

Vodacom Group Limited

Trading update for the quarter ended 31 December 2022

Vodacom Group Limited trading update for the quarter ended 31 December 2022 (the quarter)

31 January 2023

Highlights

- Group revenue increased 14.8% (4.7%*) to R30.7 billion, positively impacted by the acquisition of Vodafone Egypt and rand depreciation against our basket of international currencies.
- Group service revenue was up 16.1%, with normalised growth of 3.5%*, supported by growth in data revenue and financial services.
- South Africa service revenue grew 3.0%, underpinned by a strong performance in mobile prepaid.
- International service revenue increased 18.0% (4.5%*), driven by data revenue growth and a weaker rand.
- Financial services revenue increased 30.6% (16.5%*) to R2.6 billion, with VodaPay super-app downloads reaching 4.5 million.
- Vodafone Egypt was consolidated from 8 December 2022.

Rm	Quarter ended 31 December		YoY % change	
	2022	2021	Reported	Normalised*
Group service revenue	23 998	20 664	16.1	3.5
South Africa	15 393	14 950	3.0	
Egypt	1 821	^	^	
International	6 975	5 913	18.0	4.5
Group revenue	30 705	26 745	14.8	4.7
South Africa	21 915	20 875	5.0	
Egypt	1 876	^	^	
International	7 126	6 110	16.6	3.3

Shameel Joosub, Vodacom Group CEO commented:

The third quarter of our current financial year is the first set of results that includes revenues from what we expect will be a transformative transaction for the Group – our acquisition of a 55% stake in Vodafone Egypt. In December last year we announced the finalisation of the R43.6 billion deal, the largest in Vodacom Group's history, and one that cements our position as a leading pan-African technology company in addition to diversifying and accelerating our growth profile. It also means that our population reach exceeds 500 million people across Africa, providing a clear growth path for Vodacom.

Vodafone Egypt was consolidated from 8 December 2022, contributed over R1.8 billion to Group service revenues and was a key factor, alongside currency gains and operating model resilience, in the 16.1% improvement in our service revenue, despite ongoing financial market volatility and weaker prospects for the global economy.

The 4.7%* increase in normalised Group revenue – which strips out currency fluctuations and the impact of Vodafone Egypt's acquisition – underscores the ongoing resilience of the Group's portfolio at a time when economic uncertainty prevails in the face of the war in Ukraine and the supply chain impacts of the COVID-19 pandemic.

In addition to delivering value to shareholders by ensuring the smooth integration of Vodafone Egypt into the Vodacom Group, we remain firmly focused on our purpose of connecting people for a better future and, in particular, assisting customers impacted by cost of living constraints.

A prime example of delivering on this promise was through our recent innovative summer campaign whereby customers in South Africa, our largest market, benefited from Vodabucks rewards, which were convertible into cash and could be used for purchases on the VodaPay super-app. While producing even greater value to customers, this mechanism also showcases an evolution in the Vodacom ecosystem that resulted in a significant uplift in downloads of the VodaPay super-app, breaking through the 4.5 million mark, with 2.7 million registered users.

Notes:

Certain financial information presented in this trading update 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 31 December 2022 compared to the quarter ended 31 December 2021.

* Normalised growth which presents performance on a comparable basis. This adjusts for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results. Amounts marked with an * in this document represent normalised growth as defined above.

^ Vodafone Egypt Telecommunications SAE (Vodafone Egypt) was consolidated from 8 December 2022 representing the effective date of the transaction. No comparative information or growth rates are included.

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Another of our many purpose-led initiatives which I am proud of is our 'Code Like A Girl' programme. This programme aims to tackle low representation of girls in Science, Technology, Engineering and Mathematics (STEM) education and get more girls into careers that require coding skills, or to help them get a start as STEM entrepreneurs. First implemented in 2017, we have ramped up efforts in the quarter, particularly in South Africa, Mozambique and Lesotho. By connecting more girls through 'Code Like A Girl', investments of this nature are helping to build a more digital, inclusive, sustainable future on the continent.

Our sustained investments into technology innovation and our network infrastructure has further enhanced the experience we deliver to customers and this philosophy continues to reap rewards, evidenced by Vodacom South Africa's 5.0% increase in revenue. In addition to a successful summer campaign, this growth was led by a greater contribution from new services and an acceleration in prepaid mobile revenue.

