

16 November 2020

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

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Share code: VOD

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(Vodacom)

Vodacom Group Limited interim results for the six months ended 30 September 2020 (short form announcement)

Highlights

- Group revenue up 7.8% (4.7%*) to R47.8 billion, underpinned by service revenue growth of 7.0% (3.4%*).
- South Africa service revenue grew 7.1%, driven by an acceleration in customer service revenue in the second quarter.
- Added 4.1 million customers, to serve a combined 120 million customers across the Group, including Safaricom.
- Total financial services customers, including Safaricom, up 13.9% or 6.7 million to 54.8 million.
- Earnings per share up 15.6% and headline earnings per share up 15.7%, boosted by a one-off deferred tax rate adjustment of R0.7 billion¹ in the period.
- Free cash flow up 92.1% to R5.3 billion, reflects growth in cash generated from operations and the timing of the Safaricom dividend receipt.
- Declared an interim dividend of 415cps up 9.2%, supported by headline earnings growth from our consolidated companies and the Safaricom dividend receipt.
- Medium-term targets reinstated.

Statutory performance measures

Rm	Six months ended 30 September		% change	
	2020	2019	Reported	Normalised*
Revenue	47 844	44 389	7.8	4.7
Service revenue	38 515	36 003	7.0	3.4
EBITDA	19 433	18 166	7.0	5.1
Net profit from associate and joint ventures ¹	2 571	1 673	53.7	(6.0)
Operating profit ¹	14 465	12 883	12.3	3.1
Net profit ¹	9 271	8 199	13.1	
Earnings per share (EPS) (cents)	533	461	15.6	
Headline earnings per share (HEPS) (cents)	532	460	15.7	
Interim dividend per share (cents)	415	380	9.2	
Special dividend per share (cents)	–	60	(100.0)	

Notes:

1. In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.

2. Details relating to capital expenditure is contained in the full announcement.

3. A reconciliation of operating free cash flow and free cash flow is contained in the full announcement.

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

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

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

All growth rates quoted are year-on-year and refer to the six months ended 30 September 2020 compared to the six months ended 30 September 2019, unless stated otherwise.

Alternative performance measures

Rm	Six months ended 30 September		% change
	2020	2019	Reported
Capital expenditure ²	6 551	6 349	3.2
Operating free cash flow ³	6 848	7 476	(8.4)
Free cash flow ³	5 280	2 749	92.1

Shameel Joosub, Vodacom Group CEO commented:

Having responded rapidly to help curb the spread of COVID-19 earlier in the year, Vodacom Group has turned its attention to contributing meaningfully to the economic recovery in markets where we operate following the often devastating impacts of the global pandemic on society.

Through a wide range of initiatives, including free devices and airtime for healthcare workers, cash donations and strategic partnerships, we continue to deliver on our Social Contract with stakeholders to contribute positively to a number of pressing societal challenges. For example, we prioritised the resilience of our networks, accelerated support to governments via donations of handsets, connectivity and medical equipment and made contactless payments more accessible through zero-rated services and an expanded M-Pesa ecosystem to address social distancing challenges. In addition, and given that collaboration is instrumental to the economic recovery, we remain committed to establishing innovative partnerships with an emphasis on health, education, free public benefit services, big data analytics and financial services to complement those already concluded in recent times with Alipay, Discovery Health and Microsoft.

To help cope with sharp increases in data traffic and shifts in customer behaviour patterns, we accelerated network infrastructure spend over the six-month period to R6.6 billion, including R5.0 billion in South Africa, keeping families connected, enabling businesses to operate, facilitating online learning and assisting governments in providing critical services.

In South Africa, data usage surged +86%, as connectivity demands changed with a need to work, entertain and educate from home, and as we made substantial reductions in monthly data bundle tariffs. Also, the launch of ConnectU, which provides zero-rated access to a wide range of websites, including jobs portals and online learning platforms and discounted offers for poor communities, supported higher usage.

