

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Vodacom Group Limited trading update for the quarter ended 31 December 2018

Salient features

- Group revenue up 1.5% (0.7%*) to R23.0 billion* and service revenue up 2.4% (1.6%*) to R18.9 billion*
- Group customers increased 7.1% to 79 million, up 5.4% in South Africa and 9.3% in our International operations
- Group data revenue increased 2.2% to R6.8 billion*; International data revenue grew 25.4% (21.3%*)
- South Africa service revenue declined 0.9% to R13.9 billion*, impacted by pricing transformation and customers optimising promotional data bundle allocations
- International service revenue increased 13.2% (9.4%*) to R5.2 billion*, driven by strong commercial execution

Rm	Quarter ended 31 December			% change	
	2018 IFRS 15	2018 IAS 18*	2017 IAS 18	IAS 18	IAS 18 Normalised*
Group service revenue	17 874	18 850	18 402	2.4	1.6
South Africa	12 975	13 932	14 061	(0.9)	(0.9)
International	5 160	5 179	4 574	13.2	9.4
Group revenue	22 172	22 977	22 647	1.5	0.7
South Africa	17 172	17 974	18 211	(1.3)	(1.3)
International	5 312	5 315	4 719	12.6	8.8

Following the prospective adoption of IFRS 15: Revenue from Contracts with Customers on 1 April 2018, the Group's results for the quarter ended 31 December 2018 are on an IFRS 15 basis, whereas the results for the quarter ended 31 December 2017 are (as previously reported) on an IAS 18 basis. Comparisons between the two bases of reporting are not meaningful and to ensure appropriate disclosure during the period of transition onto IFRS 15, results for the quarter ended 31 December 2018 have been disclosed on both an IFRS 15 and IAS 18 basis. Our commentary describing our operating performance in the Operating review has been provided solely on an IAS 18 basis. The accounting standard applied is clearly marked in the heading of relevant columns in the trading update.

Shameel Joosub, Vodacom Group CEO commented:

A strong performance in our International operations helped to offset the slowdown in South Africa during the quarter. Growth in revenue and service revenue at a Group level increased by 1.5% and 2.4% respectively. Excluding Safaricom, we added 198 000 customers in the three-month period and now serve 79 million across the Group, having added a healthy 5.2 million customers to the Vodacom network in the past year.

In South Africa, service revenue declined 0.9%, impacted by the effects of our pricing transformation strategy in order to reduce the cost to communicate, as well as the transitioning of traffic between our roaming partners. We implemented a number of generous promotions in the quarter, including our SummerGigs campaign, in addition to the introduction of lower-priced bundled offers during the course of 2018. These efforts have impacted data revenue growth, as it did not yield the expected elasticity given a tougher than anticipated consumer spending environment. However, our proactive efforts to keep customers in-bundle have reduced our future exposure to out of bundle revenues.

In our International operations, service revenue increased by 13.2% on the back of sustained data revenue growth and M-Pesa's continued success. Our International portfolio (excluding Safaricom) now contributes 27.5% to overall Group service revenue. The significant increase in customers in the quarter and strong commercial execution contributed to data revenue growth of 25.4% and to the 30.3% growth produced by M-Pesa.

Looking ahead, we will be implementing the End-User Subscriber Service Charter Regulations on 1 March, which will drag on data revenue growth in the near-term. However, we are particularly encouraged by the positive momentum on the regulatory front in South Africa following firm commitments by Government and the regulator to stage an auction of '4G spectrum' in the early part of this calendar year, which together with the success of our pricing transformation strategy support the medium term outlook for data revenue growth. With an enhanced M-Pesa platform and high speed 4G now available in all our International markets, we expect the solid performance in these operations to continue gaining momentum.

Notes:

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 2018 compared to the quarter ended 31 December 2017, which are based on IAS 18 accounting principles, unless stated otherwise.

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 12 to 13. The *pro-forma* financial information includes:

- Financial information, on a comparable IAS 18 basis, for the quarter ended 31 December 2018, marked as '#' in this document.
- Amounts marked with an * in this document, represent normalised growth which presents performance on a comparable IAS 18 basis. This excludes foreign currency fluctuation on a constant currency basis (using the current reporting period as base).

