 335	4 004
Traffic[4] (millions of minutes)	**15 823**	16 228	16 324	15 695	**15 330**	15 987	16 128
Outgoing	**13 172**	13 664	13 784	13 255	**12 996**	13 595	13 768
Incoming	**2 651**	2 564	2 540	2 440	**2 334**	2 392	2 360
MOU per month[5]	**123**	122	124	120	**118**	121	123
Prepaid	**113**	113	113	109	**106**	110	112
Contract	**188**	180	194	191	**193**	197	201
Total ARPU[6] (rand per month)	**88**	87	85	85	**87**	86	88
Prepaid	**55**	54	53	53	**54**	55	54
Contract	**286**	295	291	290	**304**	307	325

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. 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.
5. 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.
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.

Historical key indicators continued

International for the quarter ended

	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018
Customers[1] (thousand)	**38 595**	38 241	36 587	35 180	**34 620**	35 164	34 715
Tanzania	**15 513**	15 597	14 755	14 322	**14 133**	14 070	13 991
DRC	**13 766**	13 402	12 995	12 348	**12 180**	12 830	12 801
Mozambique	**7 656**	7 522	7 279	7 108	**6 843**	6 689	6 405
Lesotho	**1 660**	1 720	1 558	1 402	**1 464**	1 575	1 518
Data customers[2] (thousand)	**19 983**	20 593	19 678	18 964	**17 664**	18 522	17 964
Tanzania	**7 687**	8 369	8 166	8 106	**7 892**	8 132	8 064
DRC	**6 594**	6 330	6 071	5 660	**4 749**	5 021	5 042
Mozambique	**4 855**	4 984	4 656	4 455	**4 289**	4 577	4 161
Lesotho	**847**	910	785	743	**734**	792	697
MOU per month[3]							
Tanzania	**167**	169	180	170	**157**	168	186
DRC	**34**	36	34	32	**31**	36	39
Mozambique	**128**	141	133	127	**136**	146	134
Lesotho	**73**	84	85	81	**74**	82	73
30-day active M-Pesa customers[4] (thousand)	**14 738**	14 847	14 297	14 186	**13 500**	13 409	13 182
Tanzania	**6 685**	7 477	7 197	7 277	**6 989**	6 892	6 818
DRC	**2 864**	2 316	2 228	2 284	**2 116**	2 240	2 324
Mozambique	**4 389**	4 305	4 217	4 028	**3 860**	3 775	3 579
Lesotho	**800**	749	655	597	**535**	502	461
Total ARPU[5] (rand per month)							
Tanzania	**32**	37	39	37	**35**	39	38
DRC	**46**	46	48	44	**41**	41	43
Mozambique	**58**	61	62	55	**53**	60	59
Lesotho	**62**	70	71	73	**66**	72	64
Total ARPU[5] (local currency per month)							
Tanzania (TZS)	**4 755**	5 826	6 050	5 901	**5 752**	6 205	6 116
DRC (US$)	**3.0**	3.1	3.3	3.1	**2.9**	2.9	3.0
Mozambique (MZN)	**245**	260	261	241	**234**	255	248

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. 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.
4. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
5. 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.

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 52 – 56, is the responsibility of the directors of Vodacom Group Limited.

- The "normalised" results have been presented to assist the user in understanding the underlying growth trends and adjusts for:
  - the differences in reporting under IFRS 16 in the current year and IAS 17, on a constant currency basis, in the prior year;
  - the impact of trading foreign exchanges;
  - the impact of foreign currency translation in the prior year on a constant currency basis; and
  - the merger, acquisition and disposal activities during the current year and on a constant currency basis in the prior year;
- "Operating free cash flow" and "free cash flow" has been presented to provide users with relevant information and measures used by the Group to assess performance; collectively, the "pro-forma financial information".

The *pro-forma* financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. The *pro-forma* financial information is presented in accordance with the JSE Listings Requirements, the SAICA Guide on Pro-Forma Financial Information and any relevant guidance issued by IRBA. This *pro-forma* financial information for the year ended 31 March 2020 as presented in Table A as well as the constant currency information detailed in columns 3, 4 and 5 of Table B and notes 3, 4 and 5 has been reported on by the Group's auditors, being Ernst & Young Inc., and these independent reporting accountant's reports are available for inspection at the Group's registered offices.

