

Vodacom Group Limited

Trading update for the quarter ended 30 June 2020
Results announcement

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

News release

Vodacom Group Limited trading update for the quarter ended 30 June 2020

23 July 2020

Highlights

- Group service revenue was up 7.6% (2.6%*) and Group revenue grew by 5.6% (1.3%*), benefitting from strong growth in South Africa with customer demand increasing during the lock down period, while the International operations were negatively impacted by lower economic activity from the effects of COVID-19.
- South Africa service revenue growth was solid at 6.4% for the quarter, supported by strong demand for data and connectivity services in the period.
- International service revenue grew by 10.7% benefitting from the rand devaluation. Underlying performance was subdued with a 5.3% decline, as a result of lower economic trading activity, free M-Pesa services and customer registration requirements in these businesses.

Rm	Quarter ended 30 June		% change	
	2020	2019	Reported	Normalised*
Group service revenue	18 761	17 433	7.6	2.6
South Africa	13 378	12 577	6.4	6.4
International	5 658	5 112	10.7	(5.3)
Group revenue	22 730	21 527	5.6	1.3
South Africa	17 255	16 559	4.2	4.2
International	5 794	5 276	9.8	(6.2)

Shameel Joosub, Vodacom Group CEO commented:

In the face of an unprecedented global pandemic, Vodacom Group has responded rapidly to assist governments where it operates in curbing the spread of COVID-19 while also adapting to significant changes in customer demands and behaviour patterns. In South Africa, the combination of increased demand for data following significant tariff reductions of up to 40% effected on 1 April and more people working and being educated remotely, resulted in a significant increase in mobile and fixed traffic in the first quarter.

As a result, we accelerated network infrastructure spend by R500 million to R2.7 billion in Q1 and used the temporary assignment of spectrum by ICASA to rapidly increase network capacity to ensure that we continue to deliver a high quality experience to customers. The temporary spectrum assignment also allowed us to fast track the launch of South Africa's first mobile 5G network and our fixed 5G commercial service.

Notes:

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

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

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 30 June 2020 compared to the quarter ended 30 June 2019.

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).

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Collaboration is instrumental in defeating COVID-19 and it is for this reason we have concluded a number of innovative partnerships in recent months with particular emphasis on health, education, free public benefit services, big data analytics and financial services to support citizens and governments.

In addition to zero-rating numerous essential service and education websites, we donated 20 000 smartphones plus 100 terabytes of data and 10 million voice call minutes to the National Department of Health to collect and transmit data in real time for resource planning purposes as part of Government's accelerated COVID-19 testing campaign.

We partnered with Discovery Health, the country's largest administrator of medical schemes, to offer free virtual consultations with doctors to the general public to help alleviate pressure on the country's healthcare system by assisting in diagnosing COVID-19 as well as treating it.

More recently Vodacom South Africa partnered with Microsoft to launch the Connected Digital Education Platform which provides participating educational institutions, from schools through to universities, with significantly discounted data bundles and educators with the ability to deliver classes to learners where access to Microsoft Teams is provided for free.

Earlier this week we announced a ground-breaking technology partnership with Alipay, the world's leading digital daily lifestyle services platform, to bring inclusive mobile solutions to South African consumers and merchants, especially small businesses, through innovative digital technologies. In terms of the partnership, Vodacom Financial Services will work closely with Alipay to develop a single, affordable payments app for both customers and merchants that promotes greater financial inclusion within the communities in which we operate.

As part of a broader Vodacom Group programme to create a Social Contract with its stakeholders that addresses pressing societal challenges, we will continue to do everything in our power to support all governments throughout our African operations in whatever way we can.

Strong demand for voice, data and financial services contributed to the 6.4% increase in service revenue growth in South Africa while our International portfolio benefited significantly from currency changes to grow service revenue by 10.7%. This resulted in a 7.6% increase in service revenue across the Vodacom Group despite tougher economic trading conditions in most of our markets.

Excluding currency gains, underlying growth in our International portfolio declined by 5.3% as economic activity declined across these operations. We also reduced pricing on a temporary basis on a number of M-Pesa transactions to assist customers in contactless payment in light of social distancing initiatives.