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

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Operating review

South Africa (IAS 18 commentary)

Service revenue declined by 0.9% (flat adjusting for the transition between national roaming partners and the change in call termination rates), impacted by customers optimising promotional data as part of our Summer campaign and a subdued consumer spending environment. Revenue fell by 1.3% following lower growth in equipment revenue, with device sales negatively impacted by the weaker rand against the US dollar.

Customer numbers were up 5.4%. Prepaid customer growth was resilient, while efforts to reduce once-off use of SIM cards started to take effect, resulting in lower gross additions in the quarter. During the period, we gained 86 000 contract customers to 5.6 million, up 5.7% yoy, supported by gains in both the Consumer and Enterprise segments.

Contract customer service revenue was down 2.7%, impacted by reduced out-of-bundle data spend, as well as customers continuing to migrate to more inclusive value contracts as part of our pricing transformation strategy. In the period we have also seen more customers selecting from our lower value packages in order to control their spend, in the context of the weaker economic environment.

Prepaid customer service revenue grew 0.8%, lower than the previous quarters, with increased number of customer opting for lower priced bundles with shorter validity periods, especially in data.

Voice revenue remained resilient, declining by only 0.5%, stimulated by strong demand supported by our Airtime Advance product, which makes it easier to buy airtime when a customer is not close to traditional channels.

Data revenue was flat on the prior year, as customers used data rewards from our Summer campaign to offset their usual spend. Utilisation remains encouragingly strong, with data traffic up 41.4%. Active smart devices on the network were up 13.3% to 20.2 million, with average gigabytes per smart device increasing by 31.9% to 1.1GB. 4G customers increased 40.5% to 9.2 million. We sold 209 million data bundles this quarter, as we continue to migrate customers to more in-bundle usage. We are managing out-of-bundle spend, with more inclusive value contracts and affordable data bundles with shorter validity periods, both of which are increasing in popularity with customers. The long-term benefit from this pricing transformation, is expected to offset the short-term growth impacts as customers migrate to offers with lower effective rates, despite lower elasticity currently being experienced in the market.

Our platform strategy, designed to stimulate reasons to consume data, is gaining momentum. Our Videoplay platform now has over 700 000 active users paying for services, and our recently launched music platform, Muze, is steadily gaining customers.

Fixed line service revenue grew 11.3% with strong growth in wholesale transit revenue. Internet of Things (IoT) connections increased 24.0% to 4.3 million. We have started the process of migration between Cell C and Telkom roaming on our network and are expecting increased traffic from Telkom to start offsetting the reduced Cell C traffic within the next couple of quarters.

During this quarter, our capital expenditure spend of R2.6 billion was focused on increasing our network coverage and enhancing our IT systems. Our data network reaches 99.5% of the population on 3G and 90% on 4G.

We maintained our lead on Net Promoter Score to our nearest competitor by 7ppts, based on best network performance, service and value.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

International (IAS 18 commentary)

Overall, our International operations performed well, with, improved trends in Tanzania and strong growth in Mozambique and the DRC.

Service revenue growth in our International operations, which accounts for 27.5% of Group service revenue, remained robust at 13.2% (9.4%*), underpinned by our strategic drivers of M-Pesa and data growth. Our mobile network operations, excluding Vodacom Business Africa, grew 15.2% (11.1%*).

We added 449 000 customers in the quarter, reaching 35.2 million, up 9.3% yoy. We continue with our efforts to improve customer registration processes in all our markets.

With high speed 4G now available in all markets, data revenue grew 25.4% (21.3%*) driven by a 15.7% increase in data customers to 18.5 million, representing 52.7% of the customer base. Data traffic grew 40.3%, reflecting strong demand for mobile data services in all our markets. Mobile data revenue comprised 16.5% (2018: 14.9%) of International service revenue.

We generated M-Pesa revenue of R851 million, with growth accelerating to 30.3% (26.4%*), contributing 16.4% of service revenue, as we grow the ecosystem in all markets. We added 227 000 customers in the quarter, reaching 13.4 million. In Mozambique, we expanded interoperability to a third bank, Mozambique's biggest retail bank, widening and enhancing the M-Pesa ecosystem for all our customers. On average for the quarter, 237 million transactions were processed monthly through the M-Pesa system, growing at 24.2% yoy. Our merchant payment platform has also been very successful across our markets as we expand our ecosystem.