TABLE A: Reconciliation of normalised values for the year ended 31 March 2020

		Foreign exchange				
Rm	**IFRS 16 Reported results[1]**	Trading FX[2]	Translation FX[3]	Mergers, Acquisitions and disposals[4]	IFRS 16 related adjustment[5]	**Normalised***
Revenue						
Group	**90 746**	–	–	(550)	–	**90 196**
International	**22 492**	–	–	(527)	–	**21 965**
South Africa	**69 593**	–	–	(23)	–	**69 570**
Service revenue						
Group	**73 354**	–	–	(538)	–	**72 816**
International	**21 799**	–	–	(516)	–	**21 283**
South Africa	**52 712**	–	–	(22)	–	**52 690**
M-Pesa revenue						
International	**3 993**	–	–	–	–	**3 993**
Total expenses						
Group	**53 229**	(27)	–	(463)	–	**52 739**
International	**13 818**	(11)	–	(387)	–	**13 420**
South Africa	**40 589**	(14)	–	(76)	–	**40 499**
EBITDA						
Group	**37 610**	27	–	(22)	–	**37 615**
International	**8 679**	11	–	(75)	–	**8 615**
South Africa	**29 094**	14	–	53	–	**29 161**
Operating profit						
Group	**27 711**	18	–	(676)	2 865	**29 918**
International	**4 582**	11	–	(519)	1 127	**5 201**
South Africa	**19 684**	14	–	56	1 598	**21 352**

TABLE B: Reconciliation of normalised values for the year ended 31 March 2019

Rm	IFRS 15 Reported results[1]	Foreign exchange Trading FX[2]	Foreign exchange Translation FX[3]	Mergers, Acquisitions and disposals[4]	IAS 17 related adjustment[5]	Normalised*
Revenue						
Group	**86 627**	–	1 104	(574)	–	**87 157**
International	**19 981**	–	1 104	(574)	–	**20 511**
South Africa	**67 887**	–	–	–	–	**67 887**
Service revenue						
Group	**69 867**	–	1 058	(563)	–	**70 362**
International	**19 377**	–	1 058	(563)	–	**19 872**
South Africa	**51 541**	–	–	–	–	**51 541**
M-Pesa revenue						
International	**3 077**	–	177	–	–	**3 254**
Total expenses						
Group	**52 835**	(66)	773	(382)	(2 752)	**50 408**
International	**13 473**	(54)	773	(382)	(1 326)	**12 484**
South Africa	**40 323**	(3)	–	–	(1 426)	**38 894**
EBITDA						
Group	**33 714**	66	319	(74)	2 752	**36 777**
International	**6 252**	54	319	(74)	1 326	**7 877**
South Africa	**27 741**	3	–	–	1 426	**29 170**
Operating profit						
Group	**24 490**	63	319	1 424	2 973	**29 269**
International	**3 353**	54	134	20	1 326	**4 887**
South Africa	**18 904**	3	–	1 150	1 426	**21 483**

Supplementary information
continued

TABLE C: Reconciliation of normalised growth for the year ended 31 March 2020

The reconciliation below presents the normalised growth which has been adjusted for trading foreign exchange gains and losses as well as foreign exchange translations; mergers, acquisitions and disposals; and IFRS 16 related adjustments for the current period and IAS 17 related adjustments for the prior period all at a constant currency rate to show a like-for-like comparison of results.

		Foreign exchange				
%	% change[1]	Trading FX[2] ppts	Translation FX[3] ppts	Mergers, Acquisitions and disposals ppts[4]	IFRS 16/ IAS 17 related adjustment[5]	Normalised* % change
Revenue						
Group	**4.8**	–	(1.3)	–	–	**3.5**
International	**12.6**	–	(5.7)	0.2	–	**7.1**
South Africa	**2.5**	–	–	–	–	**2.5**
Service revenue						
Group	**5.0**	–	(1.5)	–	–	**3.5**
International	**12.5**	–	(5.7)	0.3	–	**7.1**
South Africa	**2.3**	–	–	(0.1)	–	**2.2**
M-Pesa revenue						
International	**29.8**	–	(7.1)	–	–	**22.7**
Total expenses						
Group	**0.7**	0.1	(1.5)	(0.2)	5.5	**4.6**
International	**2.6**	0.4	(6.5)	(0.1)	11.1	**7.5**
South Africa	**0.7**	(0.1)	–	(0.2)	3.7	**4.1**
EBITDA						
Group	**11.6**	(0.1)	(1.0)	0.2	(8.4)	**2.3**
International	**38.8**	(0.7)	(5.6)	–	(23.1)	**9.4**
South Africa	**4.9**	–	–	0.2	(5.1)	**0.0**
Operating profit						
Group	**13.2**	(0.2)	(1.4)	(8.9)	(0.5)	**2.2**
International	**36.7**	(1.4)	(4.5)	(17.8)	(6.6)	**6.4**
South Africa	**4.1**	0.1	–	(5.7)	0.9	**(0.6)**

