

Vodacom Group Limited annual results for the year ended 31 March 2018

14 May 2018

Highlights

Group revenue grew strongly at 6.3% to R86.4 billion; normalised growth, excluding currency translation effects, was 7.8%*.
Group service revenue grew 3.4% to R70.6 billion; normalised growth, excluding currency translation effects, was 5.1%*.
We added 7.0 million customers during the year, 4.5 million in South Africa, 2.5 million in our International operations.
Safaricom added 1.4 million customers. In combination, we now reach over 103 million customers across the Group.
South Africa revenue growth accelerated to 8.1% boosted by strong device sales. Service revenue increased 4.9% to R54.6 billion.
International operations continue to improve with normalised service revenue growth of 7.4%* or 0.3% on a reported basis.
Group EBIT improved 4.4% (2.8%*) to R23.1 billion, with good improvement in our International operations.
Significant investment of R11.6 billion used to expand our coverage and improve quality in our networks; R8.9 billion in South Africa alone.
Safaricom contributed R1.5 billion profit for the eight months since acquisition, after deducting the amortisation of fair valued assets and before minority interest.
Net profit increased 18.6%, boosted by the Safaricom acquisition and by the profit from the sale of Helios Towers Tanzania Limited.
Headline earnings per share remained constant at 923 cents per share, impacted by shares issued to acquire the Safaricom stake.
Final dividend per share of 425 cents

Rm	Year ended 31 March		Year-on-year % change	
	2018	2017	Reported	Normalised*
Revenue	86 370	81 278	6.3	7.8
Service revenue	70 632	68 286	3.4	5.1
EBITDA	32 898	31 238	5.3	
EBIT	23 109	22 126	4.4	2.8
Net profit from associate and joint venture^	1 507	1	-	
Operating profit	24 252	21 750	11.5	3.0
Net profit	15 562	13 126	18.6	
Capital expenditure	11 594	11 292	2.7	
Operating free cash flow	21 117	19 555	8.0	
Free cash flow	14 195	11 403	24.5	
Headline earnings per share (cents)	923	923	-	
Total dividend per share (cents)(1)	815	830	(1.8)	

Notes:

Certain financial information presented in these annual results constitute pro-forma financial information to the extent that it is not extracted from the segment disclosure included in the audited financial statements for the year ended 31 March 2018. The applicable criteria on the basis of which this pro-forma financial information has been prepared is set out in the supplementary information below.

All growth rates quoted are year-on-year growth rates and refer to the year ended 31 March 2018 compared to the year ended 31 March 2017, unless stated otherwise.

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

^ Amounts marked with a ^ in this document relate to the following, on 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Limited which is accounted for as an investment in associate. Net profit from associate and joint venture includes attributable profits, after deducting amortisation of fair valued assets.

(1.) Declared.

Vodacom Group CEO commented:
SHAMEEL JOOSUB

This has been an extraordinary year for Vodacom. In addition to completing the acquisition of a strategic 34.94% stake in Safaricom and a record-breaking listing in Tanzania, over 8.4 million customers joined the Vodacom and Safaricom networks. Our sustained investment in customer and network experience across our operations was a major factor in attracting the additional 4.5 million customers in South Africa and 2.5 million internationally. Safaricom added 1.4 million customers to push the combined total to over 103 million customers. Securing an outright Net Promoter Score (NPS) lead over competitors in all our operations is another key milestone attained this year.

Despite a tougher economic environment in South Africa, 'Big Data' led innovations contributed to robust demand for personalised bundles and a 4.9% growth in service revenue. Strong device sales, cost optimisation measures and the effective execution of our pricing transformation programme also played a major role in the sound commercial performance in our largest market.

This was a solid achievement given the revenue impact from reducing out-of-bundle data prices by as much as 50% in October last year as well as the early phase investments in new revenue streams, including fibre, content propositions and financial services. Over the past three years, we have reduced effective voice and data prices by 36.3% and 42.5% respectively, while maintaining revenue growth. Our accelerated rural coverage programme was instrumental in Vodacom becoming the continent's first operator to reach 80% population coverage on a 4G network.

In our International operations, it was a particularly pleasing year for Mozambique and Lesotho, while our commercial actions in Tanzania and DRC continue to show good momentum. This portfolio produced a 7.4%* increase in normalised service revenue on the back of rising customer numbers, strong demand for data and the accelerated uptake of M-Pesa. Despite a turbulent political context, Safaricom delivered net profit growth of 14.1% for the year. This was underpinned by strong growth in data and M-Pesa revenues and a 5.1% increase in customers to 29.6 million. Safaricom contributed R1.5 billion profit for the eight months since acquisition, after deducting the amortisation of fair valued assets and before minority interest.

Revenue from mobile money has become a significant contributor to the Group. The combined customer base, including Safaricom, grew 11.5% in the past year and now exceeds 32.3 million. During this period, the M-Pesa platform in our International operations, processed transactions worth USD1.9 billion, generating a 19.6% increase in M-Pesa revenue to R2.3 billion. In addition, Safaricom showed impressive results processing USD6.5 billion worth of transactions for the year and grew M-Pesa revenue by 14.2% to KES63 billion.

Our investment and efforts to drive revenue diversification and digital transformation across the Group are having the desired effect. Changing the way we operate, means we are well positioned to drive new and exciting growth opportunities as we seek to change people's lives through building a connected society.

Looking ahead, we are encouraged by the renewed economic and political stability in South Africa and larger International operations, including Kenya. Our operations benefit from stability in foreign exchange and macro-economic environments and this is expected to bring a greater degree of predictability to the results across our markets.

We are encouraged by these developments and are reaffirming our three year targets(1) of mid-single digit service revenue growth, mid-to-high single digit EBIT growth and capital intensity of 12% - 14% of Group revenue, to build on this momentum.

(1.) These targets are on average, over the next three years and are on a normalised basis in constant currency, excluding spectrum purchases and any merger and acquisition activity. This assumes broadly stable currencies in each of our markets and stable macro and regulatory environments. Excluding effects from IFRS 15 and IFRS 16 implementation.

Operating review

South Africa

South Africa delivered robust performance, despite ongoing data pricing transformation and a low economic growth environment. Service revenue increased 4.9% to R54.6 billion, supported by strong customer additions, a higher contribution from data revenue and growth in enterprise services. Revenue grew strongly by 8.1% to R70.0 billion, as a result of equipment revenue growth of 15.2%, underpinned by smart device sales which constitute 70.0% of total devices sold, in-line with our strategy of driving the uptake of smart devices.

We continue to see positive outcomes from our segmented acquisition strategy. Our Youth proposition, NXTLVL, has now attracted over 3.3 million new and existing Youth customers. The expansion of our new Siyakha platform is helping improve the lives of customers, through products such as zero rated career portals, Facebook Flex, free health information for expectant mothers and prepaid funeral cover. These propositions, supported by personalised value offers through our 'Just 4 You' platform have seen us attracting 4.5 million new customers this year, closing at 41.6 million, up 12.1%. Prepaid customers increased 4.3 million, up 13.4%, supporting the 6.4% prepaid customer revenue growth. We added 229 000 contract customers. Progress on our pricing transformation strategy has resulted in short-term pressure on contract ARPU, which declined 4.4% to R390. This was as a result of higher roll over of unused data bundles as we continue to migrate customers to 'more value' contracts, with 43.4% of the base now signed up for these contracts. ARPU was also impacted by changes in deal structures in the first half of the year, and a reduction of the out-of-bundle data rates in October 2017.

Our industry leading application of Big Data and machine learning, created to deliver personalised bundle offers based on customer behaviour, continues to differentiate us from our competitors. Through our 'Just 4 You' platform we have accelerated the uptake of bundle offers, driving the sale of 2.3 billion bundles in the year, up 51.3%. Of these, 62.2% of bundle purchases are made through the platform. Customers using bundles have grown 13.9% to 18.7 million.

Data revenue grew strongly at 12.8% to R23.4 billion, contributing 42.8% of service revenue. This represents strong growth as we transform pricing for customers by reducing out-of-bundle spend. This was achieved by improving customer data usage notifications, reducing of out-of-bundle rates by as much as 50%, and introducing more value offers on our contract plans. In the second half, 12% of data revenue was out-of-bundle revenue, down from 22% in the first half last year. Data traffic growth remains robust at 43.7%. This was enabled through growing our data network coverage and capacity as well as focussing our device strategy on increasing 3G and 4G device uptake. 4G customers on our network increased 44.8% to 7.3 million, while the average megabyte per smart device increased 18.4% to 784MB. Our bundle strategy continues to resound well with our customers, who have a choice of buying appropriate bundles based on validity period or size to suit their needs. Data bundle purchases increased 54.7% to 766 million. Improved in-bundle usage has helped us to reduce the overall effective price per megabyte by 21.6% this year.

Enterprise service revenue grew 10.8% now contributing 25.7% of service revenue. Mobile enterprise customer revenue was flat, as the upgrade cycle on the government tender awarded to Vodacom in October 2016 progressed well, while new sign ups to compensate for the greater discount were slower than originally anticipated. We expect this trend to improve in the year ahead. Service revenue growth from fixed services increased 55.6%, driven by the inclusion of wholesale transit revenue (a new low margin business), connectivity revenue and cloud and hosting services.

EBITDA grew 4.7% to R28.1 billion and delivered a margin of 40.1%. We have contained inflationary pressures on operating expenses, through cost saving initiatives under our 'Fit for growth' programme, maintaining total operating expense growth of 2.1%, which is 2.8ppts below service revenue growth. EBITDA margins have however contracted 1.3ppts, impacted by the roaming agreement with Rain diluting margins by 0.7ppts, as we move cost of capacity to direct expenses from depreciation; the increased contribution from lower margin handset sales has impacted margin by 0.8ppts. EBIT growth of 2.6% was below EBITDA growth as a result of higher growth in depreciation and amortisation costs, in line with our capital expenditure guidance to deliver our network leadership position.

