Vodacom Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1993/005461/06
(ISIN: ZAE000132577 Share Code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
(Vodacom)

Vodacom Group Limited Interim Results
for the six months ended 30 September 2018

12 November 2018

Highlights

- Group service revenue up 6.1% (5.8%*) to R36.8 billion#; and Group revenue increased 5.6% (5.4%*) to R44.4 billion#.
- We added 4.8 million customers in the six months, up 10.7%, comprising 2.5 million in South Africa and 2.3 million in our International operations.
- Safaricom added 373 000 customers. In combination, we now serve over 109 million customers across the Group.
- South Africa service revenue increased 4.6% to R27.9 billion#, supported by strong customer growth. International operations service revenue growth accelerated to 12.8% (11.4%*), boosted by strong growth in data and M-Pesa.
- Group EBIT improved 3.4% (2.8%*) to R11.2 billion#, with strong improvement in our International operations.
- Significant capital investment of R5.3 billion to expand our coverage and improve the quality of our networks.
- Vodacom Lesotho, the first operator to launch a commercial 5G network in Africa.
- Concluded our new Broad-based black economic empowerment (BEE) ownership deal, the largest deal of its kind in the ICT sector.
- Safaricom contributed R1.4 billion# profit, after deducting the amortisation of fair valued assets and before minority interest.
- Interim dividend per share of 395 cents, improved, despite issue of 114.5 million new shares for new BEE structure.

	Six months ended 30 September			% change	
Rm	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	IAS 18	IAS 18 Normalised*
Revenue	42 707	44 364	41 995	5.6	5.4
Service revenue	34 552	36 765	34 654	6.1	5.8
EBITDA	16 534	16 468	15 731	4.7	4.1
EBIT	11 263	11 197	10 830	3.4	2.8
Net profit from associate and joint venture^	1 345	1 361	349	>200.0	
Net profit	6 789	6 756	6 712	0.7	
Capital expenditure	5 334	5 334	5 378	(0.8)	
Operating free cash flow	7 074	7 074	6 311	12.1	
Interim dividend per share (cents)	395	n/a	390	1.3	

Following the prospective adoption of IFRS 15: Revenue from Contracts with Customers on 1 April 2018, the Group's results for the six months ended 30 September 2018 are on an IFRS 15 basis, whereas the results for the six months ended 30 September 2017 are (as previously reported) on an IAS 18 basis. Comparisons between the two bases of reporting are not meaningful and to ensure appropriate disclosure during the period of transition onto IFRS 15, results for the six months ended 30 September 2018 has been disclosed on both an IFRS 15 and IAS 18 basis. Our commentary describing our operating performance in the Operating Review has been provided solely on an IAS 18 basis. The accounting standard applied is clearly marked in the heading of relevant columns in the news release. To aid in the understanding of the transition from IAS 18 to IFRS 15, we have provided commentary on the main differences between the two standards below. Further disclosure is also included in Note 2: Change in accounting policies and in Note 3: Segment analysis of the condensed consolidated interim financial statements for the six months ended 30 September 2018.

Shameel Joosub Vodacom Group CEO commented:

Following on from last year's extraordinary year for Vodacom, we delivered two strategic milestones during the first half of this year. In September, we concluded our second BEE transaction under the YeboYethu umbrella to replace the highly successful R7.5 billion deal launched in 2008.

Valued at R16.4 billion, the new scheme is the biggest ever in the Telecommunications industry in South Africa and makes YeboYethu our third largest shareholder. As expected, the costs associated with this transaction had a once-off impact on headline earnings per share. Excluding the charges relating to the BEE transaction and contribution from Safaricom, HEPS rose 6.0%~. To facilitate the new BEE structure, we issued an additional 114.5 million shares yet increased our interim dividend to 395cps.

In September, Vodacom Lesotho became the first company to commercially launch 5G on the African continent. This makes Vodacom Lesotho amongst the first in the world to lay claim to this innovation, paving the way for our other operations to follow suit once we secure the requisite spectrum.

Over 5 million customers joined the Vodacom and Safaricom networks, increasing the combined customer base to 109 million. This shows that our strategy of sustained and targeted investment in customer and network experience across our operations is delivering strong results, contributing to the 5.8%* growth in service revenue across the Group.

In South Africa, underlying growth has weakened as the country's economic slowdown increasingly weighs on consumer spending in the market. Still, service revenue rose 4.6% as anticipatory measures driven by the use of Big Data machine learning in more areas of the business has contributed to countering some of these pressures. The 2.5 million increase in customers in South Africa since March, shows that our sustained effort to deliver greater value is working across prepaid and contract and is evidence that our personalisation through Big Data is delivering results.

We invested R4 billion in South Africa alone in the past six months and at the same time we reduced effective voice and data prices by 8.5% and 16.4% respectively. We continue to accelerate our rural coverage expansion programme to bridge the digital divide and will prioritise an additional 200 villages this year to add to the 101 communities that we connected during the first quarter of this year.

Mozambique produced an excellent performance while the momentum from our commercial actions in Tanzania and DRC last year continues to gather pace. This contributed to the strong performance in our International portfolio where normalised service revenue grew 11.4%*, led by rising customer numbers, accelerating demand for data and improved growth in M-Pesa.

The contribution to the Group by our mobile money platform continues to improve. The combined customer base, including Safaricom, grew 13.7% to 34.2 million. In our International operations, we processed M-Pesa transactions worth USD14 billion, supporting a 25.2% increase in revenue to R1.4 billion. M-Pesa now supports 21 million Safaricom customers, an increase of 8.8%, and M-Pesa now constitutes nearly one-third of its service revenues.

Our strategic investment in Safaricom, concluded in the previous financial year, is exceeding our expectations having contributed R1.4 billion# to the Vodacom Group's operating profit. Safaricom reported a 7.7% increase in service revenue and an 18.7% rise in EBIT.

Looking ahead, the relative economic and currency stability in most of our International markets is pleasing and we will continue to invest heavily in our networks, artificial intelligence and Big Data analytics to drive financial inclusion, further enhance customer experience and progress Vodacom's digital telco strategy. I am pleased that Telkom has selected Vodacom as its new roaming partner, and we look forward to delivery on this long-term mutually beneficial agreement. Apart from the commercial benefit, this partnership will also result in cost savings for Vodacom. Efforts to reduce the cost to communicate are contingent on having access to the right spectrum at reasonable market-related prices. While we are encouraged by the significant progress in recent times regarding the licensing of 4G spectrum in South Africa, there are still a number of areas of concern with the current draft Electronic Communications Act as well as inconsistencies in the proposed policy and policy directions to ICASA on licensing unassigned high demand spectrum. We remain committed to engaging with relevant stakeholders to find a suitable outcome to move South Africa forward.

Notes:
Certain financial information presented in this results announcement constitutes pro-forma financial information in terms of the JSE Listings Requirements. The applicable criteria on the basis of which this pro-forma financial information has been prepared is set out in the supplementary information below. The pro-forma financial information includes:
- Financial information, on a comparable IAS 18 basis, for the six months ended 30 September 2018, marked as '#' in this document. The IAS 18 financial information is based on the condensed consolidated interim financial statements of Vodacom Group Limited for the six months ended 30 September 2018.
- Amounts marked with an * in this document, represent normalised growth which presents performance on a comparable IAS 18 basis. This excludes merger and acquisition activity where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current six months as base).
- Amounts marked with '~' in this document represents HEPS growth adjusted for the BEE and Safaricom transaction, disclosed in a reconciliation in the pro-forma information below.

The pro-forma financial information has not been reviewed or audited or otherwise reported on by external auditors.
All growth rates quoted are year-on-year and refer to the six months ended 30 September 2018 compared to the six months ended 30 September 2017, which are based on IAS 18 accounting principles, unless stated otherwise.
^ 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 net profits and related amortisation of fair valued assets. Prior year results reflect two months of attributable net profit.

Operating review

South Africa (IAS 18 commentary)

Service revenue grew 4.6%, which includes a once-off benefit of R292 million relating to a change in our revenue deferral methodology. Growth was driven by continued customer gains in all segments, although affected by the weak economic environment negatively impacting consumer spending. Revenue growth was somewhat lower at 4.3% as a result of slowed growth in equipment revenue. Device sales were negatively impacted by a weaker rand against the US dollar.

Mobile customer revenue grew 3.0%, sustaining a strong trend in the first six months, which was driven by a strong growth in customers, both contract and prepaid, slightly offset by lower ARPU reflecting lower spending customer inflows.

Our pricing transformation in contract is progressing well. We gained 177 thousand customers in the first six months, with good progress in both the Consumer and Enterprise segments. Following the introduction of our new 'plus' plans with more inclusive value, representing 50% of the contract base, we gained sufficient information to predict the changing usage behaviour on these packages. Consequently we have adjusted our revenue deferral methodology, in line with the customer usage insights. This has resulted in acceleration of the recognition of revenue of R292 million in the period. Contract ARPU was down by 2.0%, with customers opting for plans with lower tariffs, but higher device financing component.

We added 2.3 million prepaid customers during the first six months resulting in strong customer growth of 10.9%. This has been partly offset by lower prepaid ARPU, down 6.9%, as we attract new customers with lower spend levels than the current base and also as a result of customers opting for shorter validity periods for data bundles at a lower price. Customers continue to respond well to our bundle offers and we recently launched 'RedHotDealz' to further improve our value offerings. Our strategic focus on providing customers with easier access to airtime through Airtime Advance and using Big Data analytics to further enhance this proposition, has resulted in R2.9 billion of airtime generated through this platform. Revenue earned from this service more than doubled, with 8.4 million customers now using this convenient way to purchase airtime.

Overall data usage drivers were encouraging. Data traffic grew strongly at 28.6%, slightly impacted by our efforts to improve monetisation by re-balancing the promotional data offered to customers to encourage usage; billed traffic was up 36.7%. Active smart devices on the network were up 10.5% to 19.1 million, of which 9 million are 4G devices with overall data customers up 3.2% to 20.5 million. We have seen strong growth in the number of bundles sold, up 26.0% or 437 million data bundles, driven by our 'Just 4 You' personalised offers, as we continue to migrate customers to more in-bundle usage. The optimisation of customers' spend towards shorter validity bundles with lower effective rates and reduction in out-of-bundle revenue has resulted in a slightly lower data revenue growth of 7.5%. Our digital services is making good progress in enabling new data platforms such as our recently launched video play platform. Our initial focus has been on ensuring a rich customer experience. Take up of the service is encouraging with more than 272 000 active users on the platform.

The Enterprise segment is performing particularly well with good growth in mobile customer revenue, up 7.7%, resulting from good customer growth of 9.7%. In addition, fixed line service revenue grew at 29.2% to R1.3 billion, with IPVPN services such as IP connect Fibre and Broadband connect showing good growth. Cloud and hosting revenue grew 14.2% with strong growth both in 'infrastructure as a service' and 'platform as a service' offerings.

We continue to drive our 'Own the home' strategy resulting in good traction on fibre to the home/business, more than doubling the connections in the period.
EBITDA grew 2.8% to R13.8 billion#, while the EBITDA margin of 38.9% reduced by 0.6ppts as a result of the roaming agreement with Rain. This affected margins by 0.7ppts, as we continue to scale up on the roaming agreement, and moving cost of capacity from depreciation to direct expenses. The remainder of costs continue to be well maintained, in line with revenue growth.

During the period, we invested over R4 billion into our network, to give customers the best network experience; improving voice quality and data speeds. We have the widest data network reaching 99.5% of the population on 3G and 83% on 4G. We consistently rank best on data performance metrics across various independent surveys. During the period, we continued to drive modernisation and improvements in the network, including extending high speed transmission to 93% of our sites and enabling carrier aggregation on more than five thousand sites in the six months, to further improve the customer experience.

International (IAS 18 commentary)

Our International operations performed well, with strong focus on delivering on key strategic priorities, supported by improving macroeconomic trends. Tanzania continues to benefit from strong commercial momentum and robust customer growth despite the intensified pricing pressure from competitors. The DRC and Mozambique both delivered strong results.

Service revenue increased by 12.8% (11.4%*) to R9.4 billion#, with strong growth in our strategic focus areas of data and M-Pesa. We added 2.3 million customers in the first half, reaching 34.7 million, up 11.4%. Tanzania and the DRC together added 2.1 million customers, while customers in Mozambique increased 18.2%.

Data revenue growth was robust at 26.6% (24.1%*), with all markets growing above 20%. Through our segmented marketing approach and targeted data bundle offers, from our Big Data enabled 'Just for You' propositions, we were able to monetise the demand for data. We continue to invest considerably into our data networks to widen coverage and improve experience. In September, we launched 4G services in Mozambique. We now have 4G services across all of our operations. We added 1.4 million data customers this half, to reach 18.0 million, up 21.7%.

