Vodacom Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
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(Vodacom)

News release

Vodacom Group Limited trading update for the quarter ended 31 December 2019

04 February 2020

Highlights

- Group revenue up 6.6% (6.1%*) supported by Group service revenue growth of 5.7% (5.2%*).
- We added 484 000 customers in South Africa, supported by a successful Summer campaign. In our International operations we added 1.7 million customers during the period.
- South Africa revenue and service revenue growth rates improved to 5.9% and 4.6% respectively, supported by increased data uptake as we continue to transform pricing, as well as improved performance from our Summer campaign.
- International operations continued to perform well, delivering service revenue growth of 9.0% (7.1%*), with strong growth in data and M-Pesa revenues.

	Quarter ended 31 December		% change	
Rm	2019	2018	Reported	Normalised*
Group service revenue	**18 899**	**17 874**	**5.7**	**5.2**
South Africa	13 567	12 975	4.6	4.6
International	5 622	5 160	9.0	7.1
Group revenue	**23 626**	**22 172**	**6.6**	**6.1**
South Africa	18 183	17 172	5.9	5.9
International	5 789	5 312	9.0	7.1

Shameel Joosub, Vodacom Group CEO commented:

Our sustained investment programme, aimed at delivering a better experience for customers in each of the countries where we operate, continues to yield results. This is reflected in the additional 2 million customers that we connected during the quarter, contributing to growth of 6.6% in revenue for the Vodacom Group. We now serve over 117 million customers[1] across the Group.

As expected, growth trends improved across a number of metrics in South Africa following the significant impacts over the past year from our ongoing pricing transformation strategy. These included substantial cuts in out-of-bundle tariffs and lower bundle prices, resulting in a circa 50% decline in effective data prices since March 2016.

A highly successful Summer campaign, which delivered 334 million free rewards to 17 million customers, contributed to an uplift in activity across our customer base. This increase in data customers and usage is evidence of our success in transforming data pricing in South Africa. Notable contributions from our Financial Services and Enterprise businesses saw service revenue in South Africa rise by 4.6% despite a subdued economy.

Notes:

1. Including Safaricom Plc customers as at 30 September 2019.

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

All growth rates quoted are year-on-year and refer to the quarter ended 31 December 2019 compared to the quarter ended 31 December 2018.

Certain financial information presented in this results announcement constitutes *pro-forma* financial information in terms of the JSE Listings Requirements. The applicable criteria on the basis of which this *pro-forma* financial information has been prepared is set out in the supplementary information on pages 14 to 15.

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

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

I am particularly pleased with the consistency in the performance of our International portfolio, which produced solid results on the back of strong demand for data and M-Pesa services, resulting in a 9% growth in service revenue. Our operations outside South Africa now contribute over 40%[1] to Group service revenue. In January we had to disconnect 1.7 million customers in Tanzania, as a result of customer registration requirements, primarily due to the lack of government approved identification documents. This will have an impact on our growth in Tanzania, however we expect to reconnect many of these customers over the short to medium term once biometrically registered.

Looking ahead, customers can expect to experience the benefit of our revised roaming deal with Rain, which will further expand our 4G capacity in an environment where delays in assigning available spectrum will constrain capacity for all networks.

Having been the first network to commercially launch 5G in Africa through Vodacom Lesotho, we expect to be able to launch 5G services in South Africa this year. This is possible thanks to a recent roaming agreement with Liquid Telecom, as 5G spectrum is largely unassigned in South Africa.

Vodacom remains committed to delivering on its pricing transformation strategy and has engaged constructively with relevant authorities, including the Competition Commission, to share the measures we intend to introduce in due course to further reduce data prices.

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1. Includes Group's proportionate stake of 34.94% in Safaricom Plc as at 30 September 2019.

Operating review

South Africa

Service revenue increased 4.6% to R13.6 billion, supported by our successful Summer campaign and improved uptake of data services as we continue to transform pricing. Revenue increased 5.9% following an 8.7% growth in equipment revenue, with device sales positively impacted by an improved sales mix during the quarter, following new device launches.