Our proposed purchase of a joint venture stake in South African fibre company Maziv, previously InfraCo, is expected to assist in narrowing the digital divide by enabling affordable access to connectivity in some of the most vulnerable parts of the country through an ambitious fibre roll-out programme. The joint venture will house the material fibre network assets of Vodacom South Africa and CIVH and having received ICASA approval in October last year, the transaction remains subject to the Competition Commission's ongoing approval process.

Financial services, the fastest growing contributor to the Group's suite of new services, remains a clear strategic priority and continues to gather momentum. This is evidenced by the 30.6% increase in financial services revenue to reach R2.6 billion, largely on the back of demand for services on an evolving M-Pesa platform across our international portfolio as well as double digit growth in insurance policy and Airtime Advance sales in South Africa.

Supported by our continued focus on financial inclusion and accelerated capital expenditure, service revenue for our International operations grew 18.0% to R7.0 billion, or 4.5%* on a normalised basis. The reported growth was underpinned by a 33.6% (18.3%*) increase in M-Pesa revenue and a 32.5% rise in data revenue. Over the last twelve months, M-Pesa processed US\$366.7 billion, an increase of 17.0%, and remains Africa's largest mobile money platform by transaction value.

Digital inclusion remains a key focus for our International portfolio, where we invested R1.1 billion in capital expenditure in addition to spectrum purchases in Tanzania and Mozambique during the quarter. Investments of this nature are an important contributor to driving data affordability and accelerating fixed-wireless access across our footprint.

Looking ahead, the operating environment that we face requires an unwavering focus to deliver our strategy, to meet our business objectives and to serve our customers. We continue to ensure that we have the right measures in place – including our commercial initiatives and cost efficiency programmes – to help mitigate the impacts from the global macroeconomic risks.

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Group review

Growth outlook enhanced as Vodafone Egypt acquisition completed

On 13 December 2022 the Group announced that we had completed the acquisition of a 55% shareholding in Vodafone Egypt Telecommunications SAE (Vodafone Egypt) from Vodafone Group Plc (Vodafone). The offer consideration was settled through the issuance of 241,976,243 new Group shares and €577 million (equating to c.R10.8 billion) of cash. Following completion, Vodafone's shareholding in Vodacom Group increased from 60.5% to 65.1%.

The Vodafone Egypt acquisition presents a unique opportunity to advance our strategic connectivity and financial services ambitions through one of Africa's premier telecom operators. Vodafone Egypt is a clear market leader, with 43.5% mobile revenue share based on our estimates, and is strategically positioned to capture growth in a fast-growing Information and Communications Technology market. Vodafone Egypt's market leadership is supported by its strong brand, spectrum portfolio, network leadership and advanced customer segmentation capabilities.

In addition to being an attractive asset on a standalone basis, we see scope to create significant value by scaling our multi-product strategy, which we refer to as the system of advantage, into Egypt. A key element of the system of advantage is financial services. With an unbanked population of 74%, according to World Bank data, we see a compelling addressable market opportunity for Vodafone Egypt and scope to leverage Vodacom Group's financial services platforms (inter alia, M-Pesa, VodaPay and VodaSure products), global partnerships and best practices. In addition to financial services, we see attractive synergy potential from combining Vodafone Egypt's in-house software development with our existing big data capabilities, closer cooperation in scaling pan-African enterprise and Internet of Things (IoT) solutions, enabling the proliferation of digital services through a platform approach, and also talent sharing. As we evolve from a telco to a techco, access to skilled talent is critical with Vodafone Egypt being an excellent source.

As we execute on our system of advantage and integrate Vodafone Egypt into the Group, we expect the acquisition will enhance our return and growth prospects, including our medium-term service revenue and EBITDA growth outlook. We intend to communicate our updated medium-term targets with our full year results due on or around 15 May 2023.