M-Pesa revenue grew strongly by 25.2% (24.2%*) to R1.4 billion#, contributing 15.1% of International service revenue. We added 1.4 million customers in the half, reaching 13.2 million. We continue to add new services to the platform to expand customers' payment options and make transacting more accessible by increasing our agent network. Following the success of our merchant payment solution in Tanzania, we have rolled out the solution in Mozambique and Lesotho, giving our customers the convenience to transact with M-Pesa at more points of sale. In Mozambique we connected this merchant payment platform to one of the banks' point of sale devices in stores, making it easier for customers to pay using M-Pesa. During the first half of the year, on average, R32 billion was processed monthly through the M-Pesa system.

EBITDA increased 20.7% (18.7%*) to R2.9 billion#, while the EBITDA margin expanded by 2.1ppts to 30.1%, supported by good revenue growth and a continued focus on cost efficiencies through our 'Fit for growth' savings programme. Improved revenue growth, savings on commissions from airtime purchases through M-Pesa, continued savings in network operating expenses, and savings from lower interconnect costs, are key drivers for margin growth.

Capital expenditure of R1.3 billion enabled us to continue investing in all our markets to support the growing demand for data and wider voice coverage, while enhancing our IT systems to support our personalised pricing offers and to deliver on our segmentation strategy. We continue to seek opportunities through spectrum acquisition and the roll out of new technologies to increase our ability to provide a differentiated data experience for our customers. In August, we became the first operator in Africa to launch a standards-based, commercial 5G network in Lesotho. Please amend this sentence to read: We were awarded a 4G licence in the DRC, in Mozambique we unified and renewed our licences for 20 years and participated in the spectrum auction held during November (the outcome of which will be communicated in due course), and in Tanzania we acquired additional 4G spectrum which will enable us to progress further in delivering on our strategic data ambitions..

Safaricom (IAS 18 commentary)

For the six months ended 30 September 2018, Safaricom has contributed a profit of R1.4 billion which represents the net amount of earnings from Safaricom of R1.7 billion and an amortisation charge of R304 million in relation to fair valued assets and before minority interest and withholding tax.

Safaricom continues to report solid growth, with service revenue increasing 7.7% and EBIT increasing 18.7%, supported by strong growth in data and M-Pesa revenue. M-Pesa revenue increased 18.2% and contributes 30.0% to service revenue, supported by M-Pesa customers increasing 8.8% to 21.0 million. Mobile data revenue increased 10.8% and now contributes 15.4% to service revenue. Customers increased 1.5% to 29.9 million and ARPU grew 5.4%. Investment in capital expenditure of KES17 billion, resulted in 3G sites increasing 21.1%, 4G sites increasing 61.8% and the number of homes passed with fibre more than doubling to 200 thousand.

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

Broad-based black economic empowerment (BEE) ownership transaction

We concluded our new BEE ownership transaction on 14 September 2018. At a deal value of R16.4 billion the transaction was the largest deal of its kind in the ICT sector. The key features of the deal are:

- Transaction size of R16.4 billion;
- Equity swap ratio(1) of Vodacom South Africa to Vodacom Group of 73.0%;
- Subscription price discount from Vodacom Group;
- R3.9 billion equity reinvested by the Vodacom South Africa BEE shareholders;
- R3.3 billion paid out to YeboYethu shareholders as a special dividend (once-off cash settlement);
- Continued listing of YeboYethu on the BEE Segment of the JSE;
- R1.05 billion subscription for YeboYethu ordinary shares by the Group's new employee empowerment trust (Siyanda); and
- 60% gearing of YeboYethu (third party financing and vendor funding from Vodacom Group).
- A once-off IFRS 2 charge of R1 404 million(2), transaction costs of R105 million and a staff component of R1 176 million that will be spread over the vesting period. Vesting is in three equal tranches at the end of years 3, 4 and 5 respectively.

The structure of the deal created significant value for current holders, through a major liquidity event of a special dividend, as well as the opportunity to remain invested in Vodacom Group, through a mutually beneficial structured deal. This secures Vodacom's Level 3 BEE status, and an effective black ownership of c20%, a key consideration for spectrum allocation, government contracts and corporate business.

Regulatory matters

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 ECA has since been approved by Cabinet and has been tabled in Parliament. The Ministry has also issued a draft policy direction, for public comment, which purpose is to enable the licensing of high demand spectrum under the existing ECA legislative framework - prior to Parliament considering and passing into law the proposed amendments to the ECA Bill. Both of these processes are undergoing a consultation process. The Ministry and the Regulator have both indicated their intention for a spectrum auction under the existing regulation during the first half of next year and giving more certainty with regard to policy. These processes give progress to the Hybrid model which will include both the creation of the wireless open-access network (WOAN) and exclusive use for spectrum to the industry. Stakeholders will submit written comments during November 2018.

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 objective of addressing consumer concerns on out-of-bundle charges and data bundle expiry rules.

These final amendments followed a consultation process between ICASA and industry stakeholders. The regulations require the following:
- Voice, SMS and data bundle depletion notices are to be sent to customers at 50%, 80% and 100% depletion thresholds;
- Operators are not allowed to default customers to out-of-bundle charges on depletion of data bundles, unless specific opt-in instructions have been received from the customer; 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 other customers on the same network.

The implementation date has been suspended pending the outcome of the review application launched by Cell C in the North Gauteng High Court, Pretoria.

1. This is the ratio in which the Vodacom South Africa shares held by Vodacom South Africa BEE shareholders were exchanged for shares in Vodacom Group Limited.
2. Refer to Note 8 of the condensed consolidated interim financial statements for the six months ended 30 September 2018 for the split between the cash and equity settled IFRS 2 charge.

Competition Commission data market review

The Competition Commission (CompCom) initiated an enquiry into data costs on 18 August 2017. The main objectives of the market inquiry are to obtain a clear understanding of the data services value chain, including the interaction and commercial relationships between different levels of the value chain and the relationship with other parts of the ICT sector as well as the broader economy; and to assess the state of competition in the market at every stage of the value chain for the provision of data services, to identify areas of market power that may influence competition or pricing. Vodacom made submissions to the CompCom and participated in the hearings held on 17 - 19 October 2018.
The hearings covered the following key questions posed by the commission:

1. Are data prices in South Africa (whether mobile, fixed or other) higher than they ought to be?
2. To the extent that data prices in South Africa are higher than they ought to be, what are the factors that drive these outcomes?
3. How can these factors be effectively remedied?
4. What is the impact of data prices and access to data more broadly on lower-income customers, rural customers, small businesses and the unemployed? How important are affordable data prices for these customers?

Vodacom's submission was focussed on the importance of lowering the cost to provision data, which will also lead to the lowering of retail tariffs. The date for completion of the data market review has been extended to 31 March 2019.

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 regulation, and to determine from these markets and market segments those that the Authority intends to prioritise for market reviews and potential regulation.

On 17 August 2018 ICASA communicated the following broad markets which will be the subject of this review:

- Wholesale fixed access, which includes wholesale supply of asymmetric broadband origination, fixed access services and relevant facilities;
- Upstream infrastructure markets incorporating national transmission services, metropolitan connectivity and relevant facilities; and
- Mobile services, which includes the retail market for mobile services and the wholesale supply of mobile network services, including relevant facilities.

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, who awarded the tender to Vodacom in a fiercely contested and transparent bidding process.

Outlook

We are encouraged by the relative economic and currency stability in most of our International markets. We have seen strong customer growth and accelerating growth in key initiatives, such as M-Pesa and data revenue. Prioritising financial inclusion through our mobile money platform, M-Pesa, while enabling a digital society through connectivity is proving to be a success. We continue to invest and expand in the eco systems of these platforms and expect this will remain a strong driver for growth in the future. The trend of accelerated top line growth and continued focus on cost efficiencies through our 'Fit for growth' and digitalisation programmes, will also help to improve profitability in these markets.

In South Africa, we continue to deliver steady growth despite sluggish consumer spending, given a tough economic environment. Our strategy to drive greater value at various price points combined with providing customers with the ability to select offers most suited to their needs continues to resonate with customers. This is evidenced by the increase in customers in South Africa and shows that our investment in personalised offers through Big Data and machine learning continues to differentiate us amongst our peers. Our new product offers such as video in consumer, and ongoing emphasis on our Enterprise business is also set to deliver further growth. Our FinTech services continue to make significant inroads into new verticals with an expanding array of new product offers. Customer and revenue growth in these areas are particularly encouraging.

We are progressing on our digital telco strategy. The aim of this strategy is to increasingly utilise digital processes to both enhance the customer experience, and contribute to cost efficiencies in the business. This will be made possible through key enablers such as Robotic Process Automation, Artificial Intelligence and Big Data analytics. As part of this journey, we have introduced chatbots, increased focus on our online direct channel and improved our Express recharge offering to drive uptake of this direct sales channel. In future, scaling of these efforts will address commission cost and other operating costs to both offset inflation related increases and reducing overall costs. Expanding our platform ecosystems to enable partnerships and digital content will enable future revenue growth opportunities. We are aiming to add to our platform strategy by adding to our video and financial services platforms in the future.

In South Africa, we will continue to prioritise our participation in the numerous processes established by Government and the regulator to increase competition in the industry, address the cost to communicate and drive inclusive growth. While we are encouraged by progress made in the regulatory environment in recent times, including a clearer time-line on the allocation of 4G and 5G spectrum, a number of concerns and inconsistencies remain following the publication of a revised Electronic Communications Act and policy direction to ICASA regarding unassigned high demand spectrum. Commitments by ICASA and the Department of Telecommunications and Postal Services to license 4G spectrum by March 2019 are crucial in accelerating reductions in the cost to deliver data services.

Greater certainty is required to sustain the high level of investment that the industry commands. We remain hopeful of finding an amicable solution to the finalisation of the new ECA, the process to allocate unassigned high demand spectrum and the market review by the regulator.

The outcome of the court challenge, by competitors, to the implementation of ICASA's End-User and Subscriber Service Charter Regulations, could potentially have a modest short term impact on growth, once impacted. We are also mindful of the weaker economic environment in South Africa and the impact this could have on consumer spending.

It is with this in mind that we maintain our medium term targets(1) of mid-single digit service revenue growth, mid-to-high single digit EBIT growth (excluding IFRS 2 charges, relating to the staff component of the BEE deal) and 12% - 14% of capital investment as % of revenue of the next three years.

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 the IFRS 15 and IFRS 16 implementation.

Financial review

Summary financial information

Rm	Six months ended 30 September 2018 IFRS 15	2018 IAS 18#	2017 IAS 18	% change IAS 18	IAS 18 Normalised*
Revenue	42 707	44 364	41 995	5.6	5.4
Service revenue	34 552	36 765	34 654	6.1	5.8
EBITDA	16 534	16 468	15 731	4.7	4.1
EBIT	11 263	11 197	10 830	3.4	2.8
Net profit from associate and joint venture^	1 345	1 361	349	>200.0	
Operating profit	11 106	11 056	10 964	0.8	0.5
Net profit	6 789	6 756	6 712	0.7	
Capital expenditure	5 334	5 334	5 378	(0.8)	
Operating free cash flow	7 074	7 074	6 311	12.1	
Free cash flow	2 486	2 486	2 028	22.5	
Net debt	28 621	28 621	24 964	14.6	
Basic earnings per share (cents)	386	384	445	(13.7)	
Headline earnings per share (cents)	387	385	445	(13.5)	
Contribution margin (%)	64.1	61.5	60.8	0.7 ppts	
EBITDA margin (%)	38.7	37.1	37.5	(0.4) ppts	
EBIT margin (%)	26.4	25.2	25.8	(0.6) ppts	
Operating profit margin (%)	26.0	24.9	26.1	(1.2) ppts	
Effective tax rate (%)	33.1	33.1	30.5	2.6 ppts	
Net profit margin (%)	15.9	15.2	16.0	(0.8) ppts	
Capital intensity (%)	12.5	12.0	12.8	(0.8) ppts	
Net debt/EBITDA (times)	0.9	0.9	0.8	0.1 times	

Service revenue

Rm	Six months ended 30 September 2018 IFRS 15	2018 IAS 18#	2017 IAS 18	% change IAS 18 17/18
South Africa	25 721	27 898	26 670	4.6
International	9 332	9 368	8 308	12.8
Corporate and eliminations	(501)	(501)	(324)	(54.6)
Group service revenue	34 552	36 765	34 654	6.1
Safaricom(1)	15 680	15 697	4 712	n/a

Understanding the impacts of IFRS 15:
The difference between IFRS 15 and IAS 18 are mainly noticeable in the contract segment where goods and services delivered under a contract are identified as separate performance obligations. Revenue is recognised at the point in time the Group delivers the goods or renders the service to the customer.