Our Shake!Up Summer campaign has done very well with over 17 million engaged customers and 406 million shakes in the quarter, resulting in an overall uplift in activity and revenue.

Mobile contract customer revenue increased 4.7% to R5.1 billion, reflecting an improvement in trend, supported by contract customers increasing 7.8% to 6.1 million. The decline in contract ARPU of 3.6%, which was affected by the reduction in out-of-bundle revenue, improved from the previous quarter. This was supported by a 20.3% increase in contract data bundles sold. Customer net additions were 35 000 during the quarter. This was subdued due to an increase in churn as a result of the tightening of credit criteria given the tough trading environment.

Mobile prepaid customer revenue decline improved to 1.8%. Prepaid net additions were strong at 450 000, reflecting the success of our Summer campaign and pricing transformation efforts. This growth partly offset the impacts from the reduction in out-of-bundle rates from the beginning of the year and the subdued economic environment. Although ARPU declined by 1.8%, an improvement in trend was achieved as a result of pricing transformation and a more engaged customer base throughout the Summer campaign.

Our data pricing transformation strategy of giving more value to customers is delivering results, with data customers increasing 12.5% to 22.9 million and overall data usage increasing by 63.2%. Data bundles sold increased 20.0% to 251 million, raising our unique bundle data users to 14 million, an increase of 17.8%. Our strategy of a diversified portfolio of bundles with varying sizes and validity periods, ensures that we cater for all customer needs, with four out of five bundles purchased having shorter than 30 days validity. 4G take-up continues to grow, with active devices on our network increasing 36.1% to 12.2 million, while the average usage on smart devices increasing 59.8% to 1.7GB, offsetting the effects of lower out-of-bundle rates, as customer demand remains high.

Our platform strategy, designed to grow reasons to consume data, is gaining momentum. Our digital services in video, music, sports and gaming are providing "one more service" to the customer. We now have 2.0 million customers engaged on our video platform.

Our fibre roll-out also continues to gain momentum, increasing the number of homes connected in the quarter by 78.6% to 50 000.

Revenue from Financial Services grew 11.0% to R497 million. We advanced R2.5 billion in airtime via our Airtime Advance platform with 8.9 million customers utilising this service. Insurance revenue increased 13.8%, driven by our innovative products. Our latest offering, VodaPay, which enables direct airtime purchase and bill payments, is showing excellent traction. Since the last quarter, active users have increased more than two-fold and airtime value purchased via the app almost doubled.

Enterprise service revenue increased 9.7%, driven by the increase in national roaming revenue, offsetting the decline in mobile customer revenue from the reduction in out-of-bundle spend and increased pricing competition in the market. Fixed-line revenue growth tracked lower at 5.2% due to the flattening of growth in wholesale transit revenue. Internet of Things (IoT) connections increased 7.9% to 4.7 million, while IoT revenues increased by 36.6% benefitting from the integration of IoT.nxt from September 2019.

During this quarter, our capital expenditure was R2.4 billion. We continued to invest heavily in our network to both improve network quality and enhance our IT systems in order to deliver best-in-class service and products to our customers. We now have 94.4% (2019: 89.8%) 4G population coverage.

We recently concluded a deal with Rain to extend our roaming and facilities leasing agreements beyond its original agreement of 5 000 sites to virtually all Vodacom sites. This agreement will enable Vodacom to increase access to 4G capacity at more favourable terms. This is an important agreement in an environment where spectrum remains a key capacity constraint for all networks.

We also signed a roaming and managed services agreement with Liquid Telecom (Liquid). Liquid will roll out a 5G network which Vodacom will manage on behalf of Liquid. This agreement will allow Vodacom to offer customers a leading connectivity experience at a time when most 5G spectrum is yet to be assigned. 5G services are currently being trialled ahead of a commercial launch during this year.