Third quarter growth elevated by Vodacom Egypt and FX

Group service revenue grew 16.1% in the quarter to R24.0 billion, positively impacted by the acquisition of Vodafone Egypt and rand depreciation against our basket of International currencies. Normalised service revenue growth of 3.5%* was underpinned by mobile prepaid revenue in South Africa and growth in new services. Prepaid mobile revenue growth in South Africa accelerated 1.0ppt from the second quarter to 3.7%, despite macro challenges associated with higher inflation and power availability. The growth acceleration reflects our investment into best in class network resilience, capacity and availability and a successful summer campaign. Separately, financial services, the largest component of new services, delivered growth of 30.6% as we continue to scale user adoption and new products and services. In aggregate, our new services, which include digital and financial, fixed and IoT amounted to R4.7 billion and contributed 19.7% of Group service revenue, up from 17.7% in the prior year period.

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Leading African fintech operator

Financial services revenue Rm	Quarter ended 31 December		% change	
	2022	2021	Reported	Normalised*
South Africa	779	692	12.6	12.6
Egypt	85	^	^	
International	1 762	1 319	33.6	18.3
Consolidated Group	2 626	2 011	30.6	16.5

Financial services revenue reached R2.6 billion in the quarter, up 30.6% (16.5%*). In South Africa, growth was fuelled by our insurance business, which posted revenue growth of 13.5% and a pleasing recovery in Airtime Advance revenue growth. Normalised M-Pesa revenue grew 18.3% in the third quarter, as Tanzania lapped mobile money levies imposed in July 2021 and our new financial services continued to scale. New financial services such as loans and merchant services contributed half of M-Pesa revenue growth in the quarter.

Our financial services strategy is supported by a dual-sided ecosystem across consumers and merchants, bringing these segments together through exceptional and personalised experiences relating to entertainment, e-commerce, payments, savings, investments, lending and insurance services. As key drivers of this strategy, our two super-apps – VodaPay and M-Pesa – integrate our own products and services with the best offerings from our partners. In South Africa, our super-app, VodaPay, was integral to our summer campaign and reached 4.5 million downloads.

Alongside the super-app roll-out, our active merchant base continued to scale meaningfully in South Africa and across our International markets. Our merchant base across International was up four-fold to 158 000. This growth helps expand our addressable commission pool beyond peer-to-peer payments and withdrawals into both online and offline commerce.

Our M-Pesa platform, including Safaricom, processed US\$366.7 billion of transaction value over the last twelve months, up 17.0%, representing clear leadership in the African fintech space.

Regulatory update on transaction with CIVH

On 10 November 2021, the Group announced a major step forward in scaling our fibre offering in South Africa. Through the announced acquisition of an initial 30% stake in Maziv, a joint venture that will house fibre assets of Vodacom South Africa and CIVH, we will gain exposure to highly attractive and fast-growing businesses and South Africa's largest open access fibre players including Vumatel and Dark Fibre Africa. Vodacom has an option to increase the stake to 40% and with our capital injection and strategic support we will further accelerate the growth trajectory of these fibre assets. The deal is closely aligned with the build-out of our system of advantage, which is aimed at delivering diversified and differentiated connectivity offerings to our customers. Further, we expect that this investment will accelerate fibre reach in South Africa, fostering economic development and helping bridge South Africa's digital divide. The joint venture acquisition remains subject to Competition Commission approval, having received approval from ICASA, subject to licence conditions such as open-access in October 2022.

Ethiopia network roll-out reaches more cities

Safaricom is a strategic asset of the Group. In support of Safaricom's long-term growth outlook, we participated as a minority investor in a Safaricom-led consortium that obtained a mobile telecom licence in Ethiopia. Pleasingly, in October 2022, Safaricom Ethiopia commercially launched mobile operations in the country. Further, it was announced at the launch that Safaricom Ethiopia will be awarded a mobile financial services licence. These important milestones accelerate our ambition to transform lives in the country as we seek to connect every Ethiopian to the global digital economy and having surpassed 1 million active customers in mid-November, Safaricom Ethiopia's network roll-out continued apace in the quarter. By 31 December 2022, Safaricom Ethiopia had expanded its network coverage to 21 cities across Ethiopia, on track to reach its goal of 25 cities by April 2023.

