

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)

11 November 2019

Vodacom Group Limited interim results for the six months ended 30 September 2019 (short form announcement)

Highlights

- Group revenue up 3.9% (2.5%*) supported by Group service revenue growth of 4.2% (2.5%*).
- We added 2.7 million customers in South Africa and our International operations, and 2.7 million in Safaricom during the period, to serve a combined 115 million customers across the Group.
- South Africa service revenue grew 0.3%, supported by the turnaround to growth in the second quarter, as the reduction in out-of-bundle revenue was offset by improved data elasticity and the completion of the full onboarding of our new roaming partner.
- International operations continue to perform well delivering service revenue growth of 15.5% (8.7%*), with foreign currency translations boosting reported Group growth.
- Earnings per share were up 19.4% and headline earnings per share was up 18.9%, due to the one-off BEE costs of R1.5 billion (including transaction costs) included in the prior period.
- Declared an interim dividend of 380 cps and a special dividend of 60 cps.

Statutory performance measures

Rm	Six months ended 30 September		% change	
	2019 IFRS 16	2018 IAS 17	Reported	Normalised*
Revenue	44 389	42 707	3.9	2.5
Net profit from associate and joint venture	1 673	1 345	24.4	
Operating profit	12 883	11 106	16.0	1.2
Net profit	8 199	6 789	20.8	
Earnings per share (EPS) (cents)	461	386	19.4	
Headline earnings per share (HEPS) (cents)	460	387	18.9	
Interim dividend per share (cents)	380	395	(3.8)	
Special dividend per share (cents)	60	–	n/a	

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 contained in the full announcement. The *pro-forma* financial information includes:

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

The *pro-forma* financial information has not been reported on by the Group external auditors.

Amounts marked with an * in this document, represents normalised growth as defined above.

All growth rates quoted are year-on-year and refer to the six months ended 30 September 2019 compared to the six months ended 30 September 2018, unless stated otherwise.

Alternative performance measures

Rm	Six months ended 30 September		% change	
	2019 IFRS 16	2018 IAS 17	Reported	Normalised*
Service revenue	36 003	34 552	4.2	2.5
EBITDA	18 166	16 534	9.9	0.7
EBITDA-aL	16 203	n/a	n/a	
Capital expenditure	6 349	5 334	19.0	
Operating free cash flow	7 476	7 074	5.7	
Free cash flow	2 749	2 486	10.6	

Note with regard to the adoption of IFRS 16

IFRS 16 was adopted by the Group on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. As a result, information presented for the six months ended 30 September 2018 is presented under the previous statement IAS 17, while the period ended 30 September 2019 is presented in accordance with IFRS 16. The reported change reflected in this document is done on this basis while normalised growth adjusts for differences in reporting of the current year and the prior year, to give the reader a like-for-like comparison of underlying performance.

Shameel Joosub, Vodacom Group CEO commented:

Following last year's substantial investment in South Africa's largest-ever Broad-Based Black Economic Empowerment transaction in the telecommunication sector, this year Vodacom Group posted an 18.9% increase in headline earnings per share to 460c and returning a dividend of 440 cps to shareholders. Other key highlights include an improved second quarter performance in South Africa and the sustained growth of our International businesses.

In South Africa, an increase in data usage, following sustained efforts to reduce data prices and the onboarding of our new roaming partner in the second quarter, more than offset the service revenue decline reported in the first three months of the financial year. On a like-for-like basis, this resulted in service revenue growth of 1.5% during the half year, despite ongoing economic pressures and the implementation of the End-User and Subscriber Service Charter regulations.

Having announced sharp reductions in out-of-bundle tariffs by up to 70% in March, we continue to drive down the cost to communicate through various initiatives. These include the recent introduction of a Vodacom-branded 4G smart feature phone priced at just R299, and reducing the price of 1GB of data valid for 30 days from R149 to R99 for users of Vodapay and the MyVodacom App.

Ongoing initiatives to enhance customer experience through pricing transformation, modernisation of IT systems and sustained investment in network infrastructure, continue to pay dividends. This is evidenced by the additional 691 000 customers who joined Vodacom in the period. There are now 43.9 million customers connected through South Africa's leading network each enjoying access to a wide array of financial and digital services.