Operating review (continued)

International

Our International operations continued to deliver strong results in the quarter, increasing service revenue by 9.0% (7.1%*), driven by our strategic growth pillars, data and M-Pesa. Strong growth in the DRC and Mozambique more than offset the negative impacts from slow progress in pricing improvements, due to intensified competition in Tanzania. Our International operations now contribute 29.9% (2019: 27.0%) to Group service revenue.

We added 1.7 million customers in the quarter, up 8.8% in the year to 38.2 million customers.

We added 915 000 data customers during the quarter, as we accelerated the roll-out of our 4G network and increased access to affordable devices. This quarter, we launched a smart feature phone in Tanzania at US$20 aimed at making data services affordable to more customers, further increasing data penetration in our operations. Data usage per customer grew in all markets as we drove usage through our personalised 'Just 4 You' product offerings and promotions during the festive period.

M-Pesa revenue increased 24.7% (22.3%*) to R1.1 billion, increasing its contribution of International service revenue to18.9%, up from 16.5% a year ago. We added 550 000 M-Pesa customers in the quarter, reaching 14.8 million, resulting in 37.4% of our customers utilising our financial services proposition. We processed US$3.4 billion in value of M-Pesa transactions a month during this quarter. Growth has been supported by higher transactions per customer as we continue to introduce new services such as micro-loans, merchant payments and interconnection with banks and other operators. In Tanzania, we expanded our international remittance portfolio in partnership with global partners, including WorldRemit, remitting a total of TZS49 billion across the portfolio.

During the quarter, we invested R845 million which included rolling out 4G services, improving capacity and widening our network reach and quality. We added 292 4G sites and 210 3G sites.

Between 20 - 31 January 2020, Vodacom Tanzania barred services to 1.7 million SIM cards following instructions from the Tanzania Telecommunication Authority (TCRA) requiring customers to be biometrically registered by 20 January 2020. As at 31 January 2020, an additional 5.0 million SIM cards remain unregistered with customers' biometric national identification details. We are awaiting instruction from the TCRA on how to proceed with this group of customers.

We expect to recover the majority of these customers in the short to medium term as customers apply for national identification documents to enable full registration with mobile operators.

Safaricom

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

Operating review (continued)

Regulatory matters

ICASA - Information Memorandum

ICASA issued an Information Memorandum (IM) on 1 November 2019. The IM sets out ICASA's proposed requirements, options for spectrum allotments, obligations and other considerations for assignment of High Demand Spectrum (HDS). Interested parties were invited to make proposals and recommendations on a number of aspects including the options for spectrum allocation, obligations, wireless open access network structure process and other requirements by 31 January 2020.

Competition Commission (CC) data service market inquiry

The Competition Commission (CC) initiated a market inquiry into data services on 30 November 2017. The purpose of the inquiry was to understand the factors or features of the market or markets and value chain that may cause or lead to high prices for data services, and make recommendations that would result in lower prices for data services. This inquiry covered all market participants involved at any point in the value chain for any form of data services that are provided to customers including government, businesses and consumers in South Africa. The CC issued its final findings and recommendations on 2 December 2019.

These findings included:

- The CC viewed pricing competition as inadequate in South Africa.
- Prices are high, especially in the prepaid segment.
- Poor customers are unduly exploited relative to wealthier customers.
- Findings in the retail market point towards potential problems at the wholesale level.

Salient recommendations made by the CC include:

- Substantial reductions in prepaid data bundle rates, especially on monthly bundles and aligning the effective rate of sub 500MB to be the same as the 500MB bundle effective rate.
- Recommendations on free life-line data for all customers.
- Recommendations to ICASA for roaming pricing regulation and infrastructure sharing regulation, which includes amendments to various Acts that would need to be completed.

The CC requested affected parties to engage with them further in addressing these issues, within two months of issuing the report. Vodacom has initiated discussions with the CC and will continue to engage with the goal of achieving an agreed outcome in the best interest of all parties.