While I am particularly pleased with the performance of our South African business, we remain cautious about the impact of COVID-19 on our operations and uncertainty about the pace of economic recovery in each of the countries where we operate as disposable income will increasingly come under pressure as a result of rising unemployment and reduced economic activity.

That said, we are fully focussed on delivering great value and an exceptional experience to our customers and committed to a prudently sustainable investment programme that continues to yield positive results.

Looking ahead, the long anticipated award of high-demand spectrum in South Africa remains instrumental in the data pricing dynamic in our largest market. Lengthy delays in completing the digital migration and allocating 4G spectrum continues to curb the pace at which data prices could have fallen. ICASA is expected to complete its spectrum allocation process by December 2020.

Operating review

South Africa

Service revenue grew 6.4% benefiting from increased demand for data and connectivity services as customers work, entertain and educate from home during the quarter. The significant growth in demand assisted in offsetting the effects from a price reduction on 30-day data bundles from 1 April 2020. Revenue grew by 4.2% impacted by lower equipment sales during the lock down period, but showed recovery during the latter part of the quarter.

Our customer base was down by 9.9%, mainly driven by reduced gross connections in the prepaid segment during the period of restricted movement. We are however encouraged that our 30 day active prepaid customer base grew by 0.9%. The contract customer base increased, benefiting from Enterprise customers extending more data lines.

In the prepaid segment, mobile customer revenue grew by 5.0%, aided by a greater share of wallet for connectivity services during the lock down period. This coupled with lower customer base in the period, saw ARPU increase by 20.8% to R64. The prepaid customer base declined by 11.9%, as gross additions during this period were weak due to store closures and restricted movements. Some recovery was seen when South Africa moved to Level 3 lock down at the end of the quarter.

Contract mobile customer revenue grew by 3.4% as data contracts and demand during this period surged. We offered a number of tailored products to support businesses to work from home and schools and universities to continue education initiatives. This led to a decrease in ARPU of 0.7%, due to the mix of lower data only contracts.

Data traffic increased by 97.7% for the quarter, as demand for connectivity services was key in keeping the economy going and learners educated. We also implemented price reductions of 34% on average from 1 April 2020 for 30-day data bundles. The increased demand more than offset these price reductions during the period. We also note an increase in data customers of 6.5% during the period with 13.2 million using 4G, up 29.4%.

Financial services grew by 10.9% during the period supported by Airtime Advance, which increased by 11.9%, as more customers were able to use the service – penetrating 28.0% of our prepaid base. Insurance policies increased 22.8% to 1.9 million long and short term policies.

Vodacom Business benefitted from higher inflow of MBB contracts and APN access. Fixed-line was up 7.4% as a result of new connections over the period. We also implemented highly discounted offers to enable education initiatives for universities and schools of which we saw very good take up of services.

We focused our capital expenditure on equipping our base stations with additional backup power and additional capacity in congested areas. This will ensure that our network remains more resilient during heightened demand and power loadshedding. We will continue to invest to ensure best quality of service for our customers during this period, within our historic capital intensity levels.

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Operating review (continued)

International

Service revenue in our International operations increased by 10.7% reflecting benefits on translation of these entities as the rand devalued. Normalised service revenue growth was negative by 5.3%*, impacted by a combination of subdued economic activities due to the COVID-19 pandemic, reduced pricing for M-Pesa transactions in some of our operations to enable social distancing and the barring of service to 2.9 million customers in Tanzania in Q4 of the prior year.

Customers increased 7.1% compared to the prior year, to 37.7 million with negative net additions in the quarter of 919 000 primarily in Tanzania. We deleted a number of customers in this quarter that remained inactive since barring services in Q4 in line with our 90-day churn policy.

While underlying growth in voice revenue was down 11.7% during this period, data customers increased 5.2% to 20.0 million, with data traffic increasing 44.3% driven by the need for “work from home” and substitution of data over voice during the various lock down periods in the DRC, Mozambique and Lesotho. Usage per customer increased on average 32.5%.