Considering the magnitude of challenges arising from the pandemic in the past six months, it is particularly pleasing that we recorded a solid financial performance at Group level, where service revenue increased 7.0%. This was underpinned by strong growth from our Consumer and Enterprise businesses in South Africa, where service revenue rose 7.1% despite reductions of up to 40% in monthly data bundles which came into effect on 1 April 2020.

In line with our strategy of delivering great value and an exceptional experience to our customers, we recently launched our loyalty programme "VodaBucks" to complement personalised and segmented offers to customers. These draw on our expertise in artificial intelligence and machine learning to enhance customer engagement and provide financial relief at a time when consumers are increasingly under pressure.

Investment into digital innovation is key to the Group's growth outlook of which our Financial Services business is an important enabler. In partnership with Alipay, Vodacom Financial Services is developing a single lifestyle app for both customers and merchants that promotes greater financial inclusion. Already, our execution in the financial services space in South Africa is evidenced by the rapid growth of Airtime Advance and insurance services. Airtime advance customers increased 14.1% to 10.1 million.

While initiatives such as free peer-to-peer (P2P) M-Pesa transactions at the onset of COVID-19 impacted the financial performance of our International portfolio, it played an important role in facilitating economic activity in addition to being the right thing to do for customers. Subsequently, this has supported accelerated platform growth and customer adoption of digital channels to the point where the M-Pesa ecosystem now processes US\$20.5 billion a month in transactions across our International markets, including Safaricom, and contributed R8 billion in revenue in the period.

Following a sustained period of very strong growth, the performance of our International operations was impacted by disrupted economies and livelihoods on the back of COVID-19, resulting in a 5.2%* decline in service revenue in constant currency terms. Our reported results show service revenue growth of 5.8%, benefitting from rand weakness. We expect consumer spend to recover as trading and economies re-open from lockdowns.

Our strategic investment in Safaricom delivered a 52.2% boost in our operating profit, buoyed by currency factors and a one-off deferred tax rate adjustment of R0.8 billion. Safaricom's local currency results reflect the impact of depressed economic activity

and lower M-Pesa P2P monetisation, related to the COVID-19 pandemic. Safaricom accelerated capital expenditure by 25.5%, supporting platform growth and a notable financial improvement into the second quarter compared with the first quarter.

Looking forward, we remain cautious about the pace of economic recovery across our markets as disposable income will remain under pressure as a result of unemployment and depressed economic activity. Still, we remain steadfast in our quest to entrench Vodacom Group as a leading pan-African technology company and firmly believe that our investment into financial, digital and lifestyle services will increasingly provide opportunities to deepen our relationship with the 120 million customers who choose to use the Vodacom Group network across our footprint.

Declaration of interim dividend number 23 – payable from income reserves

Notice is hereby given that a gross interim dividend number 23 of 415 cents per ordinary share in respect of the six months ended 30 September 2020 has been declared payable on Monday 7 December 2020 to shareholders recorded in the register at the close of business on Friday 4 December 2020. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The ordinary and special dividend will be subject to a local dividend withholding tax rate of 20%. Accordingly, for those shareholders not exempt from paying dividend withholding tax, the net ordinary dividend will be 332.00000 cents per ordinary share.

Last day to trade shares <i>cum</i> dividend	Tuesday 1 December 2020
Shares commence trading <i>ex-dividend</i>	Wednesday 2 December 2020
Record date	Friday 4 December 2020
Payment date	Monday 7 December 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 2 December 2020 and Friday, 4 December 2020, both days inclusive.

On Monday 7 December 2020, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 7 December 2020.

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

Dividend policy

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

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

For and on behalf of the Board

Sakumzi Justice Macozoma

Chairman

Shameel Aziz Joosub

Chief Executive Officer

Raisibe Morathi

Chief Financial Officer

Midrand

13 November 2020

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement that has been published on SENS

https://senspdf.jse.co.za/documents/2020/jse/isse/VOD/HY20_SENS.pdf and is also available on our website www.vodacom.com.

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

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