Our capital expenditure of R8.9 billion was focused on widening our network coverage, improving network performance to support increased data demand and enhancing overall customer experience. Significant investment was made in our IT systems with deep machine learning capabilities aimed at providing a seamless and personalised customer experience, enabling us to deliver on our strategic ambition of being the leading digital telco in South Africa. We have extended our 3G population coverage to 99.4% and 4G coverage to 80.1%, up from 75.8% a year ago. Vodacom is now the first African operator to extend 4G coverage to more than 80% of its population.

International

Service revenue increased by 0.3%, with strong normalised growth of 7.4%* to R16.8 billion with pleasing growth in our strategic focus areas of data and M-Pesa. Reported numbers have been impacted by the strengthening of the Rand against each country's currency.

Tanzania continued to execute on its strategy, delivering good revenue and customer growth despite a highly competitive environment. We have continued to invest in enhanced registration processes and to suspend customers until they update personal registration details, as required by law. Mozambique and Lesotho delivered strong results supported by good execution in monetising growing demand in data and M-Pesa, while performance in the DRC has improved as the currency and economic environment began stabilising in the second half of the year. Our focus on improving customer experience by addressing points of detractor has resulted in NPS leadership in all markets, in line with our strategy of providing the best customer experience.

We added 2.5 million customers for the year, up 8.6% to 32.2 million. This was supported by good customer growth in the DRC, up 13.8%, recovering to levels seen prior to the disconnections done in 2016 in compliance with customer registration requirements, while Mozambique grew customers by 18.7%.

Data revenue grew strongly by 12.0% (18.7%*). We continue to make excellent progress in meeting the growing demand for data, by expanding our data networks to new areas and constantly improving the network experience in high demand areas such as major towns and cities. We are actively driving access to more affordable smart devices, especially Vodacom-branded devices resulting in smartphone adoption rates increasing to 31.9%. Our digital social media partnerships, as well as bundled offers through 'Just 4 You' allowed us to tailor targeted data propositions to better monetise the data demand, all of which resulted in an increase of 3.6 million data customers, to 16.6 million up 27.5%. Data monetisation remains a key focus area in all markets as demand grows rapidly.

M-Pesa revenue grew strongly by 19.6% (30.4%*) to R2.3 billion, contributing 13.8% of International service revenue. We added 1.8 million customers¹ for the year, reaching 11.8 million. We continuously add new services to the platform expanding consumers' payment options. In Tanzania, we have introduced Lipa-Kwa, our merchant payment solution, which is showing very strong merchant take up. This platform gives customers the convenience to transact with M-Pesa at more points of sale. The equivalent of over USD160 million was transacted through this system this year. In Mozambique, we have expanded our agent network to more than 20 000 agents, while in DRC and Lesotho we continue to incentivise customers to increase uptake. On average, USD1.9 billion was processed monthly through the M-Pesa system.

The EBITDA margin improved 2.0ppts, while EBIT increased 27.2% (26.5%*) to R2.1 billion, and EBIT margin expanded by 2.5ppts to 12.0%. We have entrenched a culture of strong cost containment in all our operations, leveraging from programmes such as 'Fit for growth'. Improved revenue growth, savings on commissions from airtime purchases through M-Pesa, continued savings in network operating expenses, and improving foreign exchange rates, are key drivers for margin growth.

Capital expenditure of R2.7 billion was focused on improving customer experience on our networks by extending voice and data coverage, improving data network speeds and investing in Business Intelligence tools to drive growth. We rolled out additional 4G sites in Tanzania and Lesotho and expanded 3G coverage in DRC and Mozambique. As part of our digital transformation, we continue to invest in enhancing our IT systems to support our personalised pricing offers and to deliver on our segmentation strategy.

(1.) 30-day active M-Pesa customers.

Safaricom

During the year, we concluded our acquisition of a 34.94% indirect stake in Safaricom, the number one mobile operator in Kenya. In the eight months since acquisition, Safaricom has contributed a profit of R1.5 billion which represents the net amount of earnings from Safaricom of R1.9 billion and an amortisation charge of R383 million in relation to fair valued assets and before minority interest.

Safaricom finished the year with great momentum, reporting annual service revenue growth of 10.0% to KES225 billion and EBIT growth of 12.6% (18.3% excluding a one-off adjustment in the prior year relating to KES 3.4 billion excise duty refund) to KES79 billion. Underpinning the results was strong expansion of Safaricom's customer base by 5.1% to 29.6 million customers. Strong growth in both data and M-Pesa revenue continues as data customers increased by 6.2% to 17.7 million customers, and 30-day active M-Pesa customers increased 8.0% to 20.5 million. M-Pesa revenue grew 14.2% while data revenue grew by 24.0%. M-Pesa revenue contributed 28.0% to service revenue, while data revenue contributed 16.2% to service revenue. Investment in capital expenditure of KES36.4 billion resulted in 3G sites increasing 18.9% and 4G sites increasing 49.4% year on year.

These results are available on www.safaricom.co.ke/investor-relation/financials/reports/financial-results.

Regulatory matters

Electronic Communications Amendment Bill (ECA Bill)

The Ministry of Telecommunications and Postal Services (Ministry) published a White Paper, as approved by cabinet, on 2 October 2016. On 17 November 2017, the Department of Telecommunications and Postal Services (DTPS) gazetted amendments to the Electronic Communications Act as a Bill, the first step to giving effect to the White Paper. Disappointingly, the amendments did not fully reflect proposals previously submitted by the industry. As part of a public participation process, affected parties submitted comments on the ECA Bill, to the Ministry on 31 January 2018, and participated in public hearings on 6 and 7 March 2018. Our submissions reiterated our support for a hybrid model, establishing a competitive wholesale open access network (WOAN) alongside the assignment of spectrum to the current players. On the basis of an independent economic impact assessment, we also noted the negative impacts the draft legislation could have on investment in the sector, GDP growth and job creation. The Ministry will consider all submissions before submitting a revised Bill to cabinet for approval to be tabled in Parliament for further consultation and debate.

Amendment to End-user and Subscriber Service Charter Regulations

On 30 April 2018, the Independent Communications Authority of South Africa (ICASA) published final amendments to the End-user and Subscriber Service Charter Regulations, with the main objective to address consumer concerns with regard to out of bundle charges and expiry rules. The final amendments follow a consultation process between ICASA and industry stakeholders. The salient points of the new regulations are as follows:

- Bundle depletion notices are to be sent to customers at 50%, 80% and 100% depletion
- Operators are not allowed to default to out-of-bundle charges on depletion of bundles, unless specific opt-in from the customer is obtained
- Operators should allow customers the option to roll over unused data before expiry and also provide customers with an option to transfer data to another customer on the same network

The regulation will take effect from 8 June 2018.

ICASA priority market review

In June 2017, ICASA gave notice of its intention to conduct an inquiry to identify priority markets in the Electronic Communications Sector (ECS). The purpose of the enquiry is to identify relevant wholesale and retail markets or market segments in the ECS that are generally prone to ex ante regulations, and to determine from these markets and market segments those that the Authority intends to prioritise for market reviews and potential regulation. These studies are in line with similar processes in other markets around the world. The final phase of the inquiry would be the publication of a findings document, which is expected in the second half of FY2019.

Competition Commission investigation into complaint on the National Treasury government transversal contract for mobile communication services

On 14 March 2016, National Treasury issued a tender for the supply and delivery of mobile communication services to national and provincial government departments for the period 15 September 2016 to 31 August 2020. Vodacom was selected as the preferred supplier on a non-exclusive basis after the other bidders were eliminated at different phases of the competitive bidding process. The Competition Commission has initiated an investigation against Vodacom Group for alleged abuse of dominance in terms of section 8 of the Competition Act. The tender process was initiated and controlled by National Treasury through strict governance procedures, and we are confident that we followed due process in a fiercely contested and transparent bidding process.

United States Department of Commerce's denial order against ZTE

Following the denial order issued by the US Department of Commerce against ZTE, the Group is in the process of assessing the impact on its networks and implementing the required contingency plans.

Outlook

Looking ahead, our strategy to become a leading digital company and empower a connected society remains a key focus. We anticipate that our investments in Big Data, digital services platforms and sophisticated machine learning will increasingly allow us to provide customers with relevant propositions based on customers' needs. Our adoption and application of this technology puts us at the forefront of global developments and remains a key differentiator to our competitors. In turn, this should continue to drive revenue and customer growth across all markets.

We are encouraged by the renewed economic and political stability in South Africa and larger International operations, including Kenya. Stability in foreign exchange and macroeconomic environments benefits our operations and is expected to support more predictable results across our operations. However, unexpected volatility in political environment, economic growth, currency and regulatory uncertainty continue to pose a risk.

In South Africa, we will continue to manage the process for pricing transformation in data. The priority is to manage out-of-bundle exposure in accordance with ICASA's recently published End-user and Subscriber Service Charter regulation, effectively improving the cost to communicate for customers. We will manage this change through increased elasticity, driven by our content platforms, digital social media partnerships and increased penetration of data-capable devices.

Transforming our revenue into new verticals, such as content, fibre, financial services and digital services, will also be a focal point. These services are complimentary to traditional revenue streams such as voice, messaging and data, but also to further leverage our strong brand, reach and reputation in the countries where we operate.

In our International operations, we continue to focus on data monetisation and growing financial services, through M-Pesa. The opportunity for growth in both these revenues streams is significant, while we introduce new services across our markets. M-Pesa is becoming a key driver of growth for us, with total M-Pesa customers now at 32.3 million including Safaricom, which makes us the biggest mobile money operator across the continent. M-Pesa now contributes 13.8% to our service revenue in International, and 28.0% to service revenue in Safaricom. We still see huge potential in getting all countries to the same level of sophistication as Safaricom and further growing M-Pesa capabilities. Access to spectrum at reasonable market related pricing remains crucial in making communication services more affordable and delivering new technological advances to customers in the countries where we operate. We are expecting progress in gaining access in South Africa, Mozambique and Tanzania in the year ahead. We will engage constructively in these processes with regulators and government to ensure a speedy and fair resolution for the industry at large.