One of the key changes is the recognition of equipment revenue when control of the device has either transferred to the customer or the intermediary. Previously, equipment revenue on transfer of a device to a customer was limited to the cash received on inception of the contract. Going forward a device revenue contract asset will be recognised on inception, which will be recovered over the term of the contract. In the first half of the year, R416 million (of which R400 million relates to South Africa) was reclassified from service revenue to equipment revenue, with total revenue remaining largely unchanged with regards to this element.

1. The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only. Prior year results represents two months of performance from the date of acquisition.

In addition, qualifying incremental costs of obtaining and fulfilling a contract, previously expensed on payment, is now capitalised as deferred customer acquisition cost and amortised over the life time of the contract (typically 24 months). Amortisation charges of R1.8 billion (relating to South Africa) was netted against service revenue during the current period, as they are considered to be customer discounts under IFRS 15.

Commentary based on IAS 18:

Group service revenue increased 6.1% (5.8%*) to R36.8 billion#, with strong growth in both South Africa and in the International operations.

In South Africa, service revenue increased 4.6% to R27.9 billion# benefitting from strong net customer additions and strong growth in Enterprise, both in mobile and fixed service revenue.

During the period, we adjusted our revenue deferral methodology in line with the usage insights from our customers and updated our rules with regard to the rollover of unused minutes and megabytes, resulting in acceleration of revenue recognition of R292 million in the period.

In our International operations, service revenue increased 12.8% (up 11.4%*) to R9.4 billion#. Growth came from strategic growth areas such as data and M-Pesa revenue as well as an increase in customer net additions.

Service revenue grew by 7.7% in Safaricom during the six month period, driven by growth in data and M-Pesa.

Total expenses(1)

Rm	Six months ended 30 September			% change IAS 18
	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	17/18
South Africa	19 886	21 608	20 527	5.3
International	6 751	6 753	6 211	8.7
Corporate and eliminations	(411)	(412)	(418)	1.4
Group total expenses	26 226	27 949	26 320	6.2

Understanding the impacts of IFRS 15:

Incremental costs of obtaining and fulfilling a contract, previously expensed at inception of the contract under IAS 18, are now capitalised as deferred customer acquisition costs. Cost amounting R1.8 billion for the first half of this year was recognised as a contract asset and will be amortised to the income statement over the contract period (typically 24 months). Certain types of these customer acquisition costs are considered to be customer discounts under IFRS 15, and netted against service revenue when amortised to the income statement.

Commentary based on IAS 18:

Group total expenses increased 6.2% to R27.9 billion#, which includes a net trading foreign exchange loss of R45 million (2017: loss of R76 million).

In South Africa, expenses increased 5.3%, driven by costs relating to our roaming agreement with Rain, slightly offset by an accelerated phasing of cost to acquire and retain customers in the prior year, as well as higher network operating costs, relating to higher input costs such as fuel price increases.
In our International operations, total expenses increased by 8.7% (7.5%*) below revenue growth of 12.4% (11.0%*). This was enabled by continued focus on cost containment through initiatives such as 'Fit for growth' and the increase of airtime purchases through our M-Pesa platform, which results in a reduction of distribution costs.

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

EBIT

Rm	Six months ended 30 September			% change IAS 18
	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	17/18
South Africa	10 069	10 009	9 882	1.3
International	1 383	1 377	988	39.4
Corporate and eliminations	(189)	(189)	(40)	<(200.0)
Group EBIT	11 263	11 197	10 830	3.4
Safaricom(1)	5 867	5 906	1 610	n/a

Group EBIT increased 3.4% (up 2.8%*) with the Group EBIT margin decreasing by 0.6ppts to 25.2%. This includes the BEE transaction costs of R105 million, negatively impacting EBIT growth by 1.0ppts. Group EBITDA growth of 4.7% was slightly offset by depreciation and amortisation which grew at 6.7%. South Africa EBIT increased by 1.3% with margins contracting 0.9ppts to 28.3%. EBITDA growth was stronger at 2.8%, with EBITDA margin contracting primarily driven by our roaming agreement with Rain. In our International operations, EBIT increased 39.4% (36.5%*) with the EBIT margin expanding by 2.8ppts to 14.3% and EBITDA margins by 2.1ppts to 30.1%. Margins were supported by strong revenue growth and continued execution on cost containment.

In Safaricom, EBIT increased 18.7% for the financial year as a result of the higher service revenue contribution and commission savings as a result of direct voucher sales through M-Pesa.

Operating profit

Rm	Six months ended 30 September			% change IAS 18
	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	17/18
South Africa	8 821	8 761	9 757	(10.2)
International	1 383	1 376	899	53.1
Safaricom^	1 345	1 361	349	>200.0
Corporate and eliminations	(443)	(442)	(41)	<(200.0)
Group operating profit	11 106	11 056	10 964	0.8

Group operating profit increased 0.8% to R11.1 billion#. This includes a R1.4 billion non-cash, non-recurring charge arising from our new BEE deal (IFRS 2 charge) and net profit from our associate Safaricom. In South Africa, operating profit decreased by 10.2% to R8.8 billion# mainly due to the allocation of R1.2 billion of the IFRS 2 charge to our South African operation. Excluding this impact operating profit increased 1.0%*, similar to EBIT growth. International operations' operating profit increased 53.1% to R1.4 billion#, higher than EBIT growth as a result of prior year restructuring costs in the DRC and costs relating to the listing of Vodacom Tanzania.

Safaricom contributed R1.4 billion# in net profit for the six months. This represents our share of the net profit in the associate of R1.7 billion and the related amortisation of fair valued assets recognised on acquisition of R304 million, before minority interest.

1. The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purpose`s only. Prior year results represents two months of performance from the date of acquisition.

Net finance charges

	Six months ended 30 September			% change IAS 18
Rm	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	17/18
Finance income	325	325	317	2.5
Finance costs	(1 440)	(1 440)	(1 405)	(2.5)
Net finance costs	(1 115)	(1 115)	(1 088)	(2.5)
Net gain/(loss) on remeasurement and disposal of financial instruments	163	163	(212)	176.9
Net finance charges	(952)	(952)	(1 300)	26.8

Net finance costs of R1.1 billion# has remained relatively consistent as weighted average gross debt was relatively unchanged and cost of debt was slightly down to 8.2% from 8.3%. The change in the net gain on remeasurement and disposal of financial instruments of R375 million is mainly attributable to gains on the revaluation of foreign denominated cash balances in the Group, offset by the remeasurement of a derivative relating to the acquisition of shares in our Tanzania subsidiary from our local partner(1), an increase in a net loss of from the remeasurement of foreign exchange contracts in South Africa and the remeasurement of foreign denominated loans.

Taxation

The tax expense of R3.3 billion was 13.4% higher than the prior year (2017: R3.0 billion). The Group's effective tax rate increased from 30.5% in the prior year to 33.1% mainly due to the non-cash, non-recurring IFRS 2 charge of R1.4 billion and non-tax deductible transaction costs of R105 million relating to the BEE transaction (+4.3ppts). This was partially offset by the inclusion of six months of after tax profits from our associate Safaricom included in profit before tax, compared to two months in the prior year (-1.9ppts).

Earnings

	Six months ended 30 September			% change IAS 18
Rm	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	17/18
Earnings per share (EPS)	386	384	445	(13.7)
Headline earnings per share (HEPS)	387	385	445	(13.5)
Weighted average number of ordinary shares outstanding for the purpose of calculating EPS and HEPS	1 699	1 699	1 541	10.3

Headline earnings per share for the year was down 13.5%, impacted by the new BEE deal in the current financial year, partially offset by contributions from Safaricom, acquired in the prior year. Excluding these transactions headline earnings per share increased 6.0%~. The prior year's results included two month's contribution of Safaricom's net profit. The issue of 233.5 million shares as purchase consideration for Safaricom had a -42cps drag on HEPS, which was fully compensated by the year on year increase in our share of Safaricom's earnings contributing 56cps, while the amortisation of the resultant intangible assets negatively impacted HEPS by 10cps. The BEE deal, which was concluded on 14 September 2018, resulted in an IFRS 2 charge, in relation to the non-cash, non-recurring share based payment charge, of R1.4 billion and transactions costs of R105 million, the combination of which resulted in an 89cps dilution.

1. Vodacom Group (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% (direct and indirect) to 75% (direct). The transaction close is subject to conditions precedent, including requisite regulatory approvals in Tanzania.

Dividend

	Six months ended 30 September		% change
Rm	2018 IFRS 15	2017 IAS 18	17/18
Headline earnings	6 573	6 856	
Adjusted for:			
Net profit from associate and joint venture	(1 345)	(349)	
Attributable profits from Safaricom	(1 649)	(446)	
Amortisation on assets, net of tax	304	97	
With-holding tax	115	31	
Minority interest and other	172	44	
Add back:			
Non-cash non-recurring IFRS 2 charge	1 404	-	
Headline earnings available for dividend distribution	6 919	6 582	
Interim dividend declared	395	390	1.3

Capital expenditure

Rm	Six months ended 30 September 2018 IFRS 15	2018 IAS 18#	2017 IAS 18	% change IAS 18 17/18
South Africa	4 043	4 043	3 917	3.2
International	1 290	1 290	1 460	(11.6)
Corporate and eliminations	1	1	1	-
Group capital expenditure	5 334	5 334	5 378	(0.8)
Group capital intensity(1) (%)	12.5	12.0	12.8	(0.8)
Safaricom(2)	2 290	2 290	558	n/a
Safaricom capital intensity (%)	14.0	14.0	11.4	n/a

The Group's capital expenditure was R5.3 billion, representing 12.0% of revenue. In South Africa, capital expenditure was directed at accelerating our 3G capacity and extending 4G coverage to 82.5% of the population. In our International operations, the focus remained on increasing both coverage and capacity thereby adding 297 4G sites, 255 3G sites and 178 2G sites since March 2018. In Safaricom, capital expenditure was focused on increasing 3G and 4G sites by 21.1% and 61.8% respectively.

Statement of financial position

Property, plant and equipment increased 4.2% to R42.6 billion and intangible assets increased 11.5% to R10.1 billion compared to 31 March 2018. The combined increase is mainly as a result of net additions of R6.3 billion and net foreign currency translation gains of R2.2 billion, offset by depreciation and amortisation of R5.3 billion.

Net debt increased by R8.7 billion to R28.6 billion. Total borrowings increased by R4.1 billion to R36.4 billion, mainly due to R4.7 billion preference shares issued to fund the BEE transaction, slightly offset by a R756 million early repayment on one of the Group's Vodafone Luxembourg facilities. Bank and cash balances decreased by R4.4 billion mainly due to dividends paid subsequent to year end, partially offset by surplus cash retained from the BEE transaction and on increase in operational cash flow.

Rm	As at 30 September 2018 IFRS 15/ IAS 18#	As at 31 March 2018 IAS 18#	Movement Mar/ Sept	As at 30 September 2017 IAS 18
Bank and cash balances	8 135	12 538	(4 403)	6 874
Bank overdrafts	(300)	-	(300)	(379)
Current borrowings	(4 052)	(8 220)	4 168	(8 366)
Non-current borrowings	(32 304)	(24 071)	(8 233)	(23 139)
Other financial instruments	(100)	(139)	39	46
Net debt(3)	(28 621)	(19 892)	(8 729)	(24 964)
Net debt/EBITDA (times)	0.9	0.6	0.3	0.8

Cash flow

Free cash flow

Rm	Six months ended 30 September 2018 IFRS 15	2018 IAS 18#	2017 IAS 18	% change IAS 18 17/18
EBITDA	16 534	16 468	15 731	4.7
Working capital	(4 251)	(4 185)	(4 289)	2.4
Capital expenditure(4)	(5 334)	(5 334)	(5 378)	0.8
Disposal of property, plant and equipment	13	13	149	(91.3)
Other	112	112	98	14.3
Operating free cash flow	7 074	7 074	6 311	12.1
Tax paid	(3 350)	(3 350)	(3 107)	(7.8)
Finance income received	1 513	1 513	381	>200.0
Finance costs paid	(2 704)	(2 704)	(1 509)	(79.2)
Net dividends paid	(47)	(47)	(48)	2.1
Free cash flow	2 486	2 486	2 028	22.5

Operating free cash flow was up 12.1%, contributed by improved trading performance during this year evidences, by EBITDA increasing 4.7%. Free cash flow increased 22.5% mainly due to good growth in operating cash flow and boosted by stable net finance costs, with realised gains and losses on the close out of foreign exchange contracts largely offsetting each other.