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Operating review

South Africa

Summary financial information for the quarter ended

	31 December 2022	30 September 2022	31 December 2021	YoY % change Reported
Revenue (Rm)	21 915	20 920	20 875	5.0
Service revenue (Rm)	15 393	14 989	14 950	3.0
Capital expenditure (Rm)	2 681	3 495	2 320	15.6
Customers (000)	44 668	45 512	45 772	(2.4)

Service revenue increased 3.0% (2Q: 3.1%) to R15.4 billion, as our investment into network resilience and capacity complemented higher customer engagement levels associated with a successful summer campaign and our customer value management (CVM) powered personalised offers. Through our innovative summer campaign customers were rewarded with Vodabucks by completing personalised goals such as recharging, buying bundles or paying their bills keeping our customers engaged on our network while rewarding them for their loyalty. New services such as financial and digital services, fixed and IoT were up 9.9% and contributed R2.3 billion, or 15.0% of South Africa's service revenue. Revenue of R21.9 billion increased by 5.0%, supported by strong growth in equipment revenue.

Mobile contract customer revenue increased 3.1% to R5.7 billion, supported by improved growth in our consumer segment. Growth in the consumer segment benefited from strong demand for data services and the contract price increases of between 3% - 5% implemented in the first quarter of the financial year. Mobile contract ARPU of R299 was flat with the price increases offset by repricing pressure associated with the government contract for mobile services (RT15) within Vodacom Business. We added 132 000 contract customers in the quarter, with a base of 6.7 million, up 4.6%.

Our prepaid segment delivered a good result given the challenging macro backdrop associated with higher inflation and power availability challenges. Mobile prepaid revenue growth accelerated to 3.7% from 2.7% in the second quarter and was underpinned by best in class network availability and our summer campaign as we leveraged our advanced CVM capabilities to drive engagement and increase usage. Prepaid ARPU of R61 was up 7.0%, while subscriber growth was impacted by a clean-up of 1.1 million non-revenue generating content customers.

Data traffic growth accelerated to 39.3% in the quarter, supported by our investment into network resilience. Data customers of 25.5 million were up 9.0%, representing 70.6% penetration of our one-month active customer base. Smart devices on our network were up by 13.0% to 29.5 million, while the average usage per smart device increased 27.4% to 3.2GB per month. The number of 4G devices on our network increased 11.4% to 19.2 million. Prepaid data revenue of R3.0 billion was up 14.0%.

Service revenue from financial services was up 12.6% to R779 million, with the customer base reaching 14.7 million. Revenue growth was supported by our insurance portfolio, with the number of policies up 11.1% to 2.6 million. Our Airtime Advance product remained a key contributor to financial services revenue, and posted a pleasing acceleration in the third quarter. We advanced R3.4 billion in airtime, amounting to 45.1% of total prepaid recharges. Our super-app, VodaPay, continues to gain traction with more than 4.5 million downloads, 2.7 million registered users and over 100 mini apps. We continue to expand our offerings as we drive deeper penetration of financial services and are on track to scale VodaPay cash-in/cash-out in the next financial year.

Vodacom Business service revenue declined by 3.5% to R4.3 billion, impacted by a decline in wholesale revenue as we lapped a strong prior year comparative period as well as the repricing pressures associated with the RT15 government contract. IoT connections were up 15.4% to 7.1 million, with one-off project revenue supporting the comparative period.

Fixed service revenue was up 10.7%, excluding wholesale transit. This was supported by strong customer adoption of fibre, with homes and businesses connected reaching 155 760, while our own fibre passed 163 910 homes and businesses. On 10 November 2021, the Group announced a major step forward in scaling our fibre offering in South Africa. Through the proposed acquisition of an up to 40% joint venture stake in Maziv, Vodacom will gain exposure to highly attractive and fast-growing businesses and South Africa's largest open access fibre players including Vumatel and Dark Fibre Africa.

We invested R2.7 billion in the quarter to expand network capacity to manage the growing demand for data, modernise our network and enhance our IT platforms to support the build-out of best-in-class networks and platforms as we leverage our newly acquired spectrum assets in South Africa.

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Operating review (continued)

Egypt

Vodafone Egypt contributed service revenue of R1.8 billion for the period of consolidation from 8 December to 31 December 2022. Service revenue for the third quarter was up 23.4% in local currency, accelerating from the prior quarter as a result of incremental data demand associated with the FIFA World Cup 2022. Growth was also supported by Vodafone Cash and fixed line services.