We maintain our targets⁽¹⁾ for Group service revenue growth of mid-single digit growth, Group EBIT growth of mid-to-high single digit and capital intensity of 12% - 14% of Group revenue over the next three years. For completeness, guidance from Safaricom is EBIT of KES85 - KES89 billion and capital expenditure of KES35 - KES38 billion for the year.

(1.) These targets are on average, over the next three years and are on a normalised basis in constant currency, excluding spectrum purchases and any merger and acquisition activity. This assumes broadly stable currencies in each of our markets and stable macro and regulatory environments. Excluding effects from IFRS 15 and IFRS 16 implementation.

Financial review

Summary financial information

Rm	Year ended 31 March		Year-on-year % change	
	2018	2017	Reported	Normalised*
Revenue	86 370	81 278	6.3	7.8
Service revenue	70 632	68 286	3.4	5.1
EBITDA	32 898	31 238	5.3	
EBIT	23 109	22 126	4.4	2.8
Net profit from associate and joint venture	1 507	1	-	
Operating profit	24 252	21 750	11.5	3.0
Net profit	15 562	13 126	18.6	
Capital expenditure	11 594	11 292	2.7	
Operating free cash flow	21 117	19 555	8.0	
Free cash flow	14 195	11 403	24.5	
Net debt	19 892	22 484	(11.5)	
Basic earnings per share (cents)	947	915	3.5	
Headline earnings per share (cents)	923	923	-	
Contribution margin (%)	61.0	62.5	(1.5ppt)	
EBITDA margin (%)	38.1	38.4	(0.3ppt)	
EBIT margin (%)	26.8	27.2	(0.4ppt)	
Operating profit margin (%)	28.1	26.8	1.3ppt	
Effective tax rate (%)	29.6	31.7	(2.1ppt)	
Net profit margin (%)	18.0	16.1	1.9ppt	
Capital intensity (%)	13.4	13.9	(0.5ppt)	
Net debt/EBITDA (times)	0.6	0.7	(0.1 times)	

Service revenue

Rm	Year ended 31 March		% change
	2018	2017	17/18
South Africa	54 622	52 071	4.9
International	16 828	16 775	0.3
Corporate and eliminations	(818)	(560)	(46.1)
Group service revenue	70 632	68 286	3.4
Safaricom(1)	18 999	-	-

Group service revenue increased 3.4% (5.1%*) to R70.6 billion, with strong underlying growth in both South Africa and International operations. Revenue growth accelerated to 6.3% (7.8%*) to R86.4 billion supported by a strong demand for high-end smart devices especially in South Africa.

In South Africa, service revenue increased 4.9% benefitting from growth in data revenue, net customer additions of 4.5 million boosting prepaid customer revenue and strong enterprise revenue growth.

In our International operations, service revenue increased 0.3% (up 7.4%*). Growth came from strategic growth areas such as data and M-Pesa revenue as well as an increase in customer net additions.

On an annual basis service revenue grew by 10.0% in Safaricom, driven by growth in data and M-Pesa revenue.

(1.) Represents eight months of value effective 1 August 2017, at 100% interest. The Safaricom interest is equity accounted in net profit from associate and joint venture in the income statement. These values are for information purposes.

Total expenses(1)

Rm	Year ended 31 March		% change
	2018	2017	17/18
South Africa	41 912	37 945	10.5
International	12 557	12 853	(2.3)
Corporate and eliminations	(937)	(679)	(38.0)
Group total expenses	53 532	50 119	6.8

Group total expenses increased 6.8% to R53.5 billion, which includes a foreign exchange gain of R56 million (2017: foreign exchange loss of R331 million).

In South Africa, we have maintained operating expenditure growth at 2.1% despite inflationary cost pressure. Direct expenses increased 14.6% as a result of higher equipment costs (+14.0%), including costs related to our roaming agreement with Rain and increase in wholesale transit expenses (a new lower margin business area), excluding which direct expenses grew by 5.6%. The remainder of the increase was as a result of commissions relating to the high volume of new prepaid connections during the year.

In our International operations, total expenses decreased by 2.3% (up 5.7%*) with continued focus on cost containment through initiatives such as 'Fit for growth' and moving airtime purchases to M-Pesa, to reduce distribution cost, has assisted in keeping cost growth below revenue growth.

EBIT

Rm	Year ended 31 March		% change
	2018	2017	17/18
South Africa	21 124	20 593	2.6
International	2 096	1 648	27.2
Corporate and eliminations	(111)	(115)	3.5
Group EBIT	23 109	22 126	4.4
Safaricom(2)	6 799	-	-

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

(2.) Represents eight months of value effective 1 August 2017, at 100% interest. The Safaricom interest is equity accounted in net profit from associate and joint venture in the income statement. These values are for information purposes.

Group EBIT increased 4.4% (up 2.8%*) with the Group EBIT margin decreasing by 0.4ppts to 26.8%. South Africa EBIT increased by 2.6% with margins contracting 1.6ppts to 30.2%. Margins were impacted by higher depreciation and amortisation costs and increased contribution from lower margin equipment sales. In our International operations, EBIT increased 27.2% (26.5%*) with the EBIT margin expanding by 2.5ppts to 12.0%. Margins were aided by improved revenue growth in these operations following declines in the prior year and strong management execution in containing costs.

In Safaricom, EBIT increased 12.6% (18.3% excluding one-off adjustments in the prior year relating to a KES3.4billion excise duty refund) for the financial year as a result of the higher service revenue contribution.

Operating profit

	Year ended 31 March		% change
Rm	2018	2017	17/18
South Africa	20 860	20 238	3.1
International	1 997	1 627	22.7
Safaricom^	1 506	-	-
Corporate and eliminations	(111)	(115)	3.5
Group operating profit	24 252	21 750	11.5

Group operating profit increased 11.5% to R24.3 billion. In South Africa, operating profit grew by 3.1% to R20.9 billion mainly due to improved revenue growth and strong cost containment focus, especially in operating expense management. International operations' operating profit increased 22.7% to R2.0 billion, lower than EBIT growth as a result of restructuring costs in the DRC and costs relating to the listing of Vodacom Tanzania.

Safaricom contributed R1.5 billion in net profit for the eight months since acquisition. This represents our share of the net profit in the associate of R1.9 billion and the related amortisation of fair valued assets recognised on acquisition of R383 million and before minority interest.

Net finance charges

	Year ended 31 March		% change
Rm	2018	2017	17/18
Finance income	703	777	(9.5)
Finance costs	(2 811)	(2 818)	0.2
Net finance costs	(2 108)	(2 041)	(3.3)
Net loss on remeasurement and disposal of financial instruments	(785)	(481)	(63.2)
Net finance charges	(2 893)	(2 522)	(14.7)

Net finance costs of R2.1 billion has remained relatively consistent as weighted average gross debt in the year was relatively unchanged and cost of debt was flat at 8.3%. The net loss on remeasurement and disposal of financial instruments of R785 million increased mainly as a result of mark-to-market remeasurements on open forward exchange contracts (FECs) in South Africa. This follows increased volumes of FECs in the second half of the year as handset orders increased and higher volatility in the USD/ZAR rates in the last quarter of this year. This also includes net losses on the remeasurement of foreign cash balances across the Group.

Taxation

The tax expense of R6.5 billion was 7.0% higher than the prior year (2017: R6.1 billion). The Group's effective tax rate decreased from 31.7% in the prior year to 29.6%. This decrease is primarily due to our share of Safaricom's after tax profits included in profit before tax (-1.9ppts) and the profit on sale of the HTT associate investment in Tanzania (-0.5ppts). In the prior year, the effective tax rate was impacted by +1.4ppts for the Tanzanian capital allowance adjustment in relation to the disposal of network assets to HTT, which was not repeated in the current year.

Earnings

	Year ended 31 March		% change
Rm	2018	2017	17/18
Headline earnings	14 946	13 540	10.4
Adjusted for			
Net Profit from associate and joint venture	(1 506)	-	-
Attributable profits from Safaricom	1 889	-	-
Amortisation on assets, net of tax	(383)	-	-
With-holding tax	132	-	-
Minority interest and other	191	-	-
Adjusted headline earnings (used for dividend calculations)	13 763	13 540	1.6
Earnings per share (EPS) (cents)	947	915	3.5
Headline earnings per share (HEPS) (cents)	923	923	-
Weighted average number of ordinary share outstanding for the purpose of calculating EPS and HEPS	1 620	1 467	10.4

Headline earnings for the year was up 10.4%, boosted by the contribution from our share of Safaricom's earnings. Headline earnings per share was flat year on year. This is mainly due to the dilution from the issue of 233.5 million shares as consideration for the acquisition of our interest in Safaricom. The dilution effect of 89 cents per share (cps), was fully compensated for by our share of Safaricom's earnings (+94cps), net of the associated withholding tax and minority interest. The amortisation of the fair valued assets (net of minority interest), relating to the Safaricom acquisition, negatively impacted HEPS by 21cps. Excluding the effects from the intangible asset amortisation, HEPS increased 2.3%.