M-Pesa revenue was up 17.0% (-3.1%*) and customers increased 3.5% to 14.7 million. Revenue was impacted by discounted and free person-to-person (P2P) services in most markets. Movement restrictions in several of our markets has also seen trade reduced. This resulted in the value and number of transactions decreasing in the quarter.

We invested R803 million in capital expenditure, which enabled us to expand our 4G network in order to maintain the data availability during the quarter whereby customers were working from home.

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

Independent communications authority of South Africa (ICASA) – Assignment of High Demand Spectrum (HDS)

ICASA issued an Information Memorandum (IM) on 1 November 2019 in connection with the assignment of HDS. The IM sets out ICASA's proposed requirements, suggested options for spectrum assignment, obligations and other considerations for the assignment of HDS. Interested parties were invited to make proposals and recommendations on a number of aspects, including the options for spectrum assignment, obligations and the wireless open access network (WOAN) structure as well as the assignment process. Vodacom submitted comments on the IM on 31 January 2020. These comments included alternative recommendations on spectrum assignment, views on the implementation of the WOAN and its objectives, as well as obligations to be imposed on licensees. ICASA has subsequently issued a licensing notice which provides some insights into the process and anticipated timelines for licensing of the WOAN. These timelines envisage an award date for the WOAN towards the end of 2021. In respect of the Invitation to Apply (ITA) for spectrum, ICASA has made a number of public announcement that they are endeavouring to conclude the spectrum auction by December 2020, with assignment taking place shortly thereafter. Even though there are different timelines for assignment, it is our understanding that the ITA for the WOAN would be issued in a similar time frame as the ITA for other operators.

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 for comment, 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.

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

Tanzania customer registration

On 1 May 2019, the Tanzania Communication Regulatory Authority (TCRA) issued new customer registration guidelines, directing the biometric registration of Sim Cards using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), as the only accepted identification. From January until March 2020, a total of 2.9 million customers were barred from service, with 745 000 customers reconnected. Since April, the TCRA suspended further service barring due to COVID-19 pandemic. As at 30 June 2020, 2.1 million SIM Cards, generating more than TZS4.0 billion per month, remain not biometrically registered. We await further instruction from the TCRA with regard to the barring of service to the remaining non-biometrically registered SIM cards.

On 7 February 2020, the Government published new Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The Regulations provide for a biometric registration of SIM Cards using the National ID, as the sole means of registering SIM Cards in the United Republic of Tanzania. The regulation also introduced limitation on ownership of the number of SIM Cards for

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individuals and companies or institutions effective from 1 July 2020. An individual is not allowed more than one SIM Card for use on voice, SMS and data services and not more than four SIM Cards for use on machine to machine communication from each mobile network operator, unless approved by the regulator. A company or institution is allowed not more than 30 SIM Cards for use on voice, SMS and data services and not more than 50 SIM Cards for use on machine to machine communication from each mobile network operator, unless approved by the regulator. On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM Card ownership by 31 July 2020 through their mobile phones. A customer may request an approval for additional SIM Cards through service providers' retail outlets. The automated process of requesting approval for an additional SIM card will be implemented from 1 August 2020 whereby customers will initiate the request from their mobile phones through Unstructured Supplementary Service Data (USSD).

Lesotho enforcement proceedings

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

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Supplementary information

Financial review

Revenue for the quarter ended

Rm	30 June 2020	31 March 2020	30 June 2019	YoY % change	
				Reported	Normalised*
South Africa	17 255	17 493	16 559	4.2	4.2
International	5 794	5 558	5 276	9.8	(6.2)
Corporate and eliminations	(319)	(320)	(308)	(3.6)	(3.6)
Group revenue	22 730	22 731	21 527	5.6	1.3

Service revenue for the quarter ended

Rm	30 June 2020	31 March 2020	30 June 2019	YoY % change	
				Reported	Normalised*
South Africa	13 378	13 348	12 577	6.4	6.4
International	5 658	5 397	5 112	10.7	(5.3)
Corporate and eliminations	(275)	(293)	(256)	(7.4)	(7.4)
Group service revenue	18 761	18 452	17 433	7.6	2.6

