

Vodacom Group Limited trading update for the quarter ended 30 June 2022 (short form announcement)

Highlights

- Group revenue increased 5.2% (3.3%*) to R26.1 billion underpinned by a resilient performance in South Africa.
- Group service revenue was up 5.2% (2.9%*), supported by growth in data revenue and new services such as IoT.
- South Africa service revenue grew 3.0% with an improved performance in consumer contract.
- International service revenue increased by 10.4% (2.4%*), supported by data revenue growth and a weaker rand.
- Financial services revenue increased 9.3% to R2.1 billion, with further reductions of mobile money levies announced in Tanzania.

Rm	Quarter ended 30 June		YoY % change	
	2022	2021	Reported	Normalised*
Group service revenue	20 154	19 165	5.2	2.9
South Africa	14 496	14 070	3.0	3.0
International	5 854	5 301	10.4	2.4
Group revenue	26 056	24 779	5.2	3.3
South Africa	20 268	19 535	3.8	3.8
International	6 038	5 495	9.9	1.9

Shameel Joosub, Vodacom Group CEO commented:

Vodacom Group produced a resilient first quarter performance despite the turmoil in financial markets and uncertainty about the recovery of the global economy, as a result of COVID-19 and the Russia-Ukraine conflict. Inflation continues to accelerate in most of the markets where we operate, which means that the cost of living has climbed. As a purpose-led organisation, Vodacom is accelerating the delivery of innovative products to provide even greater value to customers under increasing financial strain. We are also ramping up efforts to lower the cost to communicate for poorer communities through initiatives such as personalised nano pricing on our 'Just4You' platform and the deployment of high-demand spectrum purchased through ICASA's auction process earlier this year.

During the past quarter we made good progress on the optimisation of our assets, which in the medium term will also positively contribute to bridging the digital divide. For instance, we are in the process of establishing a separate legal entity for our South African 'TowerCo' that will be 100% owned by Vodacom Group and intend to announce the Managing Director of the business in due course.

I am also particularly proud of the fact that in June, Vodacom Group was recognised as a level one Broad-Based Black Economic Empowerment (B-BBEE) contributor for a third consecutive year and remains one of South Africa's most transformed companies. In the past financial year, we spent R41 billion on procurement from suppliers with B-BBEE credentials on level 4 or better, including R18 billion in procuring services from greater than 30% black woman-owned suppliers, demonstrating our strong commitment to gender equality and the transformation agenda.

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 in the full trading update.

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 2022 compared to the quarter ended 30 June 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.

In addition to fully embracing transformation, we have also stepped up our commitment to addressing climate change and unemployment. For instance, to deliver on a pledge of halving the Group's environmental impact by 2025, Vodacom South Africa will increasingly diversify its energy mix and purchase the electricity it needs to operate from renewable energy sources wherever possible. Given South Africa has one of the highest unemployment rates in the world, Vodacom South Africa recently launched the 'Get-a-Gig' zero-rated jobs portal initiative through our NXT LVL platform with the objective of connecting one million of the country's youth to a job or a 'gig' by 2024.

Group revenue in the first quarter was up 5.2% to R26.1 billion underpinned by a resilient financial performance in most of our markets and South Africa in particular. Our service revenue growth was supported by a 10.4% increase from our International portfolio and 9.3% growth from our financial services business. The growth rate in financial services was dampened by mobile money levies in Tanzania, and if adjusted for this impact would have been an estimated 19.7%.

Service revenue in South Africa grew 3.0% on the back of sustained investment into technology and our network, which continues to enhance the customer experience. This experience was evidenced through the 5.1% growth in our customer contract base to 6.5 million and recognition by Tutela, an independent data research company, as the country's leader in network quality.

Financial services remains a clear strategic priority for the Group and this business continues to gain momentum, contributing R2.1 billion to service revenue. The segment is driven in the main by our pioneering mobile money platform M-Pesa, which is Africa's largest by transaction value. Combined with Safaricom, our M-Pesa platform processed US\$340 billion over the last twelve months, up 20.2%. Looking ahead, a further meaningful 43% reduction to mobile money levies in Tanzania from July 2022 bodes well for M-Pesa's contribution to financial inclusion in the country.

The rapid adoption rate of our VodaPay super-app in South Africa remains encouraging with 2.8 million downloads and 1.9 million registered users by quarter end. Given VodaPay is a precursor to M-Pesa's evolution and further strengthens our fintech position across our footprint, we remain confident about the growth outlook of financial services.

Supported by our continued focus on financial inclusion and accelerated capital expenditure, service revenue for our International operations grew 10.4% to R5.9 billion, underpinned by the 11.8% increase in M-Pesa revenue and a 23.4% rise in data revenue. A key focus for our International portfolio is digital inclusion through smartphone adoption and data usage, supported by our 20 million strong data customer-base. Smartphone penetration across International improved to 33.5% from 31.8% a year ago as we continue to leverage partnerships with global tech firms and innovative financing options to support our pledge to enable a digital society.

From a Mergers & Acquisitions perspective, our purchase of a 55% stake in Vodafone Egypt of around R41 billion is expected to receive Egyptian regulatory approval in the near term. The regulatory approval process for our proposed acquisition of a 30% stake in CIVH's fibre assets, which will accelerate fibre reach in South Africa, fostering economic development and helping bridge South Africa's digital divide, continues to make progress. We expect this transaction will conclude in the current financial year. Our Ethiopian business, Safaricom Ethiopia, is making excellent progress on its commercial launch plans in Africa's second largest country by population. Safaricom Ethiopia's phased launch will commence from August 2022 in the city of Dire Dawa and then accelerate to 24 other cities, including Addis Ababa in the months that follow.

Looking ahead, we are fully cognisant of the financial constraints on customers caused by global economic uncertainty and increased inflation and remain committed to delivering innovations that enhance the value we deliver to customers and helping to alleviate cost of living pressures.

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/2022/jse/isse/VOD/1Q23SENS.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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