ICASA inquiry into mobile broadband services

On 16 November 2018, ICASA gave notice of its intention to conduct an inquiry into mobile broadband services. The purpose of the inquiry is to assess the state of competition, and to determine whether there are markets or market segments within the mobile broadband services value chain that may require regulatory intervention in terms of Chapter 10 of the Electronic Communications Act.

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

These findings included:

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

Vodacom and other parties have until late February 2020 to make submissions to the regulator on the discussion document.

Operating review (continued)

Regulatory matters (continued)

Tanzania customer registration

The Tanzania Telecommunication Authority (TCRA) directed biometric registration of customers using national identification cards to commence on 1 May 2019 and be completed by 31 December 2019. Vodacom Tanzania PLC in alignment with the industry, continuously engaged the TCRA to ensure compliance. All necessary measures were taken, which considerably increased compliance cost.

The low penetration of national identification numbers across the country has largely impacted the biometric registration process, which led to the barring of 120 000 customers on 20 January 2020, following the instruction from TCRA requiring customers to be barred in phases. An additional 1.7 million customers were barred during the second phase from 23 - 31 January 2020. As at 2 February 2020 5.0 million customers remain non biometrically registered. We are awaiting instruction from the TCRA on how to proceed with these customers. Vodacom expects to recover a significant portion of these customers over the short to medium term as we continue to engage with the TCRA and National Identification Authority (NIDA) to ensure that barred customers resume access to services at the earliest time possible.

Supplementary information

Financial review

Revenue for the quarter ended

Rm	31 December 2019	30 September 2019	31 December 2018	YoY % change Reported	Normalised*
South Africa	18 183	17 358	17 172	5.9	5.9
International	5 789	5 869	5 312	9.0	7.1
Corporate and eliminations	(346)	(365)	(312)	(10.9)	(10.9)
Group revenue	**23 626**	**22 862**	**22 172**	**6.6**	**6.1**

Service revenue for the quarter ended

Rm	31 December 2019	30 September 2019	31 December 2018	YoY % change Reported	Normalised*
South Africa	13 567	13 220	12 975	4.6	4.6
International	5 622	5 668	5 160	9.0	7.1
Corporate and eliminations	(290)	(318)	(261)	(11.1)	(11.1)
Group service revenue	**18 899**	**18 570**	**17 874**	**5.7**	**5.2**

Revenue for the quarter ended 31 December 2019

Rm	South Africa	YoY % change	International	YoY % change	Corporate/ Eliminations	Group	YoY % change
Mobile contract revenue	5 087	4.7	338	5.3	(2)	5 423	4.7
Mobile prepaid revenue	5 983	(1.8)	4 478	9.5	–	10 461	2.8
Customer service revenue	**11 070**	**1.1**	**4 816**	**9.2**	**(2)**	**15 884**	**3.4**
Mobile interconnect	447	(8.8)	356	12.3	(159)	644	0.2
Fixed service revenue	839	11.1	417	6.1	(124)	1 132	7.1
Other service revenue	1 211	55.7	33	(17.5)	(5)	1 239	52.2
Service revenue	**13 567**	**4.6**	**5 622**	**9.0**	**(290)**	**18 899**	**5.7**
Equipment revenue	3 808	8.7	111	14.4	(10)	3 909	8.7
Non-service revenue	808	16.4	56	1.8	(46)	818	16.4
Revenue	**18 183**	**5.9**	**5 789**	**9.0**	**(346)**	**23 626**	**6.6**
Included in service revenue:							
M-Pesa revenue	–	–	1 061	24.7	–	1 061	24.7

Supplementary information (continued)

Financial review (continued)