1. Capital expenditure as a percentage of revenue.
2. The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only. Prior year results represents two months of performance from the date of acquisition.
3. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.
4. 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 19 - payable from income reserves

Dividend

Declaration of interim dividend No. 19 - payable from income reserves

Notice is hereby given that a gross interim dividend number 19 of 395 cents per ordinary share in respect of the six months ended 30 September 2018 has been declared payable on Monday 3 December 2018 to shareholders recorded in the register at the close of business on Friday 30 November 2018. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net dividend to those shareholders not exempt from paying dividend withholding tax of 316.00000 cents per ordinary share.

Last day to trade shares cum dividend	Tuesday 27 November 2018
Shares commence trading ex-dividend	Wednesday 28 November 2018
Record date	Friday 30 November 2018
Payment date	Monday 3 December 2018

Share certificates may not be dematerialised or rematerialised between Wednesday 28 November 2018 and Friday 30 November 2018, both days inclusive.

On Monday 3 December 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 3 December 2018.

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

Dividend policy

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

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

For and on behalf of the Board

Jabu Moleketi Chairman	Shameel Aziz Joosub Chief Executive Officer	Till Streichert Chief Financial Officer

Midrand

9 November 2018

Condensed consolidated income statement
for the six months ended 30 September

Rm	Notes	Six months ended 30 September 2018(1) Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
Revenue	2, 3	42 707	41 995	86 370
Direct expenses	2	(15 331)	(16 465)	(33 669)
Staff expenses	2	(3 083)	(2 839)	(5 509)
Publicity expenses		(925)	(990)	(1 913)
Other operating expenses		(6 887)	(6 026)	(12 441)
Share-based payment charges	8	(1 404)	(79)	(130)
Depreciation and amortisation		(5 316)	(4 981)	(9 959)
Impairment losses		-	-	(4)
Net profit from associate and joint venture	2	1 345	349	1 507
Operating profit		11 106	10 964	24 252
Profit on sale of associate		-	-	734
Finance income		325	317	703
Finance costs		(1 440)	(1 405)	(2 811)
Net gain/(loss) on remeasurement and disposal of financial instruments		163	(212)	(785)
Profit before tax		10 154	9 664	22 093
Taxation	2	(3 365)	(2 952)	(6 531)
Net profit		6 789	6 712	15 562
Attributable to:				
Equity shareholders		6 564	6 850	15 344
Non-controlling interests		225	(138)	218
		6 789	6 712	15 562

Cents		Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
Basic earnings per share	4	386	445	947
Diluted earnings per share	4	379	431	919

1. The reported figures for the six months ended 30 September 2018 have been significantly impacted by the adoption of IFRS 15 on 1 April 2018. Refer to Note 2 for a detailed analysis of the impact.

Condensed consolidated statement of comprehensive income
for the six months ended 30 September

Rm	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
Net profit	6 789	6 712	15 562
Other comprehensive income(1)			
Foreign currency translation differences, net of tax	11 018	881	(5 867)
Total comprehensive income	17 807	7 593	9 695
Attributable to:			
Equity shareholders	16 628	7 608	9 943
Non-controlling interests	1 179	(15)	(248)
	17 807	7 593	9 695

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 30 September

Rm	Notes	As at 30 September 2018(1) Reviewed	As at 30 September 2017 Reviewed	As at 31 March 2018 Audited
Assets				
Non-current assets		109 279	100 941	96 543
Property, plant and equipment		42 577	40 878	40 529
Intangible assets		10 123	9 081	9 073
Financial assets		508	446	430
Investment in associate		51 895	48 071	44 076
Investment in joint venture		7	6	6
Trade and other receivables	2	2 146	735	724
Finance receivables		1 578	1 382	1 320
Tax receivable		183	134	106
Deferred tax		262	208	279
Current assets		40 921	33 469	34 822
Financial assets		6 470	4 347	4 532
Inventory		1 720	1 153	1 243
Trade and other receivables	2, 5.1	22 193	18 563	14 819
Non-current assets held for sale		14	118	14
Finance receivables		2 040	1 891	1 463
Tax receivable		349	523	213
Bank and cash balances		8 135	6 874	12 538
Total assets		150 200	134 410	131 365
Equity and liabilities				
Fully paid share capital	8	57 073	42 618	42 618
Treasury shares	8	(16 434)	(1 833)	(1 792)
Retained earnings		31 177	26 873	28 731
Other reserves		3 395	1 038	(5 089)
Equity attributable to owners of the parent		75 211	68 696	64 468
Non-controlling interests		7 339	6 772	6 184
Total equity		82 550	75 468	70 652
Non-current liabilities		38 729	27 243	28 130
Borrowings	9	32 304	23 139	24 071
Trade and other payables	8	1 497	893	978
Provisions		419	375	388
Deferred tax		4 509	2 836	2 693
Current liabilities		28 921	31 699	32 583
Borrowings	9	4 052	8 366	8 220
Trade and other payables		24 150	22 692	23 958
Provisions		189	179	161
Tax payable		208	61	221
Dividends payable		22	22	23
Bank overdrafts		300	379	-
Total equity and liabilities		150 200	134 410	131 365

1. The reported figures for the six months ended 30 September 2018 have been significantly impacted by the adoption of IFRS 15 on 1 April 2018. Refer to Note 2 for a detailed analysis of the impact.

Condensed consolidated statement of changes in equity
for the six months ended 30 September

Rm	Notes	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2018 - Audited		64 468	6 184	70 652
Adoption of IFRS 15 and IFRS 9		3 187	(57)	3 130
1 April 2018		67 655	6 127	73 782
Total comprehensive income		16 628	1 179	17 807
Dividends		(7 216)	(47)	(7 263)
Repurchase, vesting and sale of shares		(189)	-	(189)
Share-based payments		1 040	-	1 040
Broad-based black economic empowerment transaction	8	1 119	-	1 119
Share-based payments - other		(79)	-	(79)
Changes in subsidiary holdings	8	(2 707)	80	(2 627)
30 September 2018 - Reviewed		75 211	7 339	82 550
1 April 2017		24 063	(1 067)	22 996
Total comprehensive income		7 608	(15)	7 593
Dividends		(6 374)	(48)	(6 422)
Shares issued on acquisition of subsidiary and associate net of share issue cost		42 618	-	42 618
Repurchase, vesting and sale of shares		(279)	-	(279)
Share-based payments		76	-	76
Changes in subsidiary holdings		984	1 798	2 782
Acquisition of subsidiary and associate		-	6 104	6 104
30 September 2017 - Reviewed		68 696	6 772	75 468
1 April 2017		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		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		-	6 104	6 104
31 March 2018 - Audited		64 468	6 184	70 652

Condensed consolidated statement of cash flows
for the six months ended 30 September

		Six months ended 30 September		Year ended 31 March
Rm	Notes	2018 Reviewed	2017 Reviewed	2018 Audited
Cash generated from operations		13 889	12 157	32 299
Tax paid		(3 350)	(3 107)	(6 194)
Net cash flows from operating activities		10 539	9 050	26 105
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		(7 070)	(5 665)	(10 825)
Proceeds from disposal of property, plant and equipment and intangible assets		13	149	187
Acquisition of subsidiary and associate (net of cash and cash equivalents acquired)		-	(330)	(410)
Proceeds from disposal of associate		-	-	797
Dividends received from associate		-	-	1 988
Finance income received		1 513	381	859
Other investing activities(1)		(1 078)	(360)	(1 122)
Net cash flows utilised in investing activities		(6 622)	(5 825)	(8 526)
Cash flows from financing activities				
Borrowings incurred	9	4 624	60	1 124
Borrowings repaid	9	(846)	(56)	(107)
Finance costs paid		(2 704)	(1 509)	(3 182)
Dividends paid - equity shareholders		(7 217)	(6 374)	(13 010)
Dividends paid - non-controlling interests		(47)	(48)	(393)
Repurchase and sale of shares		(353)	(279)	(269)
Changes in subsidiary holdings	8	(3 167)	2 770	2 770
Net cash flows utilised in financing activities		(9 710)	(5 436)	(13 067)
Net (decrease)/increase in cash and cash equivalents		(5 793)	(2 211)	4 512
Cash and cash equivalents at the beginning of the period		12 538	8 873	8 873
Effect of foreign exchange rate changes		1 090	(167)	(847)
Cash and cash equivalents at the end of the period		7 835	6 495	12 538

1. Consists mainly of the movement in restricted cash deposits of R780 million (30 September 2017: R357 million; 31 March 2018: R821 million) as a result of M-Pesa related activities.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by IAS 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 condensed consolidated interim financial statements was supervised by the Chief Financial Officer, Dr. phil. T Streichert.

These condensed consolidated interim 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 2018. The accounting pronouncements considered by the Group as significant on adoption are IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" as set out below.

Other IFRS changes adopted on 1 April 2018 have no material impact on the consolidated results, financial position or cash flows of the Group. Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2019, which will be available online.

IFRS 15 Revenue from contracts with customers (IFRS 15)

IFRS 15 "Revenue from Contracts with Customers" was adopted by the Group on 1 April 2018 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. The Group's IAS 18 accounting policy, and the key differences between the Group's IAS 18 and IFRS 15 accounting policies, are disclosed in the Group's annual financial statements for the year ended 31 March 2018.

IFRS 15 Accounting policy

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations (obligations) to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services don't meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communication services.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when or as the Group performs the related service during the agreed service period.
- Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer a contract asset is recognised; contract assets will typically be recognised for devices or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from the customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest is recognised in revenue over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group. Typically this is over the contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised.

Critical accounting judgements and key sources of estimation relating to IFRS 15

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant critical accounting judgements and key sources of estimation uncertainty are disclosed below. Other accounting judgements and estimations made by management are not considered to be individually critical or material, but cumulatively have a material impact on reported costs and revenues particularly as the Group offers a large variety of bundled goods and services.

Where the Group doesn't sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times - for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to customer. As a principal, receipts from and payments to suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group delivers third-party branded services (such as premium music or TV content) to customers.

The impact on the consolidated income statement at 30 September 2018 and the consolidated statement of financial position at 30 September 2018 is set out below.

Condensed consolidated income statement

		Six months ended 30 September 2018		
Rm	Notes	IFRS 15 basis Reviewed	Adjustments Reviewed	IAS 18 basis Reviewed
Revenue	2.1	42 707	(1 657)	44 364
Direct expenses	2.1 - 2.3	(15 331)	1 750	(17 081)
Staff expenses	2.2	(3 083)	(27)	(3 056)
Publicity expenses		(925)	-	(925)
Other operating expenses		(6 887)	-	(6 887)
Share-based payment charges		(1 404)	-	(1 404)
Depreciation and amortisation		(5 316)	-	(5 316)
Net profit from associate and joint venture	2.1 - 2.3	1 345	(16)	1 361
Operating profit		11 106	50	11 056
Finance income		325	-	325
Finance costs		(1 440)	-	(1 440)
Net loss on remeasurement and disposal of financial instruments		163	-	163
Profit before tax		10 154	50	10 104
Taxation	2.4	(3 365)	(17)	(3 348)
Net profit		6 789	33	6 756
Attributable to:				
Equity shareholders		6 564	33	6 531
Non-controlling interests		225	-	225
		6 789	33	6 756

		Six months ended 30 September 2018		
Cents	Notes	IFRS 15 basis Reviewed	Adjustments Reviewed	IAS 18 basis Reviewed
Basic earnings per share		386	2	384
Diluted earnings per share		379	2	377

Condensed consolidated statement of financial position

Rm	Notes	30 September 2018 IFRS 15 basis Reviewed	 Adjustments Reviewed	 IAS 18 basis Reviewed
Assets				
Non-current assets		109 279	1 363	107 916
Property, plant and equipment		42 577	-	42 577
Intangible assets		10 123	-	10 123
Financial assets		508	-	508
Investment in associate		51 895	94	51 801
Investment in joint venture		7	-	7
Trade and other receivables		2 146	1 269	877
Of which:				
Contract assets	2.1		1 103	
Deferred customer acquisition costs	2.2		166	
Finance receivables		1 578	-	1 578
Tax receivable		183	-	183
Deferred tax		262	-	262
Current assets		40 921	3 536	37 385
Financial assets		6 470	-	6 470
Inventory		1 720	-	1 720
Trade and other receivables		22 193	3 536	18 657
Of which:				
Contract assets	2.1		3 022	
Deferred customer acquisition costs	2.2		514	
Non-current assets held for sale		14	-	14
Finance receivables		2 040	-	2 040
Tax receivable		349	-	349
Bank and cash balances		8 135	-	8 135
Total assets		150 200	4 899	145 301
Equity and liabilities				
Fully paid share capital		57 073	-	57 073
Treasury shares		(16 434)	-	(16 434)
Retained earnings		31 177	3 307	27 870
Other reserves		3 395	13	3 382
Equity attributable to owners of the parent		75 211	3 320	71 891
Non-controlling interests		7 339	18	7 321
Total equity		82 550	3 338	79 212
Non-current liabilities		38 729	1 450	37 279
Borrowings		32 304	-	32 304
Trade and other payables		1 497	23	1 474
Of which:				
Contract liabilities	2.1		23	
Provisions		419	-	419
Deferred tax	2.4	4 509	1 427	3 082
Current liabilities		28 921	111	28 810
Borrowings		4 052	-	4 052
Trade and other payables		24 150	111	24 039
Of which:				
Contract liabilities	2.1		151	
Reduction in revenue deferral	2.5		(40)	
Provisions		189	-	189
Tax payable		208	-	208
Dividends payable		22	-	22
Bank overdrafts		300	-	300
Total equity and liabilities		150 200	4 899	145 301

2.1 Mobile device revenue acceleration and deferred customer acquisition costs amortised to revenue

The main impact of IFRS 15 on the Group's revenue results from service agreements entered into with customers which contain both devices and services as deliverables. Under IAS 18, revenue allocated to devices on inception of a customer contract was limited to the amount received. IFRS 15 requires revenue to be recognised for devices on inception of the contract, irrespective of the amount received, with a corresponding contract asset representing the unbilled portion, or a contract liability in cases where revenue recognised under IFRS 15 is less than the actual invoiced amount for any obligations as a result of an advanced payment received. The remainder of the subscription fee is recognised over the contract term as services are delivered.