Capital expenditure

	Year ended 31 March		% change
Rm	2018	2017	17/18
South Africa	8 884	8 471	4.9
International	2 707	2 833	(4.4)
Corporate and eliminations	3	(12)	125.0
Group capital expenditure	11 594	11 292	2.7
Group capital intensity(1) (%)	13.4	13.9	(0.5ppt)
Safaricom	2 933	-	

The Group's capital expenditure was R11.6 billion, representing 13.4% of revenue. In South Africa, capital expenditure was directed at accelerating our 3G capacity and extending 4G coverage to 80.1% of the population. In our International operations, the focus remained on increasing both coverage and capacity thereby adding 261 4G sites, 454 3G sites and 253 2G sites since March 2017. In Safaricom, capital expenditure was focused on increasing 3G and 4G sites by 18.9% and 49.4% respectively.

(1.) Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment increased 0.9% to R40.5 billion and intangible assets decreased 1.2% to R9.1 billion compared to 31 March 2017. The combined increase is mainly as a result of net additions of R11.5 billion, offset by depreciation and amortisation of R10.0 billion and foreign currency translation loss of R1.3 billion.

Net debt decreased by R2.6 billion to R19.9 billion. Total borrowings increased by R916 million to R32.3 billion. Bank and cash balances increased by R3.7 billion mainly due to the cash proceeds from the initial public offering in Vodacom Tanzania and the sale of HTT in Tanzania.

Net debt

	Year ended 31 March		Movement
Rm	2018	2017	17/18
Bank and cash balances	12 538	8 873	3 665
Current borrowings	(8 220)	(3 762)	(4 458)
Non-current borrowings	(24 071)	(27 613)	3 542
Other financial instruments	(139)	18	(157)
Net debt(1)	(19 892)	(22 484)	2 592
Net debt(1)/EBITDA (times)	0.6	0.7	

Cash flow

Free cash flow

	Year ended 31 March		% change
Rm	2018	2017	17/18
EBITDA	32 898	31 238	5.3
Working capital	(558)	(629)	11.3
Capital expenditure(2)	(11 594)	(11 292)	(2.7)
Disposal of property, plant and equipment	187	73	156.2
Other	184	165	11.5
Operating free cash flow	21 117	19 555	8.0
Tax paid	(6 194)	(6 051)	(2.4)
Dividends received from associate	1 988	-	-
Finance income received	859	689	24.7
Finance costs paid	(3 182)	(2 699)	(17.9)
Net dividends paid	(393)	(91)	(>200.0)
Free cash flow	14 195	11 403	24.5

Operating free cash flow was up 8.0% as trading performance improved during this year, evidenced by EBITDA increasing 5.3%. Our cash conversion remains strong at 64.2% (2017: 62.6%) as we maintain strong working capital management. Free cash flow increased 24.5% or R2.8 billion mainly due to the dividend received from associate by Vodafone Kenya Limited of R2.0 billion from Safaricom and the minority distribution which is reflected in net dividends paid. The movement in finance costs paid, relates mainly to realised net losses incurred on close out of forward exchange contracts.

(1.) Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.

(2.) Capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments. Purchases of customer bases are excluded from capital expenditure.

Declaration of final dividend number 18 - payable from income reserves

Notice is hereby given that a gross final dividend number 18 of 425 cents per ordinary share in respect of the financial year ended 31 March 2018 has been declared payable on Monday 25 June 2018 to shareholders recorded in the register at the close of business on Friday 22 June 2018. The number of ordinary shares in issue at the date of this declaration is 1 721 413 781. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net interim dividend to those shareholders not exempt from paying dividend withholding tax of 340.00000 cents per ordinary share.

Last day to trade shares cum dividend	Tuesday 19 June 2018
Shares commence trading ex-dividend	Wednesday 20 June 2018
Record date	Friday 22 June 2018
Payment date	Monday 25 June 2018

Share certificates may not be dematerialised or rematerialised between Wednesday 20 June 2018 and Friday 22 June 2018 both days inclusive.

On Monday 25 June 2018, the 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 25 June 2018.

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

Dividend

The final dividend of 425 cents per share, reflects a dividend in line with 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.

For and on behalf of the Board

Jabu Moleketi Chairman Midrand 11 May 2018	Shameel Aziz Joosub Chief Executive Officer	Till Streichert Chief Financial Officer
---	--	--

(1.) Exchange rate of ZAR/KES8.52 as at 31 March 2018.

Condensed consolidated income statement for the year ended 31 March

Rm	Notes	2018 Reviewed	2017 Audited
Revenue	3	86 370	81 278
Direct expenses		(33 669)	(30 483)
Staff expenses		(5 509)	(5 472)
Publicity expenses		(1 913)	(1 971)
Other operating expenses		(12 441)	(12 193)
Share-based payment charges		(130)	(75)
Depreciation and amortisation		(9 959)	(9 251)
Impairment losses		(4)	(84)
Net profit from associate and joint venture	8	1 507	1
Operating profit		24 252	21 750
Profit on sale of associate	9	734	-
Finance income		703	777
Finance costs		(2 811)	(2 818)
Net loss on remeasurement and disposal of financial instruments		(785)	(481)
Profit before tax		22 093	19 228
Taxation		(6 531)	(6 102)
Net profit		15 562	13 126
Attributable to:			
Equity shareholders		15 344	13 418
Non-controlling interests		218	(292)
		15 562	13 126
Cents		2018 Reviewed	2017 Audited
Basic earnings per share	4	947	915
Diluted earnings per share	4	919	886

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2018 Reviewed	2017 Audited
Net profit	15 562	13 126
Other comprehensive income(1)		
Foreign currency translation differences, net of tax	(5 867)	(1 633)
Total comprehensive income	9 695	11 493
Attributable to:		
Equity shareholders	9 943	11 647
Non-controlling interests	(248)	(154)
	9 695	11 493

(1.) Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations.

Condensed consolidated statement of financial position
as at 31 March

Rm	Notes	2018 Reviewed	2017 Audited
Assets			
Non-current assets		96 543	52 127
Property, plant and equipment		40 529	40 181
Intangible assets		9 073	9 186
Financial assets		430	424
Investment in associate	8	44 076	-
Investment in joint venture		6	5
Trade and other receivables		724	905
Tax receivable		106	66
Finance receivables		1 320	1 161
Deferred tax		279	199
Current assets		34 822	29 011
Financial assets		4 532	3 489
Inventory		1 243	1 268
Trade and other receivables		14 819	13 489
Non-current assets held for sale	9	14	114
Finance receivables		1 463	1 556
Tax receivable		213	222
Bank and cash balances		12 538	8 873
Total assets		131 365	81 138
Equity and liabilities			
Fully paid share capital	8	42 618	*
Treasury shares		(1 792)	(1 670)
Retained earnings		28 731	26 396
Other reserves		(5 089)	(663)
Equity attributable to owners of the parent		64 468	24 063
Non-controlling interests		6 184	(1 067)
Total equity		70 652	22 996
Non-current liabilities		28 130	31 423
Borrowings	10	24 071	27 613
Trade and other payables		978	815
Provisions		388	360
Deferred tax		2 693	2 635
Current liabilities		32 583	26 719
Borrowings	10	8 220	3 762
Trade and other payables		23 958	22 700
Provisions		161	188
Tax payable		221	47
Dividends payable		23	22
Total equity and liabilities		131 365	81 138

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity

for the year ended 31 March

Rm	Note	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2016 - Audited		24 158	(1 134)	23 024
Total comprehensive income		11 647	(154)	11 493
Dividends		(11 657)	(91)	(11 748)
Repurchase, vesting and sale of shares		(134)	-	(134)
Share-based payments		123	-	123
Changes in subsidiary holdings		(74)	312	238
31 March 2017 - Audited		24 063	(1 067)	22 996
Total comprehensive income		9 943	(248)	9 695
Dividends		(13 009)	(393)	(13 402)
Shares issued on acquisition of subsidiary and associate net of share issue cost	8	42 618	-	42 618
Repurchase, vesting and sale of shares		(269)	-	(269)
Share-based payments		138	-	138
Changes in subsidiary holdings		984	1 788	2 772
Acquisition of subsidiary and associate	8	-	6 104	6 104
31 March 2018 - Reviewed		64 468	6 184	70 652

Condensed consolidated statement of cash flows
for the year ended 31 March

Rm	Notes	2018 Reviewed	2017 Audited
Cash generated from operations		32 299	31 791
Tax paid		(6 194)	(6 051)
Net cash flows from operating activities		26 105	25 740
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		(10 825)	(11 689)
Proceeds from disposal of property, plant and equipment and intangible assets		187	73
Acquisition of subsidiary and associate (net of cash and cash equivalents acquired)		(410)	(285)
Proceeds from disposal of associate	9	797	-
Dividends received from associate	8	1 988	-
Finance income received		859	689
Repayment of loans granted		-	295
Other investing activities(1)		(1 122)	(1 278)
Net cash flows utilised in investing activities		(8 526)	(12 195)
Cash flows from financing activities			
Borrowings incurred	10	1 124	4 000
Borrowings repaid	10	(107)	(1 568)
Finance costs paid		(3 182)	(2 699)
Dividends paid - equity shareholders		(13 010)	(11 657)
Dividends paid - non-controlling interests		(393)	(91)
Repurchase and sale of shares		(269)	(134)
Changes in subsidiary holdings	12.9	2 770	240
Net cash flows utilised in financing activities		(13 067)	(11 909)
Net increase in cash and cash equivalents		4 512	1 636
Cash and cash equivalents at the beginning of the year		8 873	7 751
Effect of foreign exchange rate changes		(847)	(514)
Cash and cash equivalents at the end of the year		12 538	8 873

(1.) Consists mainly of the movement in restricted cash deposits of R821 million (2017: R836 million) as a result of M-Pesa related activities.

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March 2018

1. Basis of preparation

The preliminary condensed consolidated financial statements for the year ended 31 March 2018, 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 the International Accounting Standard 34: Interim Financial Reporting (IAS 34) 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.

These preliminary condensed consolidated financial statements have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Group's registered office, together with the financial statements identified in the auditor's report.