Revenue for the quarter ended 31 December 2018

Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	4 860	321	(2)	5 179
Mobile prepaid revenue	6 092	4 089	–	10 181
Customer service revenue	**10 952**	**4 410**	**(2)**	**15 360**
Mobile interconnect	490	317	(164)	643
Fixed service revenue	755	393	(91)	1 057
Other service revenue	778	40	(4)	814
Service revenue	**12 975**	**5 160**	**(261)**	**17 874**
Equipment revenue	3 503	97	(5)	3 595
Non-service revenue	694	55	(46)	703
Revenue	**17 172**	**5 312**	**(312)**	**22 172**
Included in service revenue:				
M-Pesa revenue	–	851	–	851

Supplementary information (continued)

South Africa key indicators

	31 December 2019	30 September 2019	31 December 2018	YoY % change
Customers[1] (thousand)	**44 341**	**43 857**	**43 838**	**1.1**
Prepaid	38 279	37 830	38 215	0.2
Contract	6 062	6 027	5 623	7.8
Data customers[2] (thousand)	**22 878**	**21 420**	**20 345**	**12.5**
Internet of Things connections[3] (thousand)	**4 678**	**4 574**	**4 335**	**7.9**
Traffic[4] (millions of minutes)	**16 228**	**16 324**	**15 987**	**1.5**
Outgoing	13 664	13 784	13 595	0.5
Incoming	2 564	2 540	2 392	7.2
MOU per month[5]	**122**	**124**	**121**	**0.8**
Prepaid	113	113	110	2.7
Contract	180	194	197	(8.6)
Total ARPU[6] (rand per month)	**87**	**85**	**86**	**1.2**
Prepaid	54	53	55	(1.8)
Contract	295	291	307	(3.9)

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.

2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.

3. Internet of Things (IoT) connections, is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.

4. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.

5. Minutes of Use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.

6. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Supplementary information (continued)

International key indicators

	31 December 2019	30 September 2019	31 December 2018	YoY % change
Customers[1] (thousand)	**38 241**	**36 587**	**35 164**	**8.8**
Tanzania	15 597	14 755	14 070	10.9
DRC	13 402	12 995	12 830	4.5
Mozambique	7 522	7 279	6 689	12.5
Lesotho	1 720	1 558	1 575	9.2
Data customers[2] (thousand)	**20 593**	**19 678**	**18 522**	**11.2**
Tanzania	8 369	8 166	8 132	2.9
DRC	6 330	6 071	5 021	26.1
Mozambique	4 984	4 656	4 577	8.9
Lesotho	910	785	792	14.9
30-day active M-Pesa customers[3] (thousand)	**14 847**	**14 297**	**13 409**	**10.7**
Tanzania	7 477	7 197	6 892	8.5
DRC	2 316	2 228	2 240	3.4
Mozambique	4 305	4 217	3 775	14.0
Lesotho	749	655	502	49.2
MOU per month[4]				
Tanzania	169	180	168	0.6
DRC	36	34	36	–
Mozambique	141	133	146	(3.4)
Lesotho	84	85	82	2.4
Total ARPU[5] (rand per month)				
Tanzania	37	39	39	(5.1)
DRC	46	48	41	12.2
Mozambique	61	62	60	1.7
Lesotho	70	71	72	(2.8)
Total ARPU[5] (local currency per month)				
Tanzania (TZS)	5 826	6 050	6 205	(6.1)
DRC (US$)	3.1	3.3	2.9	6.9
Mozambique (MZN)	260	261	257	2.0

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.

2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.

3. 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.

Supplementary information (continued)

Historical financial review

Revenue for the quarter ended

Rm	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018
South Africa	18 183	17 358	16 559	17 053	17 172	17 147	16 515
International	5 789	5 869	5 276	5 027	5 312	5 218	4 424
Corporate and eliminations	(346)	(365)	(308)	(332)	(312)	(311)	(286)
Group revenue	23 626	22 862	21 527	21 748	22 172	22 054	20 653

Revenue yoy % change for the quarter ended

%	Reported			Normalised*
	31 December 2019	30 September 2019	30 June 2019	31 December 2019
South Africa	5.9	1.2	0.3	5.9
International	9.0	12.5	19.3	7.1
Corporate and eliminations	(10.9)	(17.4)	(7.7)	(10.6)
Group revenue	6.6	3.7	4.2	6.1