Contract assets are also raised for the impact of capitalising customer incentive bonuses (CIB). Under IAS 18, incremental costs such as CIB were expensed in the income statement as incurred. Under IFRS 15, CIB costs incurred in acquiring a contract customer are deferred and recognised as an asset at inception and amortised against revenue over the term of the contract.

2.2 Deferred customer acquisition costs amortised to direct costs

Under IAS 18, incremental costs were expensed in the income statement as incurred. Under IFRS 15, incremental costs incurred in acquiring a contract customer are deferred and recognised as an asset at inception. Certain of these costs are subsequently amortised against direct costs over the term of the contract.

2.3 Impairment of contract assets

IFRS 9 requires expected credit losses to be recorded in respect of amounts due from customers. On initial recognition, the upfront recognition of contract assets under IFRS 15 resulted in an increase in credit loss charges recorded in future periods."

2.4 Deferred tax

A deferred tax liability has been recognised for device revenue contract assets and deferred customer acquisition costs recognised under IFRS 15 where applicable, at the enacted statutory tax rate in each jurisdiction in accordance with the recognition criteria of IAS12.

2.5 Reduction in revenue deferrals

The reduced subscription fee recognised over the contract term under IFRS 15 (see 2.1 above) leads to a reduction in revenue deferrals.

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 impacts the classification and measurement of the Group's financial instruments, revises the requirements for when hedge accounting can be applied and requires certain additional disclosures. Whilst hedge accounting requirements are revised under IFRS 9, no material changes to the Group were identified. The Group has adopted IFRS 9 with the cumulative retrospective impact on the classification and measurement of financial instruments reflected as an adjustment to equity on the date of adoption. The key impacts were as follows:

- The carrying values of trade receivables, contract assets and finance lease receivables are reduced by the lifetime estimated future credit losses at the date of initial recognition, where previously credit losses were not recognised on such assets until there was an indicator of impairment, such as a payment default;
- Customer receivables that are received in instalments, which are currently recorded at amortised cost, will be recorded at fair value through other comprehensive income for receivable portfolios that the Group sells from time to time to third parties.

The impact on the consolidated statement of financial position at 1 April 2018 is set out below.

Classification and measurement of financial assets

The following table and the accompanying notes below explain the original measurement categories under IAS 39 Financial instruments: Recognition and measurement (IAS 39) and the new measurement categories under IFRS 9 for each class of the Group's financial assets at 1 April 2018.

	Original classification	New classification and measurement	Original carrying amount	New carrying amount(1)
Rm	IAS 39	IFRS 9	IAS 39 Audited	IFRS 9 Reviewed
Financial assets				
Unlisted equity investments	Available-for-sale	Fair value through profit or loss	83	83
Public debt and bonds	Loans & receivables	Amortised cost	637	637
Unit trust investments	Fair value through profit or loss	Fair value through profit or loss	328	328
Cash held in restricted deposits	Loans & receivables	Amortised cost	3 567	3 567
Loans receivable	Loans & receivables	Amortised cost	347	347
Trade and other receivables	Loans & receivables	Amortised cost	25 179	25 179
Finance receivables(2)	Loans & receivables	Fair value through other comprehensive income	2 718	2 814
Total financial assets			32 859	32 955

1 Before adjusting for the impact of applying the expected credit loss model.
2. The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". As a result, the Group has reclassified finance receivables relating to device financing from loans and receivables to fair value through other comprehensive income. The full change in the carrying amount arises from a change in measurement attribute on transition to IFRS 9.

Impairment
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase. The Group has determined that the application of IFRS 9's impairment requirements, and the adoption of IFRS 15 at 1 April 2018 results in an additional impairment allowance as follows:

Rm	Reviewed
Loss allowance 31 March 2018	826
Recognition of additional allowance on trade and other receivables at 31 March 2018	237
Additional loss allowance on device revenue contract assets recognised on adoption of IFRS 15	318
Loss allowance at 1 April 2018	1 381

Opening condensed consolidated statement of financial position as at 1 April 2018

Rm	Notes	31 March 2018 Audited	Impact of adoption of IFRS 15 Reviewed	Impact of adoption of IFRS 9 Reviewed	1 April 2018 Reviewed
Assets					
Non-current assets		96 543	1 412	-	97 955
Property, plant and equipment		40 529	-	-	40 529
Intangible assets		9 073	-	-	9 073
Financial assets		430	-	-	430
Investment in associate		44 076	94	-	44 170
Investment in joint venture		6	-	-	6
Trade and other receivables		724	1 318	-	2 042
Of which:					
Contract assets	2.1		1 114	-	
Deferred customer acquisition costs	2.2		204	-	
Finance receivables		1 320	-	-	1 320
Tax receivable		106	-	-	106
Deferred tax		279	-	-	279
Current assets		34 822	3 316	(140)	37 998
Financial assets		4 532	-	-	4 532
Inventory		1 243	-	-	1 243
Trade and other receivables		14 819	3 316	(237)	17 898
Of which:					
Contract assets	2.1		2 782	-	
Deferred customer acquisition costs	2.2		527	-	
Trade receivables			-	(237)	
Other			7	-	
Non-current assets held for sale		14	-	-	14
Finance receivables		1 463	-	97	1 560
Tax receivable		213	-	-	213
Bank and cash balances		12 538	-	-	12 538
Total assets		131 365	4 728	(140)	135 953
Equity and liabilities					
Fully paid share capital		42 618	-	-	42 618
Treasury shares		(1 792)	-	-	(1 792)
Retained earnings		28 731	3 273	(174)	31 830
Other reserves		(5 089)	(7)	95	(5 001)
Equity attributable to owners of the parent		64 468	3 266	(79)	67 655
Non-controlling interests		6 184	17	(74)	6 127
Total equity		70 652	3 283	(153)	73 782
Non-current liabilities		28 130	1 457	13	29 600
Borrowings		24 071	-	-	24 071
Trade and other payables		978	48	-	1 026
Of which:					
Contract liabilities	2.1		48	-	
Provisions		388	-	-	388
Deferred tax	2.4	2 693	1 409	13	4 115
Current liabilities		32 583	(12)	-	32 571
Borrowings		8 220	-	-	8 220
Trade and other payables		23 958	(12)	-	23 946
Of which:					
Contract liabilities	2.1		47	-	
Reduction in revenue deferral	2.5		(59)	-	
Provisions		161	-	-	161
Tax payable		221	-	-	221
Dividends payable		23	-	-	23
Total equity and liabilities		131 365	4 728	(140)	135 953

Rm	Six months ended 30 September 2018 IFRS 15 basis Reviewed	2018 Adjustment Reviewed	2018 IAS 18 basis Reviewed	2017 IAS 18 basis Reviewed	Year ended 31 March 2018 IAS 18 basis Audited
3. Segment analysis					
External customer segment revenue	42 707	(1 657)	44 364	41 995	86 370
South Africa	33 449	(1 662)	35 111	33 686	69 541
International	9 258	5	9 253	8 309	16 829
Corporate and eliminations	-	-	-	-	-
Safaricom(1)	16 304	(20)	16 324	4 901	19 768
Inter-segment revenue	-	-	-	-	-
South Africa	(213)	-	(213)	(195)	(426)
International	(384)	-	(384)	(265)	(631)
Corporate and eliminations	597	-	597	460	1 057

Revenue on an IFRS 15 basis is further disaggregated into product type below.

Rm	South Africa	Inter-national	Corporate and elimi-nations	Total	Safaricom
30 September 2018 - reviewed					
Mobile contract revenue	10 080	534	(2)	10 612	2 110
Mobile prepaid revenue	11 799	7 272	(1)	19 070	12 047
Customer service revenue	21 879	7 806	(3)	29 682	14 157
Mobile interconnect	991	641	(314)	1 317	561
Fixed service revenue	1 307	804	(173)	1 938	511
Other service revenue	1 544	81	(10)	1 615	451
Service revenue	25 721	9 332	(500)	34 552	15 680
Equipment revenue	6 592	189	(5)	6 774	469
Non-service revenue	1 349	121	(92)	1 381	155
Revenue	33 662	9 642	(597)	42 707	16 304

1 The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible and intangible assets and goodwill.

Rm	Six months ended 30 September 2018 IFRS 15 basis Reviewed	2018 Adjustment Reviewed	2018 IAS 18 basis Reviewed	2017 IAS 18 basis Reviewed	Year ended 31 March 2018 IAS 18 basis Audited
EBITDA	16 534	66	16 468	15 731	32 898
South Africa	13 810	60	13 750	13 370	28 088
International	2 910	6	2 904	2 405	4 930
Corporate and eliminations	(186)	-	(186)	(44)	(120)
Safaricom(1)	8 183	(39)	8 222	2 346	9 620
EBIT	11 263	66	11 197	10 830	23 109
South Africa	10 069	60	10 009	9 882	21 124
International	1 383	6	1 377	988	2 096
Corporate and eliminations	(189)	-	(189)	(40)	(111)
Safaricom(1)	5 867	(39)	5 906	1 610	6 799

1. The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible and intangible assets and goodwill.

Rm	Six months ended 30 September 2018 IFRS 15 basis Reviewed	2018 Adjustment Reviewed	2018 IAS 18 basis Reviewed	2017 IAS 18 basis Reviewed	Year ended 31 March 2018 IAS 18 basis Audited
Reconciliation of segment results					
EBITDA	16 534	66	16 468	15 731	32 898
Depreciation and amortisation excluding acquired brands and customer bases	(5 246)	-	(5 246)	(4 896)	(9 798)
Net profit/(loss) on disposal of property, plant and equipment and intangible assets	(25)	-	(25)	(5)	9
EBIT	11 263	66	11 197	10 830	23 109
Acquired brand and customer base amortisation	(70)	-	(70)	(85)	(161)
Impairment losses	-	-	-	-	(4)
Share-based payment charges	(1 404)	-	(1 404)	(79)	(130)
Net profit from associate and joint venture	1 345	(16)	1 361	349	1 507
Other	(28)	-	(28)	(51)	(69)
Operating profit(1)	11 106	50	11 056	10 964	24 252
Total assets	150 200	4 899	145 301	134 410	131 365
South Africa	63 671	4 745	58 926	58 452	60 426
International	32 108	60	32 048	29 419	24 756
Corporate and eliminations	54 421	94	54 327	46 539	46 183
Safaricom(2)	64 768	381	64 387	61 782	51 000
Total liabilities	(67 649)	(1 560)	(66 089)	(58 942)	(60 713)
South Africa	(51 885)	(1 537)	(50 348)	(51 839)	(51 068)
International	(17 875)	(19)	(17 856)	(17 319)	(15 169)
Corporate and eliminations	2 111	(4)	2 115	10 216	5 524
Safaricom(2)	(21 806)	(144)	(21 662)	(21 343)	(13 179)

1 For a reconciliation of operating profit to net profit for the year, refer to the Condensed consolidated income statement.