2. Changes 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 2017, none of which had any material impact on the Group's financial results for the year.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2018, which will be available online by 15 June 2018.

Rm	2018 Reviewed	2017 Audited
3. Segment analysis		
External customer segment revenue	86 370	81 278
South Africa	69 541	64 415
International	16 829	16 863
Corporate and eliminations	-	-
Safaricom(1)	19 768	-
Inter-segment revenue	-	-
South Africa	(426)	(314)
International	(631)	(487)
Corporate and eliminations	1 057	801

(1.) On 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Limited (Safaricom), which 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 from the date of acquisition, including the impact of net fair value adjustments on tangible and intangible assets and goodwill (Note 8).

Rm	2018 Reviewed	2017 Audited
3. Segment analysis continued		
EBITDA	32 898	31 238
South Africa	28 088	26 815
International	4 930	4 545
Corporate and eliminations	(120)	(122)
Safaricom(1)	9 620	-
EBIT	23 109	22 126
South Africa	21 124	20 593
International	2 096	1 648
Corporate and eliminations	(111)	(115)
Safaricom(1)	6 799	-
Reconciliation of segment results		
EBITDA	32 898	31 238
Depreciation and amortisation excluding acquired brands and customer bases	(9 798)	(9 054)
Net profit/(loss) on disposal of property, plant and equipment and intangible assets	9	(58)
EBIT	23 109	22 126
Acquired brand and customer base amortisation	(161)	(197)
Impairment losses	(4)	(84)
Share-based payment charges	(130)	(75)
Net profit from associate and joint venture	1 507	1
Other	(69)	(21)
Operating profit(2)	24 252	21 750
Total assets	131 365	81 138
South Africa	60 426	51 930
International	24 756	23 104
Corporate and eliminations	46 183	6 104
Safaricom(3)	51 000	-
Total liabilities	(60 713)	(58 142)
South Africa	(51 068)	(43 134)
International	(15 169)	(16 413)
Corporate and eliminations	5 524	1 405
Safaricom(3)	(13 179)	-

(2.) For a reconciliation of operating profit to net profit for the year, refer to the Condensed consolidated income statement above.

(3.) On 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Limited (Safaricom), which 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 as at 31 March 2018, including the impact of net fair value adjustments on tangible and intangible assets and goodwill (Note 8).

	Cents	2018 Reviewed	2017 Audited
4.	Per share calculations		
4.1	Earnings and dividends per share		
	Basic earnings per share	947	915
	Diluted earnings per share	919	886
	Headline earnings per share	923	923
	Diluted headline earnings per share	895	894
	Dividends per share(1)	825	795

	Million	2018 Reviewed	2017 Audited
4.2	Weighted average number of ordinary shares outstanding for the purpose of calculating:		
	Basic and headline earnings per share	1 620	1 467
	Diluted earnings and diluted headline earnings per share	1 622	1 469
4.3	Ordinary shares for the purpose of calculating:		
	Dividends per share		
	400 cents per share declared on 13 May 2016	-	1 488
	395 cents per share declared on 11 November 2016	-	1 488
	435 cents per share declared on 12 May 2017(1)	1 488	-
	390 cents per share declared on 10 November 2017	1 721	-

(1.) The final dividend for the year ended 31 March 2017 was declared and paid prior to the issue of shares for the Safaricom acquisition (Note 8).

Vodacom Group Limited acquired 2 108 969 shares in the market during the year at an average price of R165.07 per share. 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 R13 186 million (31 March 2017: R11 829 million) of which R44 million (31 March 2017: R44 million) was offset against the forfeitable share plan reserve, R6 million (31 March 2017: R5 million) expensed as staff expenses and R127 million (31 March 2017: R123 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. The Group declared a final dividend in respect of the year ending 31 March 2018 after the reporting period (Note 13).

	Rm	2018 Reviewed	2017 Audited
4.	Per share calculations continued		
4.4	Headline earnings reconciliation		
	Earnings attributable to equity shareholders for basic earnings per share	15 344	13 418
	Adjusted for:		
	Net (profit)/loss on disposal of property, plant and equipment and intangible assets(2)	(10)	58
	Impairment losses	4	84
	Profit on sale of associate	(734)	-
		14 604	13 560
	Tax impact of adjustments	86	(15)
	Non-controlling interests' share in adjustments	256	(5)
	Headline earnings for headline earnings per share(3)	14 946	13 540
	Dilutive effect of potential ordinary shares in subsidiary	(432)	(408)
	Headline earnings for diluted headline earnings per share	14 514	13 132

(2.) Includes attributable share of profit on disposal of property plant and intangible assets of associate of R1 million (2017: R Nil).

(3.) This disclosure is a requirement of the JSE Limited. It has been calculated in accordance with Circular 2/2015 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 associates, joint venture and parent, including entities in its group.

	Rm	2018 Reviewed	2017 Audited
5.1	Balances with related parties		
	Borrowings	27 862	26 856
5.2	Transactions with related parties		
	Dividends declared	(8 539)	(7 689)
	Finance costs	(2 325)	(2 334)
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 2018, which will be available online by 15 June 2018.

MP Moyo, independent chairman of the Group, retired and stepped down from the Board on 19 July 2017 and was succeeded by PJ Moleketi. SJ Macozoma was appointed to the Board on 19 July 2017, succeeding PJ Moleketi as the lead independent director.

	Rm	2018 Reviewed	2017 Audited
6.	Capital commitments		
	Capital expenditure contracted for but not yet incurred(4)	2 692	2 361

(4.) The Group entered into facilities leasing, services and roaming agreements with Rain Networks (Pty) Limited (previously Wireless Business Solutions (Pty) Limited) which will result in R1 225 million (31 March 2017: R1 740 million) future capital expenditure for the Group. The majority of this expenditure is non-current. Capital commitments do not include the aforementioned.

		2018 Reviewed	2017 Audited
Rm			
7.	Capital expenditure incurred		
	Capital expenditure additions including software	11 594	11 292

8. Acquisition of interest in Safaricom Limited (Safaricom) through Vodafone Kenya Limited (Vodafone Kenya)

On 7 August 2017, the Group acquired 87.5% of Vodafone Kenya from Vodafone International Holdings B.V. (VIHBV). Vodafone Kenya holds a 39.93% stake in Safaricom, the Republic of Kenya's leading integrated communications company. The investment in Vodafone Kenya has been treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. As Vodafone Kenya is an investment holding company, with its only material asset being the associate investment in Safaricom, the transaction does not meet the definition of a business combination under IFRS 3: Business Combinations. The 39.93% equity interest that Vodafone Kenya holds in Safaricom has been equity accounted as an investment in an associate.

The purchase consideration was settled by the issuance of 233 459 781 Vodacom Group Limited shares to the value of R42 618 million (net of directly attributable transaction costs of R3 million), measured based on the closing price of Vodacom Group Limited on the effective date, and, for the equity interest in Vodafone Kenya, a cash consideration of R51 million.

VIHBV retained a non-controlling interest (NCI) of 12.5% in Vodafone Kenya, resulting in NCI of R6 104 million being recognised at the acquisition date, measured on a fair value basis.

The fair value of the Group's investment in Safaricom, based on the listed closing share price as at 31 March 2018, was R57 748 million.

	31 March 2018 Reviewed
Rm	
Reconciliation of carrying amount:	
Investment at cost (including R408 million directly attributable costs)	43 029
Derivative on acquisition	52
Non-controlling interest's share of associate investment at fair value	6 096
Investment at cost (including directly attributable costs, derivative and NCI)	49 177
Profit from associate	1 506
Net profit for the period	1 889
Depreciation and amortisation on fair value adjustment, net of tax	(383)
Dividends received	(1 988)
Foreign exchange loss	(4 619)
Carrying amount of investment at 31 March 2018	44 076
Analysis of investment at cost (including directly attributable costs, derivative and NCI)	
Safaricom's net asset value at acquisition	15 707
Fair value adjustments net of tax	26 714
Safaricom's net assets at fair value	42 421
Vodafone Kenya's equity interest in Safaricom at 39.93%	16 941
Notional goodwill	32 236
Vodafone Kenya's investment in associate	49 177

Refer to the segment disclosure in Note 3 for key financial information of Safaricom.

9. Sale of investment in Helios Towers Tanzania Limited (Helios)

Vodacom Tanzania Public Company Limited sold its 24.06% investment in Helios to Helios Towers Africa Holding Limited (HTA) during October 2017 for total cash proceeds of R797 million. This investment was included in non-current asset held for sale as at 31 March 2017. The sale resulted in a pre-tax profit on sale of R734 million being recognised. The remaining balance of loans receivable from Helios to the value of R42 million have also been sold to HTA.

10. Borrowings

During the current year, the Group modified two of the existing loan facilities received from Vodafone Investments Luxembourg s.a.r.l. (Vodafone Luxembourg). On 3 May 2017, R8 000 million and R4 000 million loan facilities were revised from variable interest rate loans to fixed interest rate loans. The loan facilities bear interest at fixed rates of 8.703% and 8.991% and are repayable on 26 November 2019 and 26 July 2021 respectively.

Additionally, an existing fixed rate facility of R3 000 million was re-financed with a floating rate facility of R3 000 million at a rate of 3 month Jibar +1.50% with a repayment date of 24 May 2022.

The Group also re-financed a R1 530 million facility on 24 November 2017 and increased the facility with an additional R1 000 million draw down. This R2 530 million loan bears interest at 3 month JIBAR plus 1.50% and is repayable on 24 November 2024.

11. Contingent liabilities

11.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R116 million (31 March 2017: R119 million).

Foreign denominated guarantees amounting to R889 million (31 March 2017: R1 005 million) are in issue in support of Vodacom Congo (RDC) SA 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 consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. In addition, the resolution of the disputes could result in obligations to the Group. The Group has made sufficient provision for any losses arising from potential tax exposures that are more likely to occur than not.