In November, a spectrum auction for 800MHz spectrum in Mozambique was conducted and we were awarded with two blocks of 10MHz bands at a cost of US\$33 million. Capital expenditure in the quarter increased 41.9% to R894 million, mainly as a result of Mozambique receiving their 4G spectrum and increasing their 4G rollout. During the quarter, 2G and 3G sites increased 4.2% and 6.6% respectively and we closed the quarter with 1 584 4G sites.

Results for Vodacom's associate investment in Safaricom are disclosed on a bi-annual basis and therefore are not included in this quarterly update.

Regulatory matters

Electronic Communications Amendment Bill (ECA Bill)

On 17 November 2017, the Ministry published an invitation to provide comments on the ECA bill, having its origins in the Integrated Information and Communication Technology ICT Policy White Paper of 2 October 2016. In December 2018 Parliament invited stakeholders to submit written comments on the ECA Bill and to participate in public hearings. Prior to Parliament considering and passing the ECA Bill into law, the Ministry has also issued a draft Policy Direction for public comment, which aims to enable the licensing of High Demand Spectrum under the existing EC Act legislation. The Ministry and the Regulator have both indicated their intention to assign High Demand Spectrum under the existing regulatory framework during the first half of this calendar year and to give more certainty with regard to policy.

Amendment to End-User and Subscriber Service Charter Regulations

On 30 April 2018, the Independent Communications Authority of South Africa (ICASA) published final amendments to the End-User and Subscriber Service Charter Regulations with the objective of addressing consumer concerns on out-of-bundle charges and data bundle expiry rules. The implementation date has been set for 28 February 2019.

ICASA priority market review

In June 2017, ICASA gave notice of its intention to conduct an inquiry to identify priority markets in the Electronic Communications Sector (ECS). The purpose of the enquiry is to identify relevant wholesale and retail markets or market segments in the ECS that are generally prone to *ex ante* regulation, and to determine from these markets and market segments those that the Authority intends to prioritise for market reviews and potential regulation. On 17 August 2018, ICASA published a findings document in which it listed broad markets that will be prioritised for potential market review:

- Wholesale fixed access, which includes wholesale supply of asymmetric broadband origination, fixed access services and relevant facilities;
- Upstream infrastructure markets incorporating national transmission services, metropolitan connectivity and relevant facilities; and
- Mobile services, which includes the retail market for mobile services and the wholesale supply of mobile network services, including relevant facilities.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

On 16 November ICASA published a notice of intention to conduct an inquiry into mobile broadband services. The inquiry will comprise four phases, with the final phase being the publication of a Findings Document and Draft Regulations (if required), which is expected in the second half of this calendar year.

DRC elections – Internet and SMS ban

The national elections in the DRC took place on 30 December 2018. Congo's electoral commission announced the provisional winner of the presidential election on 10 January 2019.

On 31 December 2018, the Ministry of Communications directed a full internet and SMS ban for national security reasons. The ban was lifted following the confirmation of the final presidential election results on 19 January 2019 by the Constitutional Court.

DRC proposed traffic monitoring system

On 11 December 2018, a Decree to implement a new traffic monitoring system levying additional charges on operators was signed off by all relevant government authorities. The Decree has not yet been gazetted. The Industry is challenging the matter through the Federation of Enterprises of Congo.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Financial review

Service revenue for the quarter ended

Rm	31 December 2018		IAS 18 30 September 2018	IAS 18 31 December 2017	YoY % change IAS 18	
	IFRS 15	IAS 18*			Reported	Normalised*
South Africa	12 975	13 932	14 138	14 061	(0.9)	(0.9)
International	5 160	5 179	5 076	4 574	13.2	9.4
Corporate and eliminations	(261)	(261)	(262)	(233)	(12.0)	(12.0)
Service revenue	17 874	18 850	18 952	18 402	2.4	1.6