2. The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible and intangible assets and goodwill.

	Cents	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
4.	Per share calculations			
4.1	Earnings and dividends per share			
	Basic earnings per share	386	445	947
	Diluted earnings per share	379	431	919
	Headline earnings per share	387	445	923
	Diluted headline earnings per share	379	432	895
	Dividends per share	425	435	825

	Million	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
4.2	Weighted average number of ordinary shares outstanding for the purpose of calculating:			
	Basic and headline earnings per share	1 699	1 541	1 620
	Diluted earnings and diluted headline earnings per share	1 734	1 542	1 622
4.3	Ordinary shares for the purpose of calculating dividends per share:			
	435 cents per share declared on 12 May 2017	-	1 488	1 488
	390 cents per share declared on 10 November 2017	-	-	1 721
	425 cents per share declared on 11 May 2018	1 721	-	-

Vodacom Group Limited acquired 2 158 460 shares in the market during the period at an average price of R152.41 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 R7 316 million (30 September 2017: R6 473 million; 31 March 2018: R13 186 million) of which R30 million (30 September 2017: R28 million; 31 March 2018: R44 million) was offset against the forfeitable share plan reserve, R4 million (30 September 2017: R4 million; 31 March 2018: R6 million) expensed as staff expenses and R66 million (30 September 2017: R67 million; 31 March 2018: R127 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. The Group declared an interim dividend in respect of the six months ending 30 September 2018 after the reporting period (Note 12).

Rm	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
4.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic earnings per share	6 564	6 850	15 344
Adjusted for:			
Net loss/(profit) on disposal of property, plant and equipment and intangible assets(1)	21	5	(10)
Impairment losses	-	-	4
Profit on sale of associate	-	-	(734)
	6 585	6 855	14 604
Tax impact of adjustments	(7)	(8)	86
Non-controlling interests' share in adjustments	(5)	9	256
Headline earnings for headline earnings per share(2)	6 573	6 856	14 946
Dilutive effect of potential ordinary shares in subsidiary	-	(201)	(432)
Headline earnings for diluted headline earnings per share	6 573	6 655	14 514

1. Includes attributable share of profit on disposal of property, plant and equipment and intangible assets of associate and joint ventures of R4 million (30 September 2017: Rnil; 31 March 2018: R1 million).
2. This disclosure is a requirement of the JSE Limited. It has been calculated in accordance with Circular 4/2018 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	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
5.1 Balances with related parties			
Borrowings	27 106	26 867	27 862
Dividend received from associate included in trade and other receivables	2 466	1 988	-
5.2 Transactions with related parties			
Dividends declared	(4 720)	(4 207)	(8 539)
Finance costs	(1 007)	(1 158)	(2 325)

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 2019, which will be available online.

M Pieters stepped down from the Board with effect from 18 July 2018 and is succeeded by S Sood, who was appointed to the Board as a non-executive director on the same day.

Rm	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
6. Capital commitments			
Capital expenditure contracted for but not yet incurred(1)	5 177	4 714	2 692

1. 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 325 million (30 September 2017: R1 225 million; 31 March 2018: R1 225 million) future capital expenditure for the Group. The majority of this expenditure is non-current. Capital commitments do not include the aforementioned.

Rm	Six months ended 30 September 2018 Reviewed	2017 Reviewed	Year ended 31 March 2018 Audited
7. Capital expenditure incurred			
Capital expenditure additions including software	5 334	5 378	11 594

8. Broad-based black economic empowerment (BEE) transaction

The existing Vodacom (Pty) Limited (Vodacom SA) BEE transaction (the previous BEE transaction) was replaced with a new BEE transaction designed to provide liquidity to participants through YeboYethu (RF) Limited (YeboYethu) declaring a special dividend, and the opportunity for Vodacom SA BEE shareholders, and the Vodacom Employee Share Ownership Trust (ESOP) to participate in an attractive growth opportunity by holding their listed YeboYethu shares. The notional vendor funding of the existing Vodacom SA BEE transaction was settled, after which YeboYethu exchanged their remaining shares in Vodacom SA for shares in Vodacom Group Limited (Vodacom Group), which are treated as treasury shares on a consolidated level, and are encumbered (Note 9).

The key features of the BEE transaction include, inter alia:

- transaction size of R16.4 billion;
- equity swap ratio of Vodacom SA to Vodacom Group of 73.0%;
- subscription price discount from Vodacom Group;
- R3.9 billion equity reinvested by the Vodacom SA BEE shareholders;
- R3.3 billion paid out to YeboYethu shareholders as a special dividend;
- continued listing of YeboYethu on the BEE Segment of the JSE;
- R1.05 billion subscription for YeboYethu ordinary shares by the Group's new employee empowerment trust (Siyanda); and
- 60% gearing of YeboYethu (third party financing and vendor funding from Vodacom Group).

Where equity instruments are issued to a BEE partner at less than fair value, the transaction is accounted for as a share-based payment transaction in terms of IFRS 2: Share-based payment (IFRS 2).

The new BEE transaction was approved by Vodacom Group shareholders on 16 August 2018, and by YeboYethu shareholders on 17 August 2018. This approval date marks the grant date of the share-based payment transaction, the value of which has been determined as R2 580 million, being a non-cash, non-recurring BEE expense of R1 404 million and a staff component of R1 176 million that will be spread over the vesting period. Vesting is in three equal tranches at the end of years 3, 4 and 5 respectively.

The above-mentioned share-based payment charges have been calculated using a Monte Carlo simulation based option pricing model. The economic substance of the BEE transaction mimics that of a call option, with the value of the outstanding debt at the maturity date of the transaction as the strike price of the option. The assumptions used in this model include:

- 114 451 180 new Vodacom Group shares;
- Vodacom Group share price of R125.60, being the Vodacom Group share price at the grant date of 17 August 2018;
- Volatility of 22.72% in the Vodacom Group share price, calculated using historical share price information since Vodacom Group's listing on the JSE;
- Expected costs to escalate at 6% per annum;
- Expected dividend yields of between 6.68% to 7.75%;
- The risk free rate used was based on an independently constructed zero coupon South African Rand interest rate swap curve ranging from 6.35% to 8.58%; and
- Fair value of equity contribution from non-staff shareholders of R3 074 million.

The Group facilitated the establishment of the Innovator Trust in 2014 with a loan facility of R750 million, an independent entity whose primary purpose is to develop and support black owned small, micro and medium enterprises (SMMEs) in the information and communication technology sector. The Innovator Trust used a portion of the facility to purchase shares in YeboYethu, and uses the income from interest and dividends to develop black owned SMME's in the information and communication technology sector and advancement of black owned suppliers in the Group's supply chain.

The Group currently has no intention to settle the BEE transaction in cash. The Innovator Trust and a portion of the Vodacom ESOP will however be accounted for as cash-settled due to the accounting substance thereof. Of the total IFRS 2 charge of R2 580 million, R755 million relates to these cash-settled share-based payment arrangements. Subsequent to initial recognition, the liability relating to the non-recurring charge for Siyanda (R471 million, not yet included in the income statement as it will accrue over the vesting period) and the Innovator Trust (R284 million, included in the total charge in the income statement and in non-current trade and other payables) will be re-measured to fair value using the Monte Carlo simulation based option pricing model. Of the R1 404 million charge, R1 119 million was therefore credited to the reserve, and R284 million to an IFRS 2 liability. The value of the liability will be re-measured at each reporting period based on changes to the various valuation inputs.

The unwind of the previous BEE transaction results in the special purpose vehicles created by Vodacom SA BEE shareholders being de-consolidated, and is accounted for within equity as changes in subsidiary holdings, as follows:

Rm	Six months ended 30 September 2018 Reviewed
De-consolidation of special purpose vehicles	(21)
Reversal of YeboYethu ESOP IFRS 2 liability	234
Reversal of non-controlling interest	247
Special dividend paid to YeboYethu shareholders, net of dividend received by the Innovator Trust	(3 167)
Changes in subsidiary holdings	(2 707)

YeboYethu raised a combination of vendor funding and third party financing in order to subscribe for the additional shares in Vodacom Group. External funding for an amount of R4 654 million was obtained (Note 9), and vendor funding of R5 252 million was raised in the form of preference shares with a dividend rate of 70% of prime issued by YeboYethu to Vodacom Group. The latter eliminates on consolidation.

9. Borrowings

YeboYethu issued preference shares to the value of R4 654 million to ABSA Bank Limited, Depfin Investments (Pty) Limited and Firstrand Bank Limited in order to finance the Group's new BEE transaction (refer to note 8). These preference shares have a dividend rate of 68% of First National Bank Limited's prime overdraft lending rate, and have a maturity date of 14 September 2023. The borrowing is secured by the shares that YeboYethu Investment Company (RF) (Pty) Limited, a wholly owned subsidiary of YeboYethu, holds in Vodacom Group, with a target share cover ratio of above three times the debt.

During the current year, the Group refinanced three of its loan facilities received from Vodafone Investments Luxembourg s.a.r.l. as listed below:

- On 16 July 2018, a R2 000 million loan facility was renewed for a further 3 years at a rate of 3 months Jibar + 1.35%. The loan is repayable on the 16 July 2021.
- The Group also refinanced a R3 000 million facility on 27 September 2018. The loan facility bears interest at 3 month JIBAR + 1.30% and is repayable on 27 September 2021.
- An existing fixed rate facility of R1 000 million was refinanced with a floating rate facility of R1 000 million at a rate of 3 month Jibar + 1.30% with a repayment date of 28 September 2021.

On 25 July 2018, the Group made an early capital repayment of R757 million against the R2 576 million loan facility. The loan attracts interest at 3 months JIBAR + 1.20% and is repayable on 25 April 2019.

10. Contingent liabilities

10.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R125 million (30 September 2017: R112 million; 31 March 2018: R116 million).

Foreign denominated guarantees amounting to R1 063 million (30 September 2017: R1 015 million; 31 March 2018: R889 million) are in issue in support of Vodacom Congo (RDC) SA relating to liabilities included in the consolidated statement of financial position.

10.2 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.

10.3 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 30 September 2018.

10.4 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. The Vodacom Group chief executive officer has received written submission from both parties and oral hearings have been held, and a determination on reasonable compensation is expected to be made in due course.

11. Other matters

11.1 Competition Commission investigations

11.1.1 Competition Commission data market review

The Competition Commission initiated an enquiry into data costs with the objective to obtain a clear understanding of the data services value chain, including the interaction and commercial relationships between different levels of the value chain and the relationship with other parts of the information and communication technology sector as well as the broader economy; and to assess the state of competition in the market at every stage of the value chain for the provision of data services, to identify areas of market power that may influence competition or pricing. The Group participated in the hearings held on 17-19 October 2018. The date for the completion of the data market review process has been extended to 31 March 2019.

11.1.2 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 for alleged abuse of dominance, under sections 8(c) and 8(d)(i) of the Competition Act, which is ongoing.

11.1.3 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. Both the Competition Commission and ICASA have concluded their investigations and have ruled that these arrangements were not in breach of the relevant laws.

11.2 Customer registration

The Group has made considerable strides in complying with customer registration requirements in all its markets in line with applicable laws. The Group will maintain full compliance with customer registration requirements in markets where it has already been achieved.

11.3 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 2 600MHz bands, pending the outcome of a judicial review on the lawfulness of the ICASA ITA. The Ministry and the counsel of ICASA have agreed to settle the dispute over spectrum policy and ICASA's ITA (issued in July 2016) for licencing high demand spectrum, and to initiate the process for licencing the same spectrum under the existing legislative framework.

11.4 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 ECA has since been approved by Cabinet and has been tabled in Parliament.

11.5 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.

11.6 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, with the objective to address consumer concerns with regard to out-of-bundle charges and expiry rules. The implementation date of the regulations was suspended pending the outcome of the review application initiated in the high court against ICASA by Cell C (Pty) Limited.

11.7 Mobile termination rates (MTR)

Regulators in Tanzania and Mozambique reduced termination rates. 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 has made a determination on MTRs, setting the glide path to reach a rate of R0.09 (and a-symmetrical rate of R0.13) by October 2020.

11.8 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.

11.9 Vodacom Tanzania Public Company Limited (Vodacom Tanzania)

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% (direct and indirect) to 75% (direct). The transaction close is subject to conditions precedent, including requisite regulatory approvals in Tanzania.

12. 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:

12.1 Telkom SA SOC Limited (Telkom) agreement

Vodacom (Pty) Limited (Vodacom) and Telkom have concluded long-term agreements whereby Telkom will obtain national roaming from December 2018 and facilities leasing services from Vodacom once the initial site roll out has been agreed. The terms will allow Telkom customers to roam on Vodacom's 2G, 3G and 4G networks and give Telkom access to 2 500 sites. The financial effects of the agreements will be dependent on the level of usage for roaming and number of sites shared.