Service revenue for the quarter ended

Rm	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018
South Africa	13 567	13 220	12 577	12 845	12 975	12 985	12 736
International	5 622	5 668	5 112	4 885	5 160	5 057	4 275
Corporate and eliminations	(290)	(318)	(256)	(289)	(261)	(263)	(238)
Group service revenue	18 899	18 570	17 433	17 441	17 874	17 779	16 773

Service revenue yoy % change for the quarter ended

%	Reported			Normalised*
	31 December 2019	30 September 2019	30 June 2019	31 December 2019
South Africa	4.6	1.8	(1.3)	4.6
International	9.0	12.1	19.8	7.1
Corporate and eliminations	(11.1)	(20.9)	(7.6)	(11.1)
Group service revenue	5.7	4.4	4.2	5.2

Supplementary information (continued)

Historical key indicators

South Africa for the quarter ended

	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018
Customers[1] (thousand)	**44 341**	**43 857**	**43 774**	**43 166**	**43 838**	**44 089**	**43 107**
Prepaid	38 279	37 830	37 853	37 331	38 215	38 552	37 671
Contract	6 062	6 027	5 921	5 835	5 623	5 537	5 436
Data customers[2] (thousand)	**22 878**	**21 420**	**19 930**	**19 952**	**20 345**	**20 538**	**20 434**
Internet of Things connections[3] (thousand)	**4 678**	**4 574**	**4 537**	**4 514**	**4 335**	**4 004**	**3 881**
Traffic[4] (millions of minutes)	**16 228**	**16 324**	**15 695**	**15 330**	**15 987**	**16 128**	**15 628**
Outgoing	13 664	13 784	13 255	12 996	13 595	13 768	13 333
Incoming	2 564	2 540	2 440	2 334	2 392	2 360	2 295
MOU per month[5]	**122**	**124**	**120**	**118**	**121**	**123**	**123**
Prepaid	113	113	109	106	110	112	111
Contract	180	194	191	193	197	201	201
Total ARPU[6] (rand per month)	**87**	**85**	**85**	**87**	**86**	**88**	**89**
Prepaid	54	53	53	54	55	54	55
Contract	295	291	290	304	307	325	326

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.

2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.

3. Internet of Things (IoT) connections, is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.

4. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.

5. Minutes of Use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.

6. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Supplementary information (continued)

Historical key indicators (continued)

International for the quarter ended

	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018
Customers[1] (thousand)	**38 241**	**36 587**	**35 180**	**34 620**	**35 164**	**34 715**	**33 401**
Tanzania	15 597	14 755	14 322	14 133	14 070	13 991	13 277
DRC	13 402	12 995	12 348	12 180	12 830	12 801	12 279
Mozambique	7 522	7 279	7 108	6 843	6 689	6 405	6 255
Lesotho	1 720	1 558	1 402	1 464	1 575	1 518	1 590
Data customers[2] (thousand)	**20 593**	**19 678**	**18 964**	**17 664**	**18 522**	**17 964**	**17 472**
Tanzania	8 369	8 166	8 106	7 892	8 132	8 064	7 682
DRC	6 330	6 071	5 660	4 749	5 021	5 042	5 150
Mozambique	4 984	4 656	4 455	4 289	4 577	4 161	3 952
Lesotho	910	785	743	734	792	697	688
MOU per month[3]							
Tanzania	169	180	170	157	168	186	177
DRC	36	34	32	31	36	39	38
Mozambique	141	133	127	136	146	134	129
Lesotho	84	85	81	74	82	73	68
30-day active M-Pesa customers[4] (thousand)	**14 847**	**14 297**	**14 186**	**13 500**	**13 409**	**13 182**	**12 711**
Tanzania	7 477	7 197	7 277	6 989	6 892	6 818	6 805
DRC	2 316	2 228	2 284	2 116	2 240	2 324	2 127
Mozambique	4 305	4 217	4 028	3 860	3 775	3 579	3 367
Lesotho	749	655	597	535	502	461	412
Total ARPU[5] (rand per month)							
Tanzania	37	39	37	35	39	38	33
DRC	46	48	44	41	41	43	37
Mozambique	61	62	55	53	60	59	51
Lesotho	70	71	73	66	72	64	61
Total ARPU[5] (local currency per month)							
Tanzania (TZS)	5 826	6 050	5 901	5 752	6 205	6 116	5 969
DRC (US$)	3.1	3.3	3.1	2.9	2.9	3.0	3.0
Mozambique (MZN)	260	261	241	234	255	248	239