Vodafone Egypt ended the quarter with 45.1 million customers. ARPU growth of 17.5% reflected strong commercial traction in the quarter supported by our 'The Network is Now Doubled' campaign. The campaign highlighted the significant investment into the network and spectrum over the last two years, in particular. Capital investment for the period of consolidation was R0.3 billion, while for the quarter it amounted to R1.1 billion.

Data metrics were strong in the quarter supported by network investment. Data traffic was up 44.8% in the quarter support by data customer growth of 11.0% to 25.6 million. Smart devices on our network were up by 58.4% to 30.8 million.

Growing financial services is a key priority for the Group and Vodafone Egypt. Financial services revenue for Vodacom Egypt was R85 million for the period of consolidation and R351 million for the quarter, accounting for 4.5% of service revenue. Vodafone Egypt financial services customers reached 4.8 million in the quarter, up 59.2%.

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Operating review (continued)

International

Summary financial information for the quarter ended

	31 December 2022	30 September 2022	31 December 2021	YoY % change	
				Reported	Normalised*
Revenue (Rm)	7 126	6 984	6 110	16.6	3.3
Service revenue (Rm)	6 975	6 778	5 913	18.0	4.5
Capital expenditure (Rm)	1 133	1 323	895	26.6	
Customers (000)	48 147	43 886	42 122	14.3	

Service revenue for our International operations was R7.0 billion, up 18.0%, or 4.5%* (2Q: 8.7%*) on a normalised basis. Growth was supported by M-Pesa revenue and data revenue, which were up 33.6% (18.3%*) and 32.5% (17.5%*) respectively. M-Pesa revenue growth was a result of continued customer and service adoption, consistent with our commitment to financial inclusion. The strong performance in data revenue was underpinned by increased smartphone adoption and our 4G network roll-out. The normalised service revenue growth rate of 4.5%* eased from the second quarter as a result of network availability challenges in the DRC associated with the floods in Kinshasa and fuel supply disruptions.

We added 4.3 million customers in the quarter reaching a customer base of 48.1 million, supported by strong commercial execution. Despite the customer additions, voice revenue declined by 8.2%* highlighting the pressure on consumer spending and heightened competition.

Data revenue was R1.6 billion, up 17.5%* on a normalised basis and contributed 23.1% of International service revenue in the quarter. This result was underpinned by network investment, particularly into 4G capacity, and focused campaigns aimed at promoting data usage with data traffic growth of 30.8%. We added 0.7 million data customers to reach a base of 21.8 million, representing 51.6% penetration of our 30-day active base. Smartphone adoption remains a key focus area to drive digital inclusion and data usage. Pleasingly, we added 1.2 million smartphone users in the quarter to reach 14.0 million, as we leverage partnerships with global technology companies and innovative financing options to support adoption.

M-Pesa revenue grew 33.6% to R1.8 billion, supported by customer growth and new service adoption, such as lending. We added 1.3 million M-Pesa customers in the quarter, with penetration of our one-month active base at 46.3%. New growth areas such as lending and savings products continue to gain traction, contributing half of the growth in the quarter. We granted loans of R3.2 billion in the quarter, more than doubling, supported by products such as 'Songesha' in Tanzania and 'Txuna' in Mozambique. M-Pesa transaction values processed on our platform over the last twelve months, including Safaricom, were US\$366.7 billion, up 17.0%.

Capital expenditure was R1.1 billion in the quarter, with 4G sites up 25.0%. We also invested in additional spectrum in Tanzania and Mozambique, respectively. This investment is critical to providing affordable data pricing and unlocking the potential of fixed-wireless access across our markets.

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.

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Regulatory matters

ICASA – Assignment of High Demand Spectrum (HDS)

An auction for high demand spectrum was concluded on 17 March 2022 and Vodacom secured 110 MHz of HDS spectrum including 2 x 10 MHz in the 700 MHz spectrum band, 80 MHz in the 2 600 MHz spectrum band, and 10 MHz in the 3 500 MHz spectrum band, for an amount of R5.4 billion. The spectrum licence was effective on 1 July 2022 and Vodacom paid R3.2 billion in the first half of the financial year for this spectrum. The balance of the spectrum amount will become payable once the remainder of the spectrum becomes available for use.