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

An interim dividend of R7 252 million (395 cents per ordinary share) for the year ending 31 March 2019, was declared on 9 November 2018, payable on 3 December 2018 to shareholders recorded in the register at the close of business on 30 November 2018. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 316.00000 cents per share.

13. Fair value hierarchy

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

	Six months ended 30 September		Year ended 31 March
Rm	2018 Reviewed	2017 Reviewed	2018 Audited
Level one(1)			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Unit trust investments	280	255	328
Level two(2)			
Derivative financial assets	177	110	67
Derivative financial liabilities	(276)	(64)	(207)
	181	301	188

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 six months ended 30 September 2018

IFRS 15 Rm	South Africa	% 17/18	International	% 17/18	Corporate/ Eliminations	Group	% 17/18	Safaricom(1)
Service revenue	25 721		9 332		(501)	34 552		15 680
Revenue	33 662		9 642		(597)	42 707		16 304
Direct expenses	(12 946)		(2 906)		521	(15 331)		(4 690)
EBITDA	13 810		2 910		(186)	16 534		8 183
EBITDA margin (%)	41.0		30.2			38.7		50.2
EBIT	10 069		1 383		(189)	11 263		5 867
EBIT margin (%)	29.9		14.3			26.4		36.0
IAS 18# **Rm**								
Mobile contract revenue	12 000	1.8	570	8.4	(2)	12 568	2.1	2 034
Mobile prepaid revenue	11 799	4.1	7 272	15.5	(1)	19 070	8.2	12 132
Customer service revenue	23 799	3.0	7 842	14.9	(3)	31 638	5.7	14 166
Mobile interconnect	990	28.7	641	1.4	(314)	1 317	9.8	561
Fixed service revenue	1 370	32.8	804	4.0	(174)	2 000	18.0	520
Other service revenue	1 739	(0.7)	81	2.5	(10)	1 810	(0.7)	450
Service revenue	27 898	4.6	9 368	12.8	(501)	36 765	6.1	15 697
Equipment revenue	6 109	(4.2)	147	(13.5)	(5)	6 251	(3.7)	363
Non-service revenue	1 317	57.3	122	27.1	(91)	1 348	59.1	264
Revenue	35 324	4.3	9 637	12.4	(597)	44 364	5.6	16 324
Direct expenses	(14 695)	(4.4)	(2 908)	(5.2)	522	(17 081)	(3.7)	(4 671)
Staff expenses	(2 005)	(8.6)	(813)	(3.2)	(238)	(3 056)	(7.6)	(946)
Publicity expenses	(621)	12.3	(298)	(7.2)	(6)	(925)	6.6	(394)
Other operating expenses	(4 287)	(10.2)	(2 734)	(14.8)	134	(6 887)	(14.3)	(2 080)
Share based payment charges	(1 150)	<(200.0)	-	-	(254)	(1 404)	<(200.0)	-
Depreciation and amortisation	(3 805)	(6.9)	(1 508)	(5.8)	(3)	(5 316)	(6.7)	(3 421)
Net profit from associate and joint venture	-	-	-	-	1 361	1 361	>200.0	(1)
Operating profit	8 761	(10.2)	1 376	53.1	919	11 056	0.8	4 811
EBITDA	13 750	2.8	2 904	20.7	(186)	16 468	4.7	8 222
EBITDA margin (%)	38.9		30.1			37.1		50.4
EBIT	10 009	1.3	1 377	39.4	(189)	11 197	3.4	5 906
EBIT margin (%)	28.3		14.3			25.2		36.2
Included in service revenue: (IAS 18#)								
Mobile voice	10 915	(1.3)	4 750	8.8	(2)	15 663	1.6	n/a
Mobile data	12 207	7.5	1 436	26.6	-	13 643	9.2	n/a
Mobile messaging	1 018	(11.0)	268	26.4	-	1 286	(5.2)	n/a
M-Pesa revenue	-	-	1 410	25.2	-	1 410	25.2	n/a

Operating results for the for the six months ended 30 September 2017

IAS 18 Rm	South Africa	International	Corporate/ Eliminations	Group	Safaricom(1)
Mobile contract revenue	11 785	526	(3)	12 308	583
Mobile prepaid revenue	11 332	6 298	-	17 630	3 698
Customer service revenue	23 117	6 824	(3)	29 938	4 281
Mobile interconnect	769	632	(202)	1 199	138
Fixed service revenue	1 032	773	(110)	1 695	142
Other service revenue	1 752	79	(9)	1 822	151
Service revenue	26 670	8 308	(324)	34 654	4 712
Equipment revenue	6 374	170	(50)	6 494	122
Non-service revenue	837	96	(86)	847	67
Revenue	33 881	8 574	(460)	41 995	4 901
Direct expenses	(14 082)	(2 763)	380	(16 465)	(1 474)
Staff expenses	(1 846)	(788)	(205)	(2 839)	(282)
Publicity expenses	(708)	(278)	(4)	(990)	(104)
Other operating expenses	(3 891)	(2 382)	247	(6 026)	(696)
Share based payment charge	(40)	(39)	-	(79)	1
Depreciation and amortisation	(3 558)	(1 425)	2	(4 981)	(738)
Net profit from associate and joint venture	1	-	348	349	1
Operating profit	9 757	899	308	10 964	1 609
EBITDA	13 370	2 405	(44)	15 731	2 346
EBITDA margin (%)	39.5	28.0		37.5	47.9
EBIT	9 882	988	(40)	10 830	1 610
EBIT margin (%)	29.2	11.5		25.8	32.8
Included in service revenue:					
Mobile voice	11 061	4 365	(3)	15 423	n/a
Mobile data	11 360	1 134	-	12 494	n/a
Mobile messaging	1 144	212	-	1 356	n/a
M-Pesa revenue	-	1 126	-	1 126	n/a

1. The Group's effective interest of 34.94% in Safaricom Limited (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only, including the impact of net fair value adjustments on tangible, intangible assets and goodwill of R304 million (2017: R97 million). Prior year results represents two months of performance from the date of acquisition.

South Africa key indicators

	Six months ended 30 September		% change
	2018	2017	17/18
Customers(1) (thousand)	44 089	40 000	10.2
Prepaid	38 552	34 762	10.9
Contract	5 537	5 238	5.7
Data customers(2) (thousand)	20 538	19 905	3.2
Internet of Things connections(3) (thousand)	4 004	3 271	22.4
Traffic(4) (millions of minutes)	31 756	29 757	6.7
Outgoing	27 101	25 085	8.0
Incoming	4 655	4 672	(0.4)
MOU per month(5)	123	127	(3.1)
Prepaid	112	117	(4.3)
Contract	201	194	3.6
Total ARPU(6) (IFRS 15) (rand per month)	88		
Prepaid	54		
Contract	325		
Total ARPU(6) (IAS 18#) (rand per month)	96	102	(5.9)
Prepaid	54	58	(6.9)
Contract	384	392	(2.0)
Messaging (million)	4 425	3 419	29.4
Number of employees	5 163	4 945	4.4

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.
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

	Six months ended 30 September		% change
	2018	2017	17/18
Customers(1) (thousand)	34 715	31 170	11.4
Tanzania	13 991	12 857	8.8
DRC	12 801	11 453	11.8
Mozambique	6 405	5 421	18.2
Lesotho	1 518	1 439	5.5
Data customers(2) (thousand)	17 964	14 755	21.7
Tanzania	8 064	7 072	14.0
DRC	5 042	4 175	20.8
Mozambique	4 161	2 904	43.3
Lesotho	697	604	15.4
30-day active M-Pesa customers(3) (thousand)	13 181	10 755	22.6
Tanzania	6 818	6 189	10.2
DRC	2 324	1 613	44.1
Mozambique	3 579	2 625	36.3
Lesotho	461	328	40.5
MOU per month(4)			
Tanzania	181	160	13.1
DRC	38	43	(11.6)
Mozambique	132	138	(4.3)
Lesotho	70	80	(12.5)
Total ARPU(5) (IFRS 15) (rand per month)			
Tanzania	36		
DRC	37		
Mozambique	51		
Lesotho	63		
Total ARPU(6) (IAS 18#) (rand per month)			
Tanzania	36	36	-
DRC	40	40	-
Mozambique	55	50	10.0
Lesotho	63	64	(1.6)
Total ARPU(5) (IFRS 15) (local currency per month)			
Tanzania (TZS)	6 045		
DRC (USD)	3.0		
Mozambique (MZN)	243		
Total ARPU(5) (IAS 18#) (local currency per month)			
Tanzania (TZS)	6 060	6 122	(1.0)
DRC (USD)	3.0	3.0	-
Mozambique (MZN)	246	236	4.2
Number of employees	2 388	2 339	2.1

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

	Six months ended 30 September		% change
	2018	2017	17/18
Customers(1) (thousand)	29 944	29 490	1.5
Data customers(2) (thousand)	17 594	16 946	3.8
M-Pesa customers(3)	21 012	19 307	8.8
ARPU(4) (local currency per month)	662.5	628.4	5.4

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

	Six months ended 30 September			% change IAS 18
	2018 IFRS 15	2018 IAS 18#	2017 IAS 18	17/18
Revenue (local currency)				
Tanzania (TZSm)	502 014	501 103	485 820	3.1
DRC (USD000)(1)	237 606	237 442	206 769	14.8
Mozambique (MZNm)	10 131	10 141	8 226	23.3
Lesotho (LSLm)	637	637	598	6.5
EBIT (local currency)				
Tanzania (TZSm)	50 135	49 326	49 419	(0.2)
DRC (USD000)	14 213	14 069	5 721	145.9
Mozambique (MZNm)	2 869	2 868	1 855	54.6
Lesotho (LSLm)	238	238	228	4.4

Note:

1. During the 2nd quarter of the prior year, 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 2018 and USD4.4 million for Q2 2018. Q1 2018 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 2018.

Historical financial review

Revenue for the quarter ended

IFRS 15 Rm	30 September 2018	30 June 2018
South Africa	17 147	16 515
International	5 218	4 424
Corporate and eliminations	(311)	(286)
Group revenue	22 054	20 653

IAS 18 Rm	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
South Africa	17 909	17 415	17 875	18 211	17 227	16 654	16 141
International	5 213	4 424	4 167	4 719	4 334	4 240	3 985
Corporate and eliminations	(311)	(286)	(314)	(283)	(251)	(209)	(221)
Group revenue	22 811	21 553	21 728	22 647	21 310	20 685	19 905

Revenue yoy % change for the quarter ended

	% change IAS 18				Normalised*
IAS 18 %	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September
South Africa	4.0	4.6	10.7	6.2	4.0
International	20.3	4.3	4.6	9.3	13.4
Corporate and eliminations	(23.9)	(36.8)	(42.1)	(19.9)	n/a
Group revenue	7.0	4.2	9.2	6.7	5.7

Service revenue for the quarter ended

IFRS 15 Rm	30 September 2018	30 June 2018
South Africa	12 985	12 736
International	5 057	4 275
Corporate and eliminations	(263)	(238)
Group service revenue	17 779	16 773

IAS 18 Rm	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
South Africa	14 138	13 760	13 891	14 061	13 547	13 123	13 198
International	5 076	4 292	3 946	4 574	4 186	4 122	3 844
Corporate and eliminations	(262)	(239)	(261)	(233)	(177)	(147)	(167)
Group service revenue	18 952	17 813	17 576	18 402	17 556	17 098	16 875

Service revenue yoy % change for the quarter ended

	% change IAS 18				Normalised*
IAS 18 %	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2018
South Africa	4.4	4.9	5.3	4.9	4.4
International	21.3	4.1	2.7	8.7	14.4
Corporate and eliminations	(48.0)	(62.6)	(56.3)	(34.7)	n/a
Group revenue	8.0	4.2	4.2	5.5	6.3

Exchange rates

	Average YTD			Closing		
	30 September		% change	30 September		% change
	2018	2017	17/18	2018	2017	17/18
USD/ZAR	13.37	13.20	1.3	14.17	13.54	4.7
ZAR/MZN	4.48	4.68	(4.3)	4.26	4.52	(5.8)
ZAR/TZS	170.80	169.54	0.7	161.23	165.77	(2.7)
EUR/ZAR	15.73	15.01	4.8	16.46	15.98	3.0
ZAR/KES	7.57	7.84	(3.4)	7.11	7.62	(6.7)

	Average QTD				Closing			
	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2018	30 June 2018	31 March 2018	31 December 2017
USD/ZAR	14.08	12.65	11.95	13.61	14.17	13.76	11.85	12.39
ZAR/MZN	4.22	4.74	5.10	4.45	4.26	4.30	5.24	4.76
ZAR/TZS	162.00	179.60	187.90	164.71	161.23	164.87	190.38	179.99
EUR/ZAR	16.38	15.08	14.69	16.04	16.46	16.07	14.57	14.89
ZAR/KES	7.16	7.98	8.52	7.60	7.11	7.33	8.52	8.33