Measures to introduce "one more service" to customers, as part of our strategy to build diverse revenue streams, are quickly gathering momentum. Revenue from our Financial Services business jumped by 37.1% to almost one billion rand, as Airtime Advance, insurance and our recently launched VodaPay service all gained in popularity. More than one million people have made video-on-demand purchases, while our music, sports, games and other video services – all in their infancy phase - are contributing to solid growth in our digital services business.

Our International portfolio remains a star performer, growing service revenue by 15.5% in a period characterised by macro and political stability and high demand for data and M-Pesa services in each operation. We connected an additional 2.0 million customers, boosting the total to 36.6 million customers outside South Africa and Safaricom.

M-Pesa customers in our International markets now process more than US\$2.8 billion a month in transactions through the service, underpinning M-Pesa's promise of delivering financial inclusivity and positively contributing to economic growth in countries where it has become ubiquitous. Initiatives to further expand the M-Pesa ecosystem contributed to the 797 000 increase in customers, up to 14.3 million.

Our strategic investment in Safaricom continues to perform in line with our expectations having reported strong interim results at the beginning of November. They reported a 5.3% rise in service revenue growth, largely on the back of an 18.2% increase in

revenue from M-Pesa and an overall increase in market share for the first time since 2017. Safaricom continues to invest significantly in its network and infrastructure while accelerating its pricing transformation strategy.

Looking ahead, we expect the benefits from our acquisition of a strategic stake in IoT.nxt¹ will become increasingly evident in both our Consumer and Enterprise businesses. The same can be said for the other partnerships we have put in place in recent times, including our agreement with Amazon Web Services (AWS), to ensure we bring best-in-class services and products to customers right across the Group.

We will also expand M-Pesa internationally and our Financial Services and Digital Lifestyle businesses in South Africa with the expectation that these will increasingly contribute to revenue growth.

In South Africa, a key focus remains on the policy and regulatory environment where we will continue to participate in the various processes currently underway to assign available high-demand spectrum. While we have made significant progress in our pricing transformation journey, spectrum availability is a key lever to accelerating data price declines.

Dividend

Declaration of interim dividend number 21 and special dividend No 1 – payable from income reserves

Notice is hereby given that a gross interim dividend number 21 of 380 cents per ordinary share and special dividend number 1 of 60 cents per ordinary share in respect of the six months ended 30 September 2019 has been declared payable on Monday 2 December 2019 to shareholders recorded in the register at the close of business on Friday 29 November 2019. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The ordinary and special dividend will be subject to a local dividend withholding tax rate of 20%. Accordingly, for those shareholders not exempt from paying dividend withholding tax, the net ordinary dividend will be 304.00000 cents per ordinary share and the net special dividend will be 48.00000 cents per ordinary share.

Last day to trade shares <i>cum</i> dividend	Tuesday 26 November 2019
Shares commence trading <i>ex-dividend</i>	Wednesday 27 November 2019
Record date	Friday 29 November 2019
Payment date	Monday 2 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday 27 November 2019 and Friday 29 November 2019, both days inclusive.

On Monday 2 December 2019, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 2 December 2019.

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

South African Reserve Bank approval has been obtained for the declaration of the special dividend.

For and on behalf of the Board

Jabu Moleketi

Chairman

Shameel Aziz Joosub

Chief Executive Officer

Till Streichert

Chief Financial Officer

Midrand

8 November 2019

1. The Group acquired a 51% equity interest in 10T Holdings (Pty) Limited and IoT.nxt B.V. (together "IoT.nxt"). The effective date of acquisition was 23 August 2019. Refer to note 8 in the condensed consolidated interim financial statements in the full announcement.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement that has been published on SENS https://senspdf.jse.co.za/documents/2019/jse/isse/VOD/1H20_SENS.pdf and is also available on our website www.vodacom.com.

The full announcement is also available at our registered office and our sponsor's office for inspection, at no charge, during office hours. Copies of the full announcement may be requested by contacting Investor Relations on telephone: +27 (0) 11 653 5000 or email: vodacomir@vodacom.co.za.

Sponsor: UBS South Africa (Pty) Limited