Revenue for the quarter ended 30 June 2020

Rm	South Africa	YoY % change	International	YoY % change	Corporate/ Eliminations	Group	YoY % change
Mobile contract revenue	5 017	3.4	364	17.4	(2)	5 379	4.3
Mobile prepaid revenue	6 016	5.0	4 577	13.5	–	10 593	8.5
Customer service revenue	11 033	4.3	4 941	13.8	(2)	15 972	7.0
Mobile interconnect	435	(12.1)	347	14.9	(154)	628	(3.5)
Fixed service revenue	767	8.6	349	(20.0)	(102)	1 014	(2.5)
Other service revenue	1 143	43.6	21	(34.4)	(17)	1 147	39.5
Service revenue	13 378	6.4	5 658	10.7	(275)	18 761	7.6
Equipment revenue	2 463	(22.5)	71	(30.4)	(1)	2 533	(22.7)
Non-service revenue	1 414	76.3	65	4.8	(43)	1 436	75.3
Revenue	17 255	4.2	5 794	9.8	(319)	22 730	5.6
Included in service revenue:							
M-Pesa revenue	–	–	1 059	17.0	–	1 059	17.0

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Supplementary information (continued)

Financial review (continued)

Revenue for the quarter ended 30 June 2019

Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	4 850	310	(1)	5 159
Mobile prepaid revenue	5 730	4 032	(1)	9 761
Customer service revenue	10 580	4 342	(2)	14 920
Mobile interconnect	495	302	(146)	651
Fixed service revenue	706	436	(102)	1 040
Other service revenue	796	32	(6)	822
Service revenue	12 577	5 112	(256)	17 433
Equipment revenue	3 180	102	(7)	3 275
Non-service revenue	802	62	(45)	819
Revenue	16 559	5 276	(308)	21 527
Included in service revenue:				
M-Pesa revenue	–	905	–	905

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Supplementary information (continued)

South Africa key indicators

	30 June 2020	31 March 2020	30 June 2019	YoY % change
Customers¹ (thousand)	39 433	41 312	43 774	(9.9)
Prepaid	33 340	35 231	37 853	(11.9)
Contract	6 093	6 081	5 921	2.9
Data customers² (thousand)	21 226	21 891	19 930	6.5
Internet of Things connections³ (thousand)	5 422	5 289	4 537	19.5
Traffic⁴ (millions of minutes)	16 428	15 823	15 695	4.7
Outgoing	13 951	13 172	13 255	5.3
Incoming	2 477	2 651	2 440	1.5
MOU per month⁵	142	123	120	18.3
Prepaid	133	113	109	22.0
Contract	190	188	191	(0.5)
Total ARPU⁶ (rand per month)	99	88	85	16.5
Prepaid	64	55	53	20.8
Contract	288	286	290	(0.7)

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 sum of the customer and incoming revenue for the period by the average monthly active customers during the period. Prepaid and contract only include the revenue generated from Vodacom mobile customers.

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Supplementary information (continued)

International key indicators

	30 June 2020	31 March 2020	30 June 2019	YoY % change
Customers¹ (thousand)	37 676	38 595	35 180	7.1
Tanzania	14 743	15 513	14 322	2.9
DRC	13 909	13 766	12 348	12.6
Mozambique	7 556	7 656	7 108	6.3
Lesotho	1 468	1 660	1 402	4.7
Data customers² (thousand)	19 955	19 983	18 964	5.2
Tanzania	7 714	7 687	8 106	(4.8)
DRC	6 531	6 594	5 660	15.4
Mozambique	4 884	4 855	4 455	9.6
Lesotho	826	847	743	11.2
30-day active M-Pesa customers³ (thousand)	14 686	14 738	14 186	3.5
Tanzania	7 124	6 685	7 277	(2.1)
DRC	2 504	2 864	2 284	9.6
Mozambique	4 465	4 389	4 028	10.8
Lesotho	593	800	597	(0.7)
MOU per month⁴				
Tanzania	209	167	170	22.9
DRC	32	34	32	–
Mozambique	129	128	127	1.6
Lesotho	67	73	81	(17.3)
Total ARPU⁵ (rand per month)				
Tanzania	39	32	37	5.4
DRC	47	46	44	6.8
Mozambique	60	58	55	9.1
Lesotho	57	62	73	(21.9)
Total ARPU⁵ (local currency per month)				
Tanzania (TZS)	4 978	4 755	5 901	(15.6)
DRC (US\$)	2.6	3.0	3.1	(16.1)
Mozambique (MZN)	228	245	241	(5.4)

Notes:

- 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.
- 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.
- M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
- 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.
- Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period.