ICASA – Approval of transaction with CIVH

On 10 November 2021, the Group announced an investment into a joint venture recently incorporated as Maziv (Proprietary) Limited (Maziv), previously InfraCo, that will house the material fibre network assets of Vodacom South Africa and CIVH. The operating companies of Maziv include Dark Fibre Africa (Proprietary) Limited (DFA) and Vumatel (Proprietary) Limited. During October 2022, ICASA approved the transaction subject to the incorporation of conditions relating to the provision of open-access network services, along with limitations on ownership and control, into DFA's licences. The Competition Commission approval process is ongoing.

Tanzania Communications Regulatory Authority (TCRA) – Assignment of HDS

The TCRA held an auction for high demand spectrum on 11 October 2022. Vodacom Tanzania participated in the auction and secured winning bids for the one block of 2 x 10 MHz in the 700 MHz band, the two blocks each comprising 1 x 35 MHz in the 2 300 MHz band and one block of 1 x 20 MHz in the 2 600 MHz band. The total purchase price was US\$63.2 million and secured Vodacom Tanzania an attractive spectrum portfolio to support its network expansion plans and unlock further growth potential.

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Supplementary information

Financial review

Revenue for the quarter ended 31 December 2022

Rm	YoY %		Egypt	International	YoY %		Corporate/ Eliminations	Group	YoY %
	South Africa	change			change	change			
Mobile contract revenue	5 735	3.1	294	570	35.4	(3)	6 596	10.2	
Mobile prepaid revenue	6 783	3.7	1 116	5 727	17.2	—	13 626	19.3	
Customer service revenue	12 518	3.4	1 410	6 297	18.6	(3)	20 222	16.2	
Mobile interconnect	426	2.9	219	322	0.6	(99)	868	40.5	
Fixed service revenue	1 067	11.8	107	314	24.1	(79)	1 409	24.6	
Other service revenue	1 382	(6.6)	85	42	31.3	(10)	1 499	(0.5)	
Service revenue	15 393	3.0	1 821	6 975	18.0	(191)	23 998	16.1	
Equipment revenue	4 797	10.9	5	86	(25.9)	(3)	4 885	10.0	
Non-service revenue	1 725	7.7	50	65	(19.8)	(18)	1 822	11.0	
Revenue	21 915	5.0	1 876	7 126	16.6	(212)	30 705	14.8	

Revenue for the quarter ended 31 December 2021[^]

Rm	South Africa		International		Corporate/ Eliminations		Group	
Mobile contract revenue	5 564		421		(2)		5 983	
Mobile prepaid revenue	6 538		4 887		—		11 425	
Customer service revenue	12 102		5 308		(2)		17 408	
Mobile interconnect	414		320		(116)		618	
Fixed service revenue	954		253		(76)		1 131	
Other service revenue	1 480		32		(5)		1 507	
Service revenue	14 950		5 913		(199)		20 664	
Equipment revenue	4 324		116		(1)		4 439	
Non-service revenue	1 601		81		(40)		1 642	
Revenue	20 875		6 110		(240)		26 745	

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Supplementary information (continued)

Historical financial review

Revenue for the quarter ended

Rm	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	30 June 2021
South Africa	21 915	20 920	20 268	20 680	20 875	19 737	19 535
Egypt	1 876	^	^	^	^	^	^
International	7 126	6 984	6 038	5 720	6 110	5 563	5 495
Corporate and eliminations	(212)	(247)	(250)	(265)	(240)	(223)	(251)
Group revenue	30 705	27 657	26 056	26 135	26 745	25 077	24 779

Revenue yoy % change for the quarter ended

%	Reported		Normalised*	
	31 December 2022	30 September 2022	31 December 2021	31 December 2022
South Africa	5.0	6.0	5.8	5.0
International	16.6	25.5	7.5	3.3
Group revenue	14.8	10.3	6.4	4.7

Service revenue for the quarter ended

Rm	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	30 June 2021
South Africa	15 393	14 989	14 496	14 961	14 950	14 545	14 070
Egypt	1 821	^	^	^	^	^	^
International	6 975	6 778	5 854	5 586	5 913	5 412	5 301
Corporate and eliminations	(191)	(192)	(196)	(189)	(199)	(207)	(206)
Group service revenue	23 998	21 575	20 154	20 358	20 664	19 750	19 165