11.3 Legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined, that adequate provision has been made in respect of these legal proceedings as at 31 March 2018.

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

Negotiations in accordance with the Constitutional Court order to determine a reasonable compensation for Mr Makate for a business idea that led to a product known as 'Please Call Me' have deadlocked and the matter has been referred to the Group's Chief Executive Officer to determine reasonable compensation in accordance with the Constitutional Court order.

12. Other matters

12.1 Competition Commission investigations

12.1.1 Competition complaint on the National Treasury government transversal contract for mobile communications services

On 14 March 2016, National Treasury issued a tender for the supply and delivery of mobile communication services to national and provincial government departments in South Africa. The tender was awarded to the Group, for the period 15 September 2016 to 31 August 2020, after an open and transparent process. The Competition Commission has initiated an investigation against the Group under sections 8(c) and 8(d)(i) of the Competition Act, which is ongoing.

12.1.2 Facilities leasing and roaming agreements between Vodacom (Pty) Limited (the Company) and Rain Networks (Pty) Limited (Rain) (previously Wireless Business Solutions (Pty) Limited)

A number of the Group's competitors lodged complaints with the Independent Communications Authority of South Africa (ICASA) and the Competition Commission relating to the facilities leasing and roaming arrangements with Rain. On 25 April 2018, the Competition Commission ruled that these arrangements did not constitute a merger and that the transaction was not notifiable as contemplated in section 13A(1) of the Competition Act, Act 89 of 1998. ICASA's investigation, on the other hand, is still ongoing.

12.2 G.H. Investments (GHI) and Vodacom Congo (RDC) SA (Vodacom Congo)

Vodacom Congo contracted GHI to install ultra-low cost base stations on a revenue share basis. Shortly after rolling out the first sites GHI sought to renegotiate the contractual terms, which Vodacom Congo declined. GHI then accused Vodacom Congo of infringing its intellectual property rights and demanded payment of compensation in the sum of US\$1.16 billion. In July 2016, Vodacom Congo filed a request for arbitration with the International Chamber of Commerce's International Court of Arbitration (ICC). GHI failed to pay its share of the arbitration fees to the ICC, resulting in the matter being struck out from the ICC roll.

12.3 Mr Puati vs Vodacom Congo

A patent infringement claim was filed in July 2016 against Vodacom Congo. The plaintiff was asking the Commercial Court of Kinshasa/Gombe, inter alia, to prohibit Vodacom Congo from providing the M-Pesa service and to order Vodacom Congo to pay damages in excess of USD200 million for losses resulting from the alleged patent infringement. On 22 November 2017, the Commercial Court issued a judgment in favour of Vodacom Congo, barring the action and claim that the plaintiff had initiated against Vodacom Congo.

12.4 Customer registration

The Group has made considerable strides in complying with customer registration requirements in all its markets in line with applicable laws. In Tanzania, significant measures are being taken to achieve full compliance. The Group will maintain full compliance with customer registration requirements in markets where it has already been achieved.

12.5 Radio frequency spectrum licences

On 30 September 2016 the Pretoria High Court granted an application by the Ministry of Telecommunications and Postal Services (the Ministry) interdicting ICASA from implementing the spectrum licensing process contemplated in the Invitation to Apply (ITA) for the licensing of spectrum in the 700MHz, 800MHz and 2600MHz bands, pending the outcome of a judicial review on the lawfulness of the ICASA ITA.

12.6 Electronic Communications Amendment Bill (ECA bill)

On 17 November 2017, the Ministry, published an invitation to provide comments on the ECA bill, having its origins in the Integrated information and communication technology ICT Policy White Paper of 2 October 2016. Stakeholders made representations to the Ministry at public hearings held on 6 and 7 March 2018. After considering comments submitted and presentations at hearings, the Ministry will soon submit the ECA bill for adoption by Cabinet and later table it in Parliament.

12.7 ICASA priority market review

In June 2017, ICASA published a notice of intention to conduct an inquiry to identify priority markets in terms of section 4B of the ICASA Act. The purpose of the study is to identify markets to be prioritised for a potential market review. The final phase of the inquiry would be the publication of a findings document, which is expected in the second half of 2019.

12.8 Amendment to End-user and Subscriber Service Charter Regulations

On 30 April 2018, ICASA published final amendments to the End-user and Subscriber Service Charter Regulations, which will take effect on 8 June 2018, with the main objective to address consumer concerns with regard to out-of-bundle charges and expiry rules. The final amendments follows a consultation process between ICASA and industry stakeholders. The salient points of the new regulations are as follows:

- Bundle depletion notices are to be sent to customers at 50%, 80% and 100% depletion;
- Operators are not allowed to default to out-of-bundle charges on depletion of bundles, unless specific opt-in from the customer is obtained; and
- Operators should allow customers the option to roll over unused data before expiry and also provide customers with an option to transfer data to another customer on the same network.

12.9 Vodacom Tanzania Public Limited Company (Vodacom Tanzania)

In June 2016, the Parliament of Tanzania passed the Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010 (EPOCA), to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering (IPO) on the Dar Es Salaam Stock Exchange (DSE).

On 15 August 2017, Vodacom Tanzania listed on the Main Investment Market Segment (MIMS) of the DSE under the ticker VODA, and became the first telecommunications operator to comply with these regulatory changes. The listing was the largest initial public offering (IPO) in the 19-year history of the DSE, and raised net proceeds after underwriting costs of R2 770 million (TZS470 billion).

The Group has entered into an agreement with its local Tanzanian partner, Mirambo Limited (Mirambo), and certain of Mirambo's shareholders, under the terms of which the Group will acquire all of Mirambo's 588 million shares in Vodacom Tanzania. This will result in the Group increasing its total interest in Vodacom Tanzania from 61.6% to 75%. The transaction close is subject to conditions precedent, including requisite regulatory approvals in Tanzania.

12.10 Mobile termination rates (MTR)

Regulators in Tanzania and Mozambique cut termination rates this year, with industry submissions and a new cost study in Mozambique leading to a positive outcome where the regulator revised MTRs upward with retrospective effect, and set a revised glide path to 2020. In Tanzania, the Group has filed an appeal against the regulator's new five year glide path with the Fair Competition Commission on the grounds that new MTRs were modelled using data that was not representative of actual costs incurred by operators and the glide path sets MTRs below cost. In South Africa, ICASA is in the process of constructing cost models that will inform MTRs to be applied from October 2018.

12.11 Vodacom Congo

Vodacom Congo is not in compliance with the minimum capital requirements as set out under the Organisation for the Harmonisation of Business Law in Africa (OHADA). Vodacom Congo has to increase its share capital to meet the minimum OHADA requirements. The Board and shareholders of Vodacom Congo are in negotiations to address the recapitalisation of the company.

12.12 Unwind of Vodacom (Pty) Limited Black Economic Empowerment (BEE) deal

In 2008, the Group facilitated a BEE ownership transaction (the BEE transaction) through the sale of an effective 6.25% in the issued share capital of Vodacom (Pty) Limited (Vodacom SA) to Royal Bafokeng Holdings, Thebe Investment Corporation and YeboYethu (RF) Limited through notional vendor finance (NVF). The NVF maturity date for the BEE transaction is 30 September 2018. The Group is currently in the process of negotiating a new BEE transaction.

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 316 million (425 cents per ordinary share) for the year ending 31 March 2018, was declared on 11 May 2018, payable on 25 June 2018 to shareholders recorded in the register at the close of business on 22 June 2018. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 340.00000 cents per share.

13.2 US Department of Commerce denial order against ZTE

Following the denial order issued by the US Department of Commerce against ZTE, the Group is in the process of assessing the impact on its networks and implementing the required contingency plans.

14. Fair value hierarchy

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

Rm	2018 Reviewed	2017 Audited
Level one(1)		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading		
Unit trust investments	328	244
Level two(2)		
Derivative financial assets	67	108
Derivative financial liabilities	(207)	(89)
	188	263

(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.

Supplementary information

Operating results for the year ended 31 March 2018

Rm	South Africa	% 17/18	International	% 17/18	Corporate/ Eliminations	Group	% 17/18	Safaricom(2)
Mobile contract revenue	23 589	(0.8)	1 081	3.9	(5)	24 665	(0.6)	2 364
Mobile prepaid revenue	23 247	6.4	12 769	3.2	-	36 016	5.2	14 888
Customer service revenue	46 836	2.6	13 850	3.2	(5)	60 681	2.8	17 252
Mobile interconnect	1 790	(4.0)	1 245	(11.5)	(492)	2 543	(14.5)	611
Fixed service revenue	2 282	57.5	1 546	(10.6)	(295)	3 533	19.8	571
Other service revenue	3 714	18.9	187	(16.1)	(26)	3 875	16.8	565
Service revenue	54 622	4.9	16 828	0.3	(818)	70 632	3.4	18 999
Equipment revenue	13 187	15.2	342	6.2	(64)	13 465	15.1	490
Non-service revenue	2 158	78.2	290	14.6	(175)	2 273	75.8	279
Revenue	69 967	8.1	17 460	0.6	(1 057)	86 370	6.3	19 768
Direct expenses	(29 057)	(14.6)	(5 502)	4.3	890	(33 669)	(10.5)	(5 772)
Staff expenses	(3 651)	(3.8)	(1 476)	5.2	(382)	(5 509)	(0.7)	(1 092)
Publicity expenses	(1 345)	(5.2)	(554)	16.7	(14)	(1 913)	2.9	(471)
Other operating expenses	(7 859)	(0.8)	(5 025)	(3.0)	443	(12 441)	(2.0)	(2 810)
Share based payment charges	(93)	(24.0)	(39)	-	2	(130)	(73.3)	1
Depreciation and amortisation	(7 103)	(11.2)	(2 863)	0.2	7	(9 959)	(7.7)	(2 832)
Impairment charges	-	100.0	(4)	-	-	(4)	95.2	-
Net profit from associate and joint venture	1	-	-	-	1 506	1 507	-	-
Operating profit	20 860	3.1	1 997	22.8	1 395	24 252	11.5	6 792
EBITDA	28 088	4.7	4 930	8.5	(120)	32 898	5.3	9 620
EBITDA margin (%)	40.1	(1.3ppt)	28.2	2.0ppt	-	38.1	(0.3ppt)	48.7
EBIT	21 124	2.6	2 096	27.2	(111)	23 109	4.4	6 799
EBIT margin (%)	30.2	(1.6ppt)	12.0	2.5ppt	-	26.8	(0.4ppt)	34.4
Included in service revenue:								
Mobile voice	22 154	(4.6)	8 675	(2.5)	(6)	30 823	(4.0)	-
Mobile data(1)	23 355	12.8	2 429	12.0	-	25 784	12.8	-
Mobile messaging	2 194	(12.6)	450	4.9	1	2 645	(10.0)	-
M-Pesa revenue(1)	-	-	2 327	19.6	-	2 327	19.6	-

(1.) Mobile data revenue and M-Pesa revenue were previously reported in aggregate. These items are now separately disclosed.