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.

Supplementary information (continued)

Historical key indicators (continued)

Average quarter-to-date exchange rates

	31 December 2019	30 September 2019	31 December 2018	YoY % change	Quarterly % change
USD/ZAR	14.70	14.68	14.30	2.8	0.1
ZAR/MZN	4.28	4.20	4.27	0.2	1.9
ZAR/TZS	156.59	156.76	160.27	(2.3)	(0.1)
EUR/ZAR	16.27	16.32	16.31	(0.2)	(0.3)
ZAR/KES	6.97	7.05	7.13	(2.2)	(1.1)

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 14 - 15, is the responsibility of the directors of Vodacom Group Limited. This *pro-forma* information, due of its nature, may not be a fair reflection of the Group's results of operations, financial position, changes in equity or cash flows. This *pro-forma* information and the basis on which the historical financial information has been prepared in accordance with the accounting policies of the Group. The purpose of presenting *pro-forma* financial information on a comparable and normalised growth constant currency basis is to assist the user in understanding the underlying growth trends on a comparable basis. This *pro-forma* information has not been reviewed or reported on by Vodacom's external auditors.

Reconciliation of normalised values for the quarter ended 31 December 2019

Rm	Reported	Translation FX[1]	Normalised*
Revenue			
Group	23 626	–	23 626
International	5 789	–	5 789
Service revenue			
Group	18 899	–	18 899
International	5 622	–	5 622
M-Pesa revenue			
International	1 061	–	1 061

Reconciliation of normalised values for the quarter ended 31 December 2018

Rm	Reported	Translation FX[1]	Normalised*
Revenue			
Group	22 172	91	22 263
International	5 312	91	5 403
Service revenue			
Group	17 874	88	17 962
International	5 160	88	5 248
M-Pesa revenue			
International	851	17	868

Supplementary information (continued)

Pro-forma financial information (continued)

Reconciliation of normalised growth for the quarter ended 31 December 2019

%	Reported % change[2]	Translation FX ppts	Normalised* % change
Revenue			
Group	6.6	(0.5)	6.1
International	9.0	(1.9)	7.1
Service revenue			
Group	5.7	(0.5)	5.2
International	9.0	(1.9)	7.1
M-Pesa revenue			
International	24.7	(2.4)	22.3

Notes:

1. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed on page 14. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the quarter ended 31 December 2019 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 31 December 2018 numbers, thereby giving a user a view of the performance which excludes exchange variances.

2. The percentage change relates to the year-on-year percentage growth calculated as the percentage change between the quarter ended 31 December 2019 and quarter ended 31 December 2018 values.

Disclaimer

Additional financial and operational measures

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

Trademarks

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

Forward-looking statements

This announcement which sets out the quarterly results for Vodacom Group Limited for the quarter ended 31 December 2019 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations including the confirmation of the Group's targets; expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

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

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

Corporate Information

Vodacom Group Limited

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

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BP Mabelane, SJ Macozoma, P Mahanyele-Dabengwa, JWL Otty[3],
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[1]German [2]French [3]British [4]Italian [5]Indian

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ADR depository bank

Deutsche Bank Trust Company Americas

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