TABLE D1: Reconciliation of normalised values for the quarter ended 31 March 2020

Rm	Reported	Translation FX[3]	Mergers, Acquisitions and disposals[4]	Normalised*
Revenue				
Group	**22 731**	(163)	(119)	**22 449**
International	**5 558**	(163)	(93)	**5 302**
Service revenue				
Group	**18 452**	(157)	(100)	**18 195**
International	**5 397**	(157)	(90)	**5 150**

TABLE D2: Reconciliation of normalised values for the quarter ended 31 March 2019

Rm	Reported	Translation FX[3]	Mergers, Acquisitions and disposals[4]	Normalised*
Revenue				
Group	**21 748**	248	(152)	**21 844**
International	**5 027**	248	(152)	**5 123**
Service revenue				
Group	**17 441**	239	(149)	**17 531**
International	**4 885**	239	(149)	**4 975**

TABLE D3: Reconciliation of normalised growth for the quarter ended 31 March 2020

%	% change[7]	Translation FX[3] ppts	Mergers, Acquisitions and disposals ppts[4]	Normalised* % change
Revenue				
Group	**4.5**	(1.9)	0.2	**2.8**
International	**10.6**	(8.3)	1.2	**3.5**
Service revenue				
Group	**5.8**	(2.3)	0.3	**3.8**
International	**10.5**	(8.2)	1.2	**3.5**

Notes:

1. The financial information relating to revenue, service revenue, total expenses, EBITDA and operating profit are extracted without adjustment from the preliminary condensed consolidated financial statements for the year ended 31 March 2020.
2. Trading foreign exchange adjustments (FX) are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group, which is included with other operating expenses as per the preliminary condensed consolidated income statement.
3. 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. 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. For year-end purposes, IFRS monthly results are translated at the prevailing average monthly exchange rate and the translated value accumulated over the twelve month period. For the pro-forma financial information for the year ended 31 March 2019, these exchange variances are eliminated by applying the average rate for the year ended 31 March 2020 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period as applicable to each specified line item) to the 31 March 2019 numbers, thereby giving a user a view of the performance which excludes exchange variances. The effective translation rates for *pro-forma* financial information is similar to those used for IFRS purposes.
4. Mergers, acquisitions and disposals relates to the IFRS 2 charge as disclosed in Note 8 in the condensed preliminary consolidated financial statements for the period ended 31 March 2019, acquisition of IoT.nxt, the acquisition of M-Pesa Global Services and the disposal of subsidiaries as disclosed in Note 8.2, Note 8.3 and Note 8.4 in the preliminary condensed consolidated financial statements for the year ended 31 March 2020. Prior year merger, acquisition and disposal activities have been reversed using the 31 March 2020 average exchange rate, as explained in note 3.
5. For the current year, we reversed the depreciation expensed on the right of use assets recognised on 1 April 2019 on the adoption of IFRS 16. For the prior year, the entire operating lease expense recognised in terms of IAS 17 has been reversed using the 31 March 2020 average exchange rate as explained in note 3. This results in no lease costs being included in the normalised figures.
6. The percentage change relates to the year-on-year percentage growth calculated as the percentage change between the year-to-date 31 March 2020 and year-to-date 31 March 2019.
7. The percentage change relates to the quarter to date year-on-year percentage growth calculated as the percentage change between the quarter-to-date 31 March 2020 and the quarter-to-date 31 March 2019 IFRS 16 values.