Service revenue yoy % change for the quarter ended

%	Reported		Normalised*	
	31 December 2022	30 September 2022	31 December 2021	31 December 2022
South Africa	3.0	3.1	4.5	3.0
International	18.0	25.2	6.7	4.5
Group service revenue	16.1	9.2	5.3	3.5

Financial services revenue

Rm	Quarter ended 31 December		% change	
	2022	2021	Reported	Normalised*
South Africa	779	692	12.6	
Egypt	85	^	^	^
International	1 762	1 319	33.6	18.3
Tanzania	714	536	33.2	18.4
DRC	481	332	44.9	27.2
Mozambique	524	413	26.9	11.5
Lesotho	43	38	13.2	13.2
Consolidated Group	2 626	2 011	30.6	16.5

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Supplementary information (continued)

Historical key indicators

South Africa for the quarter ended

	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021	YoY % change
Customers¹ (thousand)	44 668	45 512	45 086	45 459	45 772	(2.4)
Prepaid	37 937	38 913	38 549	38 974	39 337	(3.6)
Contract	6 731	6 599	6 537	6 485	6 435	4.6
Data customers² (thousand)	25 493	23 774	22 971	23 475	23 383	9.0
IoT connections³ (thousand)	7 137	7 084	6 736	6 596	6 183	15.4
Traffic⁴ (millions of minutes)	17 008	17 360	16 505	16 609	16 724	1.7
Outgoing	14 112	14 424	13 674	13 760	14 288	(1.2)
Incoming	2 896	2 936	2 831	2 849	2 436	18.9
MOU per month⁵	127	127	121	121	121	5.0
Prepaid	120	119	112	111	111	8.1
Contract	169	178	179	183	183	(7.7)
Total ARPU⁶ (rand per month)	97	93	89	91	91	6.6
Prepaid	61	58	55	54	57	7.0
Contract	299	301	294	312	302	(1.0)

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.

Egypt for the quarter ended

	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021	YoY % change
Closing customers¹ (thousand)	45 083	44 583	43 792	42 816	43 753	3.0
ARPU² (local currency per month)	67	65	61	57	57	17.5
Prepaid ARPU	60	58	55	50	51	17.6
Contract ARPU	122	120	109	107	93	31.2

Notes:

- A customer is defined as a Subscriber Identity Module (SIM), or in territories where SIMs do not exist, a unique mobile telephone number which has access to the network for any purpose (including data only usage) except telemetric applications.
- ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.

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Historical key indicators (continued)

International for the quarter ended

	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021	YoY % change
Customers¹ (thousand)	48 147	43 886	42 662	41 716	42 122	14.3
Tanzania	16 292	16 008	15 595	15 368	15 365	6.0
DRC	19 184	16 109	16 019	15 512	15 873	20.9
Mozambique	10 904	10 016	9 184	8 954	8 973	21.5
Lesotho	1 767	1 753	1 864	1 882	1 911	(7.5)
Data customers² (thousand)	21 803	21 141	19 822	21 175	21 493	1.4
Tanzania	8 445	7 971	7 460	7 603	7 641	10.5
DRC	6 495	6 713	6 150	7 326	7 310	(11.1)
Mozambique	5 942	5 626	5 333	5 372	5 549	7.1
Lesotho	921	831	879	874	993	(7.3)
MOU per month³						
Tanzania	286	288	260	237	246	16.3
DRC	29	32	33	31	31	(6.5)
Mozambique	102	111	109	109	121	(15.7)
Lesotho	74	65	58	60	63	17.5
Total ARPU⁴ (rand per month)						
Tanzania	42	40	34	32	35	20.0
DRC	50	54	48	44	43	16.3
Mozambique	54	57	55	55	61	(11.5)
Lesotho	54	49	48	51	54	—
month)						
Tanzania (TZS)	5 558	5 466	5 044	4 797	5 154	7.8
DRC (US\$)	2.8	3.2	3.0	2.9	2.8	—
Mozambique (MZN)	196	215	223	230	254	(22.8)

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. 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