Revenue for the quarter ended

Rm	31 December 2018		IAS 18 30 September 2018	IAS 18 31 December 2017	YoY % change IAS 18	
	IFRS 15	IAS 18*			Reported	Normalised*
South Africa	17 172	17 974	17 909	18 211	(1.3)	(1.3)
International	5 312	5 315	5 213	4 719	12.6	8.8
Corporate and eliminations	(312)	(312)	(311)	(283)	(10.2)	(10.2)
Revenue	22 172	22 977	22 811	22 647	1.5	0.7

Revenue for the quarter ended 31 December 2018

	South Africa	YoY % change	International	YoY % change	Corporate/ Eliminations	Group	YoY % change
IFRS 15 basis							
Rm							
Service revenue	12 975		5 160		(261)	17 874	
Equipment revenue	3 503		97		(5)	3 595	
Non-service revenue	694		55		(46)	703	
Revenue	17 172		5 312		(312)	22 172	
IAS 18* basis							
Rm							
Mobile contract revenue	5 787	(2.7)	341	16.8	(2)	6 126	(1.8)
Mobile prepaid revenue	6 092	0.8	4 089	17.4	–	10 181	6.9
Customer service revenue	11 879	(0.9)	4 430	17.4	(2)	16 307	3.5
Mobile interconnect	490	(5.6)	317	(11.5)	(164)	643	(11.4)
Fixed service revenue	746	11.3	392	(3.0)	(91)	1 047	5.0
Other service revenue	817	(7.7)	40	5.3	(4)	853	(6.9)
Service revenue	13 932	(0.9)	5 179	13.2	(261)	18 850	2.4
Equipment revenue	3 365	(5.3)	82	(11.8)	(5)	3 442	(5.5)
Non-service revenue	677	13.6	54	3.8	(46)	685	13.8
Revenue	17 974	(1.3)	5 315	12.6	(312)	22 977	1.5
Included in service revenue							
(IAS 18* basis)							
Mobile voice	5 660	(0.5)	2 587	11.5	(1)	8 246	2.9
Mobile data	5 926	(0.4)	853	25.4	(1)	6 778	2.2
Mobile messaging	489	(10.9)	151	18.0	–	640	(5.5)
M-Pesa revenue	–	–	851	30.3	–	851	30.3

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Revenue for the quarter ended 31 December 2017

IAS 18* basis Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	5 946	292	3	6 241
Mobile prepaid revenue	6 041	3 482	(1)	9 522
Customer service revenue	11 987	3 774	2	15 763
Mobile interconnect	519	358	(151)	726
Fixed service revenue	670	404	(77)	997
Other service revenue	885	38	(7)	916
Service revenue	14 061	4 574	(233)	18 402
Equipment revenue	3 554	93	(4)	3 643
Non-service revenue	596	52	(46)	602
Revenue	18 211	4 719	(283)	22 647
Included in service revenue (IAS 18 basis)				
Mobile voice	5 688	2 321	2	8 011
Mobile data	5 950	680	(1)	6 629
Mobile messaging	549	128	–	677
M-Pesa revenue	–	653	–	653

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Key indicators

South Africa

	31 December 2018	30 September 2018	31 December 2017	YoY % change
Customers¹ (thousand)	43 838	44 089	41 602	5.4
Prepaid	38 215	38 552	36 283	5.3
Contract	5 623	5 537	5 319	5.7
Data customers² (thousand)	20 345	20 538	20 503	(0.8)
Internet of Things connections³ (thousand)	4 335	4 004	3 495	24.0
MOU per month⁴	121	123	131	(7.6)
Prepaid	110	112	120	(8.3)
Contract	197	201	202	(2.5)
Traffic⁵ (millions of minutes)	15 987	16 128	16 013	(0.2)
Outgoing	13 595	13 768	13 612	(0.1)
Incoming	2 392	2 360	2 401	(0.4)
Total ARPU⁶ (rand per month) – IFRS15 basis	86	88		
Prepaid	55	54		
Contract	307	325		
Total ARPU⁶ (rand per month) – IAS18* basis	93	95	102	(8.8)
Prepaid	55	54	59	(6.8)
Contract	362	385	393	(7.9)

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 this 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), previously machine-to-machine, 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.
- Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
- 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.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Key indicators (continued)