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Supplementary information (continued)

Historical financial review

Revenue for the quarter ended

Rm	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
South Africa	17 255	17 493	18 183	17 358	16 559	17 053	17 172
International	5 794	5 558	5 789	5 869	5 276	5 027	5 312
Corporate and eliminations	(319)	(320)	(346)	(365)	(308)	(332)	(312)
Group revenue	22 730	22 731	23 626	22 862	21 527	21 748	22 172

Revenue yoy % change for the quarter ended

%	30 June 2020	Reported			Normalised* 30 June 2020
		31 March 2020	31 December 2019	30 September 2019	
South Africa	4.2	2.6	5.9	4.2	
International	9.8	10.6	9.0	(6.2)	
Corporate and eliminations	(3.6)	3.6	(10.9)	(3.6)	
Group revenue	5.6	4.5	6.6	1.3	

Service revenue for the quarter ended

Rm	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
South Africa	13 378	13 348	13 567	13 220	12 577	12 845	12 975
International	5 658	5 397	5 622	5 668	5 112	4 885	5 160
Corporate and eliminations	(275)	(293)	(290)	(318)	(256)	(289)	(261)
Group service revenue	18 761	18 452	18 899	18 570	17 433	17 441	17 874

Service revenue yoy % change for the quarter ended

%	30 June 2020	Reported			Normalised* 30 June 2020
		31 March 2020	31 December 2019	30 September 2019	
South Africa	6.4	3.9	4.6	6.4	
International	10.7	10.5	9.0	(5.3)	
Corporate and eliminations	(7.4)	(1.4)	(11.1)	(7.4)	
Group service revenue	7.6	5.8	5.7	2.6	

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Supplementary information (continued)

Historical key indicators

South Africa for the quarter ended

	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Customers¹ (thousand)	39 433	41 312	44 341	43 857	43 774	43 166	43 838
Prepaid	33 340	35 231	38 279	37 830	37 853	37 331	38 215
Contract	6 093	6 081	6 062	6 027	5 921	5 835	5 623
Data customers² (thousand)	21 226	21 891	22 878	21 420	19 930	19 952	20 345
Internet of Things connections³ (thousand)	5 422	5 289	4 678	4 574	4 537	4 514	4 335
Traffic⁴ (millions of minutes)	16 428	15 823	16 228	16 324	15 695	15 330	15 987
Outgoing	13 951	13 172	13 664	13 784	13 255	12 996	13 595
Incoming	2 477	2 651	2 564	2 540	2 440	2 334	2 392
MOU per month⁵	142	123	122	124	120	118	121
Prepaid	133	113	113	113	109	106	110
Contract	190	188	180	194	191	193	197
Total ARPU⁶ (rand per month)	99	88	87	85	85	87	86
Prepaid	64	55	54	53	53	54	55
Contract	288	286	295	291	290	304	307

Notes:

- 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.
- 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.
- 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.
- 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.
- 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.
- Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period. Prepaid and contract only include the revenue generated from Vodacom mobile customers.

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Supplementary information (continued)

Historical key indicators (continued)