	31 December 2022	30 September 2022	31 December 2021	YoY % change	Quarterly % change
US\$/ZAR	17.61	17.04	15.42	14.2	3.3
ZAR/MZN	3.63	3.75	4.14	(12.3)	(3.2)
ZAR/TZS	132.51	136.93	149.49	(11.4)	(3.2)
EUR/ZAR	17.97	17.16	17.64	1.9	4.7
ZAR/EGP	1.32	1.12	1.02	29.4	17.9
ZAR/KES	6.93	7.01	7.26	(4.5)	(1.1)

Financial services key indicators

Active customers¹ for the quarter ended

Thousand	31 December 2022	30 September 2022	31 December 2021	% change 20/21
South Africa	14 669	13 670	13 875	5.7
Egypt	4 798	^	^	^
International M-Pesa	19 575	18 291	16 702	17.2
Tanzania	7 960	7 726	7 118	11.8
DRC	4 534	3 781	3 433	32.1
Mozambique	6 072	5 790	5 183	17.2
Lesotho	1 009	994	968	4.2
Consolidated Group	39 042	31 961	30 577	27.7

M-Pesa value of transactions for the last twelve month period ended

US\$bn	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021	% change 20/21
Total (100% basis) ²	366.7	355.2	339.8	324.6	313.5	17.0

Notes:

1. Financial services customers are based on the number of customers who have generated revenue to financial services during the last month.
2. Total including International and Safaricom on a 100% basis.

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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 has been prepared for illustrative purposes only and 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 31 December 2022

Rm	Reported	Translation FX¹	Mergers, Acquisitions & Disposals²	Normalised*
Revenue				
Group	30 705	—	(1 876)	28 829
International	7 126	—	—	7 126
Service revenue				
Group	23 998	—	(1 821)	22 177
International	6 975	—	—	6 975
Data revenue				
International	1 612	—	—	1 612
Financial services revenue				
Group	2 626	—	(85)	2 541
International (M-Pesa)	1 762	—	—	1 762

Reconciliation of normalised values for the quarter ended 31 December 2021

Rm	Reported	Translation FX¹	Normalised*
Revenue			
Group	26 745	791	27 536
International	6 110	791	6 901
Service revenue			
Group	20 664	762	21 426
International	5 913	762	6 675
Data revenue			
International	1 218	154	1 372
Financial services revenue			
Group	2 011	171	2 182
International (M-Pesa)	1 319	171	1 490

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Trading update for the quarter ended 31 December 2022

Supplementary information (continued)

Pro-forma financial information (continued)

Reconciliation of normalised growth for the quarter ended 31 December 2022

%	Reported % change ³	Translation FX ppts	Mergers, Acquisitions & Disposals ²	Normalised* % change
Revenue				
Group	14.8	(3.1)	(7.0)	4.7
International	16.6	(13.3)	—	3.3
Service revenue				
Group	16.1	(3.7)	(8.9)	3.5
International	18.0	(13.5)	—	4.5
Data revenue				
International	32.5	(15.0)	—	17.5
Financial services revenue				
Group	30.6	(9.4)	(4.7)	16.5
International (M-Pesa)	33.6	(15.3)	—	18.3

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 12. 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 2022 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 31 December 2021 numbers, thereby giving a user a view of the performance, which excludes exchange variances.
2. Vodafone Egypt Telecommunications SAE (Vodafone Egypt) was consolidated from 8 December 2022 representing the effective date of the transaction. No comparative information or growth rates are included.
3. The percentage change relates to the year-on-year percentage growth calculated as the percentage change between the quarter ended 31 December 2022 and quarter ended 31 December 2021 values.

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Trading update for the quarter ended 31 December 2022

Disclaimer

Additional financial and operational measures

This announcement contains certain financial (i.e. service revenue, enterprise service revenue) and operational (i.e. customers, ARPU) 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.

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Forward-looking statements

This announcement which sets out the quarterly results for Vodacom Group Limited for the quarter ended 31 December 2022 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.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2022

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 or the Group)

Directors

SJ Macozoma (Chairman), MS Aziz Joosub (CEO), RK Morathi (CFO), P Klotz¹, P Mahanyele-Dabengwa, NC Nqweni, A Dimitrova², JWL Otty³, KL Shuenyane, S Sood⁴, CB Thomson, LS Wood³ (Alternate F Bianco⁵)

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ADR Depository Bank

Deutsche Bank Trust Company Americas

Company Secretary

K Robinson

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