(2.) Represents eight months of value effective 1 August 2017, at 100% interest. The Safaricom interest is equity accounted in net profit from associate and joint venture. These values are for information purposes.

Operating results for the year ended 31 March 2017

Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	23 779	1 040	(6)	24 813
Mobile prepaid revenue	21 855	12 376	-	34 231
Customer service revenue	45 634	13 416	(6)	59 044
Mobile interconnect	1 864	1 406	(297)	2 973
Fixed service revenue	1 449	1 730	(229)	2 950
Other service revenue	3 124	223	(28)	3 319
Service revenue	52 071	16 775	(560)	68 286
Equipment revenue	11 447	322	(70)	11 699
Non-service revenue	1 211	253	(171)	1 293
Revenue	64 729	17 350	(801)	81 278
Direct expenses	(25 352)	(5 750)	619	(30 483)
Staff expenses	(3 518)	(1 557)	(397)	(5 472)
Publicity expenses	(1 279)	(665)	(27)	(1 971)
Other operating expenses	(7 796)	(4 881)	484	(12 193)
Share based payment charge	(75)	-	-	(75)
Depreciation and amortisation	(6 388)	(2 870)	7	(9 251)
Impairment losses	(84)	-	-	(84)
Net profit from associate and joint venture	1	-	-	1
Operating profit	20 238	1 627	(115)	21 750
EBITDA	26 815	4 545	(122)	31 238
EBITDA margin (%)	41.4	26.2	-	38.4
EBIT	20 593	1 648	(115)	22 126
EBIT margin (%)	31.8	9.5	-	27.2
Included in service revenue				
Mobile voice	23 229	8 894	(6)	32 117
Mobile data(1)	20 696	2 168	-	22 864
Mobile messaging	2 509	429	-	2 938
M-Pesa revenue(1)	-	1 945	-	1 945

(1.) Mobile data revenue and M-Pesa revenue were previously reported in aggregate. These items are now separately disclosed.

South Africa key indicators

	Year ended 31 March		% change
	2018	2017	17/18
Customers(1) (thousand)	41 635	37 131	12.1
Prepaid	36 275	32 000	13.4
Contract	5 360	5 131	4.5
Data customers(2) (thousand)	20 347	19 549	4.1
Internet of Things connections(3) (thousand)	3 628	2 979	21.8
Traffic(4) (millions of minutes)	61 155	58 409	4.7
Outgoing	51 798	48 900	5.9
Incoming	9 357	9 509	(1.6)
MOU per month(5)	127	136	(6.6)
Prepaid	117	128	(8.6)
Contract	197	190	3.7
Total ARPU(6) (rand per month)	101	111	(9.0)
Prepaid	58	62	(6.5)
Contract	390	408	(4.4)
Messaging (million)	6 987	4 337	61.1
Number of employees	5 007	5 038	(0.6)

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.

International key indicators

	Year ended 31 March		% change
	2018	2017	17/18
Customers(1) (thousand)	32 194	29 655	8.6
Tanzania	12 899	12 653	1.9
DRC	11 821	10 388	13.8
Mozambique	6 108	5 146	18.7
Lesotho	1 366	1 468	(6.9)
Data customers(2) (thousand)	16 573	12 997	27.5
Tanzania	7 345	6 463	13.6
DRC	4 825	3 705	30.2
Mozambique	3 730	2 280	63.6
Lesotho	673	549	22.6
30 day active M-Pesa customers(3) (thousand)	11 757	9 963	18.0
Tanzania	6 369	6 198	2.8
DRC	1 891	1 423	32.9
Mozambique	3 109	2 029	53.2
Lesotho	388	313	24.0
MOU per month(4)			
Tanzania	163	157	3.8
DRC	39	49	(20.4)
Mozambique	143	121	18.2
Lesotho	86	82	4.9
Total ARPU(5) (rand per month)			
Tanzania	35	38	(7.9)
DRC	38	49	(22.4)
Mozambique	51	45	13.3
Lesotho	70	61	14.8
Total ARPU(5) (local currency per month)			
Tanzania (TZS)	6 086	6 003	1.4
DRC (USD)	2.9	3.5	(17.1)
Mozambique (MZN)	241	216	11.6
Number of employees	2 360	2 351	0.4

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
	2018	2017	17/18
Customers(1) (thousand)	29 570	28 134	5.1
Data customers(2) (thousand)	17 669	16 636	6.2
M-Pesa customers(3)	20 547	19 022	8.0
ARPU(4) (local currency per month)	685.3	641.3	6.9

- 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
	2018	2017	17/18
Revenue (local currency)			
Tanzania (TZSm)	977 994	933 292	4.8
DRC (USD000)(1)	428 169	407 413	5.1
Mozambique (MZNm)	17 635	14 641	20.4
Lesotho (LSLm)	1 255	1 116	12.5
EBIT (local currency)			
Tanzania (TZSm)	96 895	97 260	(0.4)
DRC (USD000)	12 578	12 664	(0.7)
Mozambique (MZNm)	4 158	2 568	61.9
Lesotho (LSLm)	475	426	11.5

- Note:
- (1.) During the 2nd quarter we reclassified the foreign exchange difference between USD and CDF sales to be netted off on the corresponding revenue line. The adjustment was USD11.4 million for Q1 and USD4.4 million for Q2. Q1 has not been restated for this change. This was partially offset by a refund of DRC sales tax (ICA) of USD9.9 million, in Q2.

Historical financial review

Revenue for the quarter ended

	31 March	31 Dec	30 Sept	30 June	31 March	31 Dec	30 Sept
Rm	2018	2017	2017	2017	2017	2016	2016
South Africa	17 875	18 211	17 227	16 654	16 141	17 142	16 003
International	4 167	4 719	4 334	4 240	3 985	4 316	4 429
Corporate and eliminations	(314)	(283)	(251)	(209)	(221)	(236)	(183)
Group revenue	21 728	22 647	21 310	20 685	19 905	21 222	20 249

Revenue yoy % change for the quarter ended

	Reported				Normalised*
	31 March	31 Dec	30 Sept	30 June	31 March
%	2018	2017	2017	2017	2018
South Africa	10.7	6.2	7.6	7.8	10.7
International	4.6	9.3	(2.1)	(8.2)	12.8
Corporate and eliminations	(42.1)	(19.9)	(37.2)	(29.8)	n/a
Group revenue	9.2	6.7	5.2	3.9	10.8

Service revenue for the quarter ended

	31 March	31 Dec	30 Sept	30 June	31 March	31 Dec	30 Sept
Rm	2018	2017	2017	2017	2017	2016	2016
South Africa	13 891	14 061	13 547	13 123	13 198	13 410	13 037
International	3 946	4 574	4 186	4 122	3 844	4 206	4 246
Corporate and eliminations	(261)	(233)	(177)	(147)	(167)	(173)	(121)
Group service revenue	17 576	18 402	17 556	17 098	16 875	17 443	17 162

Historical financial review continued

Service revenue yoy % change for the quarter ended

	Reported				Normalised*
	31 March	31 Dec	30 Sept	30 June	31 March
%	2018	2017	2017	2017	2018
South Africa	5.3	4.9	3.9	5.6	5.3
International	2.7	8.7	(1.4)	(8.0)	10.5
Corporate and eliminations	(56.3)	(34.7)	(46.3)	(48.5)	n/a
Group service revenue	4.2	5.5	2.3	1.7	5.9

Exchange rates

	Average YTD			Closing		
	31 March	% change		31 March	% change	
	2018	2017	17/18	2018	2017	17/18
USD/ZAR	12.99	14.05	(7.5)	11.85	13.40	(11.6)
ZAR/MZN	4.73	4.86	(2.7)	5.24	5.03	4.2
ZAR/TZS	172.92	156.77	10.3	190.38	166.65	14.2
EUR/ZAR	15.19	15.43	(1.6)	14.57	14.34	1.6
ZAR/KES	7.95	7.27	9.4	8.52	7.69	10.8

	Average QTD				Closing QTD			
	31 March	31 Dec	30 Sept	30 June	31 March	31 Dec	30 Sept	30 June
Rm	2018	2017	2017	2017	2018	2017	2017	2017
USD/ZAR	11.95	13.61	13.20	13.21	11.85	12.39	13.54	13.06
ZAR/MZN	5.10	4.45	4.63	4.74	5.24	4.76	4.52	4.60
ZAR/TZS	187.90	164.71	169.75	169.33	190.38	179.99	165.77	171.50
EUR/ZAR	14.69	16.04	15.50	14.52	14.57	14.89	15.98	14.90
ZAR/KES	8.52	7.60	7.82	7.83	8.52	8.33	7.62	6.88

Historical key indicators
South Africa for the quarter ended

	31 March	31 Dec	30 Sept	30 June	31 March	31 Dec	30 Sept
	2018	2017	2017	2017	2017	2016	2016
Customers(1) (thousand)	41 635	41 602	40 000	39 381	37 131	36 375	35 685
Prepaid	36 275	36 283	34 762	34 248	32 000	31 188	30 641
Contract	5 360	5 319	5 238	5 133	5 131	5 187	5 044
Data customers(2) (thousand)	20 347	20 503	19 905	19 167	19 549	19 261	18 158
Internet of Things connections(3) (thousand)	3 628	3 495	3 271	3 100	2 979	2 810	2 626
Traffic(4) (millions of minutes)	15 385	16 013	15 331	14 426	14 462	15 550	14 458
Outgoing	13 101	13 612	12 976	12 109	12 105	13 158	12 062
Incoming	2 284	2 401	2 355	2 317	2 357	2 392	2 396
MOU per month(5)	124	131	128	125	131	145	136
Prepaid	113	120	118	115	122	138	127
Contract	199	202	199	190	190	187	192
Total ARPU(6) (rand per month)	99	102	101	103	109	114	112
Prepaid	57	59	58	58	61	64	63
Contract	381	393	391	393	401	414	415

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.