Historical key indicators

South Africa for the quarter ended

	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
Customers(1) (thousand)	44 089	43 107	41 635	41 602	40 000	39 381	37 131
Prepaid	38 552	37 671	36 275	36 283	34 762	34 248	32 000
Contract	5 537	5 436	5 360	5 319	5 238	5 133	5 131
Data customers(2) (thousand)	20 538	20 434	20 347	20 503	19 905	19 167	19 549
Internet of Things connections(3) (thousand)	4 004	3 881	3 628	3 495	3 271	3 100	2 979
Traffic(4) (millions of minutes)	16 128	15 628	15 385	16 013	15 331	14 426	14 462
Outgoing	13 768	13 333	13 101	13 612	12 976	12 109	12 105
Incoming	2 360	2 295	2 284	2 401	2 355	2 317	2 357
MOU per month(5)	123	123	124	131	128	125	131
Prepaid	112	111	111	120	118	115	122
Contract	201	201	199	202	199	190	190
Total ARPU(6) (IFRS 15) (rand per month)	88	89					
Prepaid	54	55					
Contract	325	326					
Total ARPU(6) (IAS 18#) (rand per month)	95	96	99	102	101	103	109
Prepaid	54	55	57	59	58	58	61
Contract	385	384	381	393	391	393	401

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

	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
Customers(1) (thousand)	34 715	33 401	32 415	32 184	31 170	29 986	29 688
Tanzania	13 991	13 277	12 899	12 901	12 857	12 611	12 653
DRC	12 801	12 279	11 821	11 982	11 453	10 792	10 388
Mozambique	6 405	6 255	6 108	5 712	5 421	5 147	5 146
Lesotho	1 518	1 590	1 587	1 589	1 439	1 436	1 501
Data customers(2) (thousand)	17 964	17 472	16 573	16 013	14 755	13 807	12 997
Tanzania	8 064	7 682	7 345	7 317	7 072	6 767	6 463
DRC	5 042	5 150	4 825	4 470	4 175	3 982	3 705
Mozambique	4 161	3 952	3 730	3 501	2 904	2 470	2 280
Lesotho	697	688	673	725	604	588	549
MOU per month(3)							
Tanzania	186	177	161	171	167	153	146
DRC	39	38	36	36	42	44	44
Mozambique	134	129	144	152	144	130	130
Lesotho	73	68	71	85	82	79	78
30-day active M-Pesa customers(4) (thousand)	13 182	12 711	11 757	11 117	10 755	10 089	9 963
Tanzania	6 818	6 805	6 369	6 266	6 189	5 934	6 198
DRC	2 324	2 127	1 891	1 600	1 613	1 494	1 423
Mozambique	3 579	3 367	3 109	2 908	2 625	2 343	2 029
Lesotho	461	412	388	343	328	318	313
Total ARPU(5) (IFRS 15) (rand per month)							
Tanzania	38	33					
DRC	43	37					
Mozambique	59	51					
Lesotho	64	61					
Total ARPU(5) (IAS 18#) (rand per month)							
Tanzania	38	33	31	39	37	35	34
DRC	43	37	34	39	37	42	37
Mozambique	59	51	47	57	53	48	40
Lesotho	65	63	61	71	66	62	53
Total ARPUc (IFRS 15) (local currency per month)							
Tanzania (TZS)	6 116	5 969					
DRC (USD)	3.0	3.0					
Mozambique (MZN)	248	239					
Total ARPU(6) (IAS 18#) (local currency per month)							
Tanzania (TZS)	6 132	5 984	5 734	6 369	6 295	5 946	5 674
DRC (USD)	3.0	3.0	2.9	2.9	2.8	3.2	2.8
Mozambique (MZN)	250	242	238	253	244	228	209

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 financial information on a comparable IAS 18 basis and normalised growth on an IAS 18 constant currency basis is to assist the user in understanding the underlying growth trends on a comparable basis, 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. Headline earnings per share has been adjusted for significant merger and acquisition events, the BEE transaction and Safaricom acquisition to illustrate underlying growth trends. 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 not been reviewed and reported on by the Group auditors.

Reconciliation of normalised growth for the six months ended 30 September 2018

Rm	IFRS 15 Reported(1)	Adoption of IFRS 15(2)	IAS 18#(1)	Trading FX(3)	Merger and Acquisition(5)	Normalised*
Revenue						
Group	42 707	1 657	44 364	-	-	44 364
International	9 642	(5)	9 637	-	-	9 637
Service revenue						
Group	34 552	2 213	36 765	-	-	36 765
International	9 332	36	9 368	-	-	9 368
Data revenue						
International	1 436	-	1 436	-	-	1 436
M-Pesa revenue						
International	1 410	-	1 410	-	-	1 410
Total expenses						
International	6 751	2	6 753	(8)	-	6 745
South Africa	19 886	1 722	21 608	(22)	-	21 586
EBITDA						
International	2 910	(6)	2 904	8	-	2 912
EBIT						
Group	11 263	(66)	11 197	45	-	11 242
International	1 383	(6)	1 377	8	-	1 385
Operating profit						
Group	11 106	(50)	11 056	45	42	11 143
South Africa	8 821	(60)	8 761	22	1 150	9 933

Reconciliation of normalised growth for the six months ended 30 September 2017

		Foreign exchange			
Rm	IAS 18 Reported(1)	Trading FX(3)	Translation FX(4)	Merger and Acquisition(5)	Normalised*
Revenue					
Group	41 995	-	110	-	42 105
International	8 574	-	110	-	8 684
Service revenue					
Group	34 654	-	103	-	34 757
International	8 308	-	103	-	8 411
Data revenue					
International	1 134	-	23	-	1 157
M-Pesa revenue					
International	1 126	-	9	-	1 135
Total expenses					
International	6 211	3	62	-	6 276
South Africa	20 527	(73)	-	-	20 454
EBITDA					
International	2 405	(3)	52	-	2 454
EBIT					
Group	10 830	76	29	-	10 935
International	988	(3)	29	-	1 014
Operating profit					
Group	10 964	76	27	(329)	10 738
South Africa	9 757	73	-	-	9 830

Reconciliation of normalised growth for the six months ended 30 September 2018

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

%	IAS 18(6) % change	Foreign exchange Trading FX(3) ppts	Foreign exchange Translation FX(4) ppts	Merger and Acquisition(5) ppts	Normalised* % change
Revenue					
Group	5.6	-	(0.2)	-	5.4
International	12.4	-	(1.4)	-	11.0
Service revenue					
Group	6.1	-	(0.3)	-	5.8
International	12.8	-	(1.4)	-	11.4
Data revenue					
International	26.6	-	(2.5)	-	24.1
M-Pesa revenue					
International	25.2	-	(1.0)	-	24.2
Total expenses					
International	8.7	(0.2)	(1.0)	-	7.5
South Africa	5.3	0.2	-	-	5.5
EBITDA					
International	20.7	0.5	(2.5)	-	18.7
EBIT					
Group	3.4	(0.3)	(0.3)	-	2.8
International	39.4	1.2	(4.1)	-	36.5
Operating profit					
Group	0.8	(0.2)	(0.3)	3.5	3.8
South Africa	(10.2)	(0.4)	-	11.6	1.0

Reconciliation of normalised growth for the quarter ended

30 September 2018 Rm	IFRS 15 Reported	Adoption of IFRS 15(2)	IAS 18	Translation FX(8)	Normalised*
Revenue					
Group	22 054	757	22 811	-	22 811
International	5 218	(5)	5 213	-	5 213
Service revenue					
Group	17 779	1 173	18 952	-	18 952
International	5 057	19	5 076	-	5 076

30 September 2017 Rm	IAS 18 Reported	Translation FX(8)	Normalised*
Revenue			
Group	21 310	261	21 571
International	4 334	261	4 595
Service revenue			
Group	17 555	250	17 805
International	4 186	250	4 436

30 September 2018 %	IAS 18(7) % change	Translation FX(8) ppts	Normalised* % change
Revenue			
Group	7.0	(1.3)	5.7
International	20.3	(6.9)	13.4
Service revenue			
Group	8.0	(1.7)	6.3
International	21.3	(6.9)	14.4

Notes:
1. The financial information relating to revenue, service revenue, EBITDA, EBIT and operating profit are derived from the condensed consolidated interim financial statements for the six months ended 30 September 2018.
2. This column and related adjustment represents the reconciliation of IFRS 15 to IAS 18. For a more detailed explanation of the impact of the application of IFRS 15 on the Group refer to the applicable criteria set out in IFRS 15 "Revenue from Contracts with Customers" as set out on page 29.
3. 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, which is included with other operating expenses as per the condensed consolidated income statement.
4. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed on page 23. 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 six months ended 30 September 2018 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 30 September 2017 numbers, thereby giving a user a view of the performance which excludes exchange variances.
5. Merger and Acquisition relates to the net profit from associate and joint venture relating to Safaricom as disclosed in the condensed consolidated income statement and the IFRS 2 charge as disclosed in Note 3 in the condensed consolidated interim financial statements.
6. The percentage change relates to the year-on-year percentage growth on a comparable IAS 18 basis calculated as the percentage change between the year-to-date 30 September 2018 and year-to-date 30 September 2017 IAS 18 values.
7. The percentage change relates to the quarter to date year-on-year percentage growth on a comparable IAS 18 basis calculated as the percentage change between the quarter-to-date 30 September 2018 and the quarter-to-date 30 September 2017 IAS 18 values.
8. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed on page 23. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the quarter ended 30 September 2018 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period to the quarter ended 30 September 2018) numbers, thereby giving a user a view of the performance which excludes exchange variances.

Reconciliation of operating free cash flow and free cash flow

	Six months ended 30 September	
Rm	2018 IFRS 15/ IAS 18#	2017 IAS 18
Cash generated from operations(1)	13 889	12 157
Cash capital expenditure(2)	(6 283)	(5 505)
Movement in amounts due to M-Pesa account holders(3)	(532)	(341)
Operating free cash flow	7 074	6 311
Tax paid(1)	(3 350)	(3 107)
Finance income received(1)	1 513	381
Finance costs paid(1)	(2 704)	(1 509)
Net dividends paid(1)	(47)	(48)
Free cash flow	2 486	2 028

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.

Reconciliation of composition headline earnings per share

	Six months ended 30 September		% change IAS 18
Cents	2018 IAS 18#	2017 IAS 18	17/18
HEPS excluding BEE and Safaricom transactions	453	427	6.0
Contribution from Safaricom and amortisation of intangible assets, net of withholding tax and minority interest(1)	63	18	>200.0
Impact of new shares(2)	(42)	-	n/a
HEPS excluding BEE transaction	474	445	6.5
BEE transaction(3)	(89)	-	n/a
Reported HEPS	385	445	(13.5)

The reconciliation represents the composition of headline earnings per share and the effects of the BEE and Safaricom transactions on HEPS.

Notes:
1. This impact relates to the net profit from associate and joint venture of R1 345 million as per the condensed consolidated income statement.
2. Impact of new shares relates to the issue of 223 459 781 shares as consideration for Vodacom stake in Safaricom.
3. BEE transaction relates to the once-off, non-cash, non-recurring IFRS 2 charge of R1 404 million and transactions costs of R105 million.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was adopted by the Group on 1 April 2018 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. The Group's IAS 18 accounting policy, and the key differences between the Group's IAS 18 and IFRS 15 accounting policies, are disclosed in the Group's annual financial statements for the year ended 31 March 2018.

IFRS 15 Accounting policy

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations (obligations) to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services don't meet the criteria to be identified as separate obligations, they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communication services.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when or as the Group performs the related service during the agreed service period.
- Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest is recognised in revenue over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group. Typically this is over the contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised.

Critical accounting judgements and key sources of estimation relating to IFRS 15

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant critical accounting judgements and key sources of estimation uncertainty are disclosed below. Other accounting judgements and estimations made by management are not considered to be individually critical or material, but cumulatively have a material impact on reported costs and revenues particularly as the Group offers a large variety of bundled goods and services.

Where the Group doesn't sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times - for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to customer. As a principal, receipts from, and payments to suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows. Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group delivers third-party branded services (such as premium music or TV content) to 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, ARPUs and number of employees) measures which are presented in addition to the financial information disclosed in the condensed consolidated interim financial statements for the year ended 30 September 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 condensed consolidated interim financial statements for the six months ended 30 September 2018. The financial measures have been extracted from the management accounts upon which the condensed consolidated interim financial statements for the six months ended 30 September 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 interim results for Vodacom Group Limited for the six months ended 30 September 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.

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