

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

23 July 2020

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

Vodacom Group Limited trading update for the quarter ended 30 June 2020 (short form announcement)

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% benefiting 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 full announcement.

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).

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.

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/isce/VOD/1Q21_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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