International for the quarter ended

	31 March	31 Dec	30 Sept	30 June	31 March	31 Dec	30 Sept
	2018	2017	2017	2017	2017	2016	2016
Customers(1) (thousand)	32 194	32 012	31 092	29 936	29 655	28 794	27 918
Tanzania	12 899	12 901	12 857	12 611	12 653	12 419	12 354
DRC	11 821	11 982	11 453	10 792	10 388	9 702	9 204
Mozambique	6 108	5 712	5 421	5 147	5 146	5 208	4 987
Lesotho	1 366	1 417	1 361	1 386	1 468	1 465	1 373
Data customers(2) (thousand)	16 573	16 013	14 755	13 807	12 997	12 620	11 965
Tanzania	7 345	7 317	7 072	6 767	6 463	6 484	6 021
DRC	4 825	4 470	4 175	3 982	3 705	3 354	3 191
Mozambique	3 730	3 501	2 904	2 470	2 280	2 196	2 236
Lesotho	673	725	604	588	549	586	517
MOU per month(3)							
Tanzania	161	171	167	153	146	162	162
DRC	36	36	42	44	44	48	56
Mozambique	144	152	144	130	130	122	123
Lesotho	83	92	86	81	79	90	81
30-day active M-Pesa customers(4) (thousand)	11 757	11 117	10 755	10 089	9 963	8 848	8 508
Tanzania	6 369	6 266	6 189	5 934	6 198	5 555	5 541
DRC	1 891	1 600	1 613	1 494	1 423	1 203	1 082
Mozambique	3 109	2 908	2 625	2 343	2 029	1 804	1 637
Lesotho	388	343	328	318	313	286	248
Total ARPU(5) (rand per month)							
Tanzania	31	39	37	35	34	40	40
DRC	34	39	37	42	37	48	56
Mozambique	47	57	53	48	40	41	44
Lesotho	71	77	69	64	54	66	63
Total ARPU(5) (local currency per month)							
Tanzania (TZS)	5 734	6 369	6 295	5 946	5 674	6 279	6 187
DRC (USD)	2.9	2.9	2.8	3.2	2.8	3.4	3.9
Mozambique (MZN)	238	253	244	228	209	223	223

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, is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting normalised growth is to assist the user in understanding the underlying growth trends in these segments, while the presentation of operating free cash flow and free cash flow is to provide users with relevant information and measures used by the Group to assess performance. It 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. This pro-forma information has been reviewed and reported on by the Group auditors, being PricewaterhouseCoopers Inc. Their unqualified reporting accountant's report thereon is available for inspection at the company's registered address.

Reconciliation of normalised growth for the year ended

Foreign exchange

31 March 2018 %	Reported(1) % change	Trading FX(2) ppts	Translation FX(3) ppts	Merger and Acquisition	Normalised* % change
Revenue					
Group	6.3	-	1.5	-	7.8
International	0.6	-	7.3	-	7.9
Service revenue					
Group	3.4	-	1.7	-	5.1
International	0.3	-	7.1	-	7.4
Data revenue					
International	12.0	-	6.7	-	18.7
M-Pesa revenue					
International	19.6	-	10.8	-	30.4
Total expenses					
International	(2.3)	0.3	7.7	-	5.7
South Africa	10.5	0.9	-	-	11.4
EBIT					
Group	4.4	(1.7)	0.1	-	2.8
International	27.2	(3.7)	3.0	-	26.5
Operating profit					
Group	11.5	(1.9)	0.2	(6.8)	3.0

Reconciliation of normalised growth for the year ended

Foreign exchange

31 March 2018 Rm	Reported	Trading FX(2)	Translation FX(3)	Merger and Acquisition	Normalised*
Revenue					
Group	86 370	-	-	-	86 370
International	17 460	-	-	-	17 460
Service revenue					
Group	70 632	-	-	-	70 632
International	16 828	-	-	-	16 828
Data revenue					
International	2 429	-	-	-	2 429
M-Pesa revenue					
International	2 327	-	-	-	2 327
Total expenses					
International	12 557	(18)	-	-	12 539
South Africa	41 912	71	-	-	41 983
EBIT					
Group	23 109	(56)	-	-	23 053
International	2 096	18	-	-	2 114
Operating profit					
Group	24 252	(56)	-	(1 506)	22 690

Foreign exchange

31 March 2017 Rm	Reported	Trading FX(2)	Translation FX(3)	Normalised*
Revenue				
Group	81 278	-	(1 166)	80 112
International	17 350	-	(1 166)	16 184
Service revenue				
Group	68 286	-	(1 103)	67 183
International	16 775	-	(1 103)	15 672
Data revenue				
International	2 168	-	(121)	2 047
M-Pesa revenue				
International	1 945	-	(160)	1 785
Total expenses				
International	12 853	(64)	(922)	11 867
South Africa	37 945	(250)	-	37 695
EBIT				
Group	22 126	331	(40)	22 417
International	1 648	64	(40)	1 672
Operating profit				
Group	21 750	331	(46)	22 035

Reconciliation of normalised growth for the quarter ended

31 March 2018 %	Reported(4)	Translation FX(5)	Normalised*
Revenue			
Group	9.2	1.6	10.8
International	4.6	8.2	12.8
Service revenue			
Group	4.2	1.7	5.9
International	2.7	7.8	10.5

Reconciliation of normalised growth for the quarter ended

31 March 2018 Rm	Reported	Translation FX(5)	Normalised*
Revenue			
Group	21 728	-	21 728
International	4 167	-	4 167
Service revenue			
Group	17 576	-	17 576
International	3 946	-	3 946

Reconciliation of normalised growth for the quarter ended

31 March 2017 Rm	Reported	Translation FX(5)	Normalised*
Revenue			
Group	19 905	(291)	19 614
International	3 985	(291)	3 694
Service revenue			
Group	16 875	(273)	16 602
International	3 844	(273)	3 571

The reconciliation presents normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current period as base) from on-going operations.

Notes:

- (1.) The reported percentage change relates to the year-on-year percentage growth. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed above.
- (2.) Trading foreign exchange (FX) are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group.
- (3.) Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the year ended 31 March 2018 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 31 March 2017 numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange rates for the current and comparative periods are disclosed above.
- (4.) The reported percentage change relates to the quarter to date year-on-year percentage growth. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed above.
- (5.) Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the quarter ended 31 March 2018 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period to the quarter ended 31 March 2018) numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange rates for the current and comparative periods are disclosed above.

Reconciliation of operating free cash flow and free cash flow

Rm	Year ended 31 March	
	2018	2017
Cash generated from operations(1)	32 299	31 791
Cash capital expenditure(2)	(10 592)	(11 525)
Movement in amounts due to M-Pesa account holders(3)	(590)	(711)
Operating free cash flow	21 117	19 555
Tax paid ¹	(6 194)	(6 051)
Dividends received from associate(1)	1 988	-
Finance income received ¹	859	689
Finance costs paid(1)	(3 182)	(2 699)
Net dividends paid(1)	(393)	(91)
Free cash flow	14 195	11 403

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.) As per the condensed consolidated statement of cash flows.
- (2.) Cash capital expenditure as per the condensed consolidated statement of cash flows, excluding capital expenditure of license and spectrum fee of (R46 million) (2017: R91 million).
- (3.) Movements included in cash generated from operations relate to money held on behalf of M-Pesa customers.

Corporate information

Additional financial and operational measures

This announcement contains certain financial (i.e. service revenue, enterprise service revenue, EBITDA and EBIT) and operational (i.e. customers, ARPU and number of employees) measures which are presented in addition to the financial information disclosed in the preliminary condensed consolidated financial statements and the audited financial statements for the year ended 31 March 2018 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 and the audited financial statements for the year ended 31 March 2018. The financial measures have been extracted from the management accounts upon which the preliminary condensed consolidated financial statements and the audited financial statements for the year ended 31 March 2018 are based. Refer above for details relating to service revenue, EBIT and headline earnings per share and the supplementary information above 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 2018 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations including the confirmation of the Group's targets, expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodacom does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Directors

PJ Moleketi (Chairman), MS Aziz Joosub (CEO),
T Streichert (CFO)(1), V Badrinath(2), DH Brown, M Joseph(3), BP Mabelane, SJ Macozoma, TM Mokgosi-Mwantembe, JWL Otty(4), M Pieters(5), RAW Schellekens(5)
1. German 2. French 3. American 4. British 5. Dutch

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

Media relations
Byron Kennedy

Investor relations
Shaun van Biljon