* Normalised growth, which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and IFRS 16 related adjustments in the current year and IAS 17 related adjustments in the prior year, to show a like-for-like comparison of results.

Supplementary information

continued

TABLE E: Reconciliation of operating free cash flow and free cash flow

	Year ended 31 March	
Rm	**2020**	2019
Cash generated from operations[1]	**39 251**	34 575
Cash capital expenditure[2]	**(12 943)**	(12 208)
Lease liability payments[3]	**(4 046)**	–
Movement in amounts due to M-Pesa account holders[4]	**(480)**	(724)
Operating free cash flow	**21 782**	21 643
Tax paid[1]	**(6 417)**	(6 535)
Dividends received from associate[1]	**4 394**	2 466
Finance income received[1]	**763**	943
Finance costs paid[5]	**(3 506)**	(3 179)
Net dividends paid[1]	**(732)**	(473)
Free cash flow	**16 284**	14 865

The reconciliation presents the reconciliation of cash generated from operators to free cash flow. Free cash flow excludes the movement in amounts due to M-Pesa account holders, and held on their behalf. Management excludes these balances to present a view of the true commercial cash conversion in the operation.

Notes:

1. Extracted without adjustment from the preliminary condensed consolidated statement of cash flows for the year ended 31 March 2020.
2. Cash capital expenditure as per the preliminary condensed consolidated statement of cash flows, excluding net capital expenditure of licence and spectrum fee of R861 million (2019: R978 million) and acquisition of customer base of R18 million (2019: R0).
3. Lease liability payments includes Interest on lease liabilities of R1 304 million.
4. Movements included in cash generated from operations relate to money held on behalf of M-Pesa customers, which is not available for use by the Group.
5. This represents the finance costs paid of R4 810 million (2019: R3 179 million), as extracted from the preliminary condensed consolidated statement of cash flows for the year ended 31 March 2020, net of interest on lease liabilities of R1 304 million (2019: R0).

IFRS 16 Leases

IFRS 16 Leases was adopted by the Group on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. The Group has applied the following expedients in relation to the adoption of IFRS 16, in terms of the transitional provisions of that standard:

- The right of use assets were measured at an amount equal to the lease liability at adoption, and initial direct costs incurred when obtaining leases were excluded from this measurement. Leases prepayments and accruals previously recognised under IAS 17 at 31 March 2019 were added and deducted, respectively, from the value of the right of use assets on adoption. In determining the cumulative retrospective impact recorded on 1 April 2019.
- The Group impaired the right of use assets recognised on adoption by the value of the provisions for onerous leases held under IAS 17 at 31 March 2019 instead of performing a new impairment assessment for those assets on adoption; and
- The Group excluded initial costs from measurement of the right of use assets on adoption.

Further details are explained in Note 2 of the Notes to the preliminary condensed consolidated financial statements for the year ended 31 March 2020 on pages 23 – 29.

Corporate information

Additional financial and operational measures

This announcement contains certain financial (i.e. service revenue, enterprise service revenue and EBITDA) and operational (i.e. customers, ARPUs and number of employees) measures which are presented in addition to the financial information disclosed in the preliminary condensed consolidated financial statements for the year ended 31 March 2020 which have been prepared in terms of IFRS. 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 to, the preliminary condensed consolidated financial statements for the year ended 31 March 2020. The financial measures have been extracted from the management accounts upon which the preliminary condensed consolidated financial statements for year ended 31 March 2020 are based. Refer to pages 9 – 12 for details relating to service revenue, EBITDA, EBITDA-aL and headline earnings per share and the supplementary information on pages 52 – 56 for a reconciliation thereof to the reported results included in this announcement.

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 annual results for Vodacom Group Limited for the year ended 31 March 2020 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 license 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.

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], V Badrinath[2], DH Brown, P Klotze[3], SJ Macozoma, P Mahanyele-Dabengwa (Alternate NC Nqweni), JWL Otty[4], S Sood[5], CB Thomson, L Wood[4] (Alternate F Bianco[6])

1. German 2. French 3. Swedish 4. British 5. Indian 6. Italian

Registered Office

Vodacom Corporate Park,
082 Vodacom Boulevard,
Midrand 1685
(Private Bag X9904, Sandton 2146)

Transfer Secretary

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

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

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