International for the quarter ended

	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Customers¹ (thousand)	37 676	38 595	38 241	36 587	35 180	34 620	35 164
Tanzania	14 743	15 513	15 597	14 755	14 322	14 133	14 070
DRC	13 909	13 766	13 402	12 995	12 348	12 180	12 830
Mozambique	7 556	7 656	7 522	7 279	7 108	6 843	6 689
Lesotho	1 468	1 660	1 720	1 558	1 402	1 464	1 575
Data customers² (thousand)	19 955	19 983	20 593	19 678	18 964	17 664	18 522
Tanzania	7 714	7 687	8 369	8 166	8 106	7 892	8 132
DRC	6 531	6 594	6 330	6 071	5 660	4 749	5 021
Mozambique	4 884	4 855	4 984	4 656	4 455	4 289	4 577
Lesotho	826	847	910	785	743	734	792
MOU per month³							
Tanzania	209	167	169	180	170	157	168
DRC	32	34	36	34	32	31	36
Mozambique	129	128	141	133	127	136	146
Lesotho	67	73	84	85	81	74	82
30-day active M-Pesa customers⁴ (thousand)	14 686	14 738	14 847	14 297	14 186	13 500	13 409
Tanzania	7 124	6 685	7 477	7 197	7 277	6 989	6 892
DRC	2 504	2 864	2 316	2 228	2 284	2 116	2 240
Mozambique	4 465	4 389	4 305	4 217	4 028	3 860	3 775
Lesotho	593	800	749	655	597	535	502
Total ARPU⁵ (rand per month)							
Tanzania	39	32	37	39	37	35	39
DRC	47	46	46	48	44	41	41
Mozambique	60	58	61	62	55	53	60
Lesotho	57	62	70	71	73	66	72
Total ARPU⁵ (local currency per month)							
Tanzania (TZS)	4 978	4 755	5 826	6 050	5 901	5 752	6 205
DRC (US\$)	2.6	3.0	3.1	3.3	3.1	2.9	2.9
Mozambique (MZN)	228	245	260	261	241	234	255

Notes:

- 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.
- 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.
- 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.
- M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
- Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period.

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Supplementary information (continued)

Historical key indicators (continued)

Average quarter-to-date exchange rates

	30 June 2020	31 March 2020	30 June 2019	YoY % change	Quarterly % change
USD/ZAR	17.94	15.37	14.39	24.7	16.7
ZAR/MZN	3.82	4.21	4.39	(13.0)	(9.2)
ZAR/TZS	129.14	150.57	159.82	(19.2)	(14.2)
EUR/ZAR	19.75	16.94	16.17	22.1	16.6
ZAR/KES	5.94	6.65	7.04	(15.6)	(10.7)

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 to 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 and excluding mergers, acquisition and disposal activity, 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 30 June 2020

Rm	Reported	Translation FX ¹	Mergers, Acquisitions and disposals	Normalised*
Revenue				
Group	22 730	–	–	22 730
International	5 794	–	–	5 794
Service revenue				
Group	18 761	–	–	18 761
International	5 658	–	–	5 658
M-Pesa revenue				
International	1 059	–	–	1 059

Reconciliation of normalised values for the quarter ended 30 June 2019

Rm	Reported	Translation FX ¹	Mergers, Acquisitions and disposals	Normalised*
Revenue				
Group	21 527	1 071	(165)	22 433
International	5 276	1 071	(165)	6 182
Service revenue				
Group	17 433	1 025	(165)	18 293
International	5 112	1 025	(165)	5 972
M-Pesa revenue				
International	905	193	–	1 098

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Supplementary information (continued)

Pro-forma financial information (continued)

Reconciliation of normalised growth for the quarter ended 30 June 2020

%	Reported % change ²	Translation FX ppts	Mergers, Acquisitions and disposals ³	Normalised* % change
Revenue				
Group	5.6	(5.0)	0.7	1.3
International	9.8	(19.0)	3.0	(6.2)
Service revenue				
Group	7.6	(6.0)	1.0	2.6
International	10.7	(19.0)	3.0	(5.3)
M-Pesa revenue				
International	17.0	(20.6)	–	(3.6)

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 30 June 2020 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 30 June 2019 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 30 June 2020 and quarter ended 30 June 2019 values.
3. Mergers, acquisitions and disposals relates to the disposal of subsidiaries as disclosed in Note 8.4 in the preliminary condensed consolidated financial statements for the year ended 31 March 2020.

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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

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Forward-looking statements

This announcement which sets out the quarterly results for Vodacom Group Limited for the quarter ended 30 June 2020 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations including the confirmation of the Group's targets; expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum 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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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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V Badrinath², DH Brown, P Klotze³, P Mahanyele-Dabengwa (Alternate NC Nqweni),
JWL Otty¹, KL Shuenyane, S Sood⁴, CB Thomson, LS Wood¹ (Alternate F Bianco⁵)

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