International

	31 December 2018	30 September 2018	31 December 2017	YoY % change
Customers¹ (thousand)	35 164	34 715	32 184	9.3
Tanzania	14 070	13 991	12 901	9.1
DRC	12 830	12 801	11 982	7.1
Mozambique	6 689	6 405	5 712	17.1
Lesotho	1 575	1 518	1 589	(0.9)
Data customers² (thousand)	18 522	17 964	16 013	15.7
Tanzania	8 132	8 064	7 317	11.1
DRC	5 021	5 042	4 470	12.3
Mozambique	4 577	4 161	3 501	30.7
Lesotho	792	697	725	9.2
30-day active M-Pesa customers³ (thousand)	13 409	13 182	11 117	20.6
Tanzania	6 892	6 818	6 266	10.0
DRC	2 240	2 324	1 600	40.0
Mozambique	3 775	3 579	2 908	29.8
Lesotho	502	461	343	46.4
MOU per month⁴				
Tanzania	168	186	171	(1.8)
DRC	36	39	36	–
Mozambique	146	134	152	(3.9)
Lesotho	82	73	85	(3.5)
Total ARPU⁵ (rand per month) – IFRS15				
Tanzania (TZS)	39	38		
DRC (USD)	41	43		
Mozambique (MZN)	60	59		
Lesotho	72	64		
Total ARPU⁵ (rand per month) – IAS 18*				
Tanzania (TZS)	39	38	39	–
DRC (USD)	41	43	39	5.1
Mozambique (MZN)	60	59	57	5.3
Lesotho	72	65	71	1.4
Total ARPU⁵ (local currency per month) – IFRS15				
Tanzania (TZS)	6 205	6 116		
DRC (USD)	2.9	3.0		
Mozambique (MZN)	255	248		
Total ARPU⁵ (local currency per month) – IAS 18*				
Tanzania (TZS)	6 222	6 132	6 369	(2.3)
DRC (USD)	2.9	3.0	2.9	–
Mozambique (MZN)	257	250	253	1.6

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. The Lesotho customer numbers have been restated to align with Group policy.
- 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 active customers during the period. The Lesotho MOU's have been restated in line with the restated customer numbers. (Refer to note 1).
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customer during the period. The Lesotho ARPU's have been restated in line with restated customer numbers. (Refer to note 1).

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Historical financial review

Service revenue for the quarter ended

IFRS 15 Rm	31 December 2018	30 September 2018	30 June 2018
South Africa	12 975	12 985	12 736
International	5 160	5 057	4 275
Corporate and eliminations	(261)	(263)	(238)
Group service revenue	17 874	17 779	16 773

IAS 18 Rm	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017
South Africa	13 932	14 138	13 760	13 891	14 061	13 547	13 123
International	5 179	5 076	4 292	3 946	4 574	4 186	4 122
Corporate and eliminations	(261)	(262)	(239)	(261)	(233)	(177)	(147)
Group service revenue	18 850	18 952	17 813	17 576	18 402	17 556	17 098

Service revenue yoy % change for the quarter ended

	% change IAS 18				Normalised*
IAS 18 %	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2018
South Africa	(0.9)	4.4	4.9	5.3	(0.9)
International	13.2	21.3	4.1	2.7	9.4
Corporate and eliminations	(12.0)	(48.0)	(62.6)	(56.3)	(12.0)
Group service revenue	2.4	8.0	4.2	4.2	1.6

Revenue for the quarter ended

IFRS 15 Rm	31 December 2018	30 September 2018	30 June 2018
South Africa	17 172	17 147	16 515
International	5 312	5 218	4 424
Corporate and eliminations	(312)	(311)	(286)
Group revenue	22 172	22 054	20 653

IAS 18 Rm	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017
South Africa	17 974	17 909	17 415	17 875	18 211	17 227	16 654
International	5 315	5 213	4 424	4 167	4 719	4 334	4 240
Corporate and eliminations	(312)	(311)	(286)	(314)	(283)	(251)	(209)
Group revenue	22 977	22 811	21 553	21 728	22 647	21 310	20 685

Revenue yoy % change for the quarter ended

	% change IAS 18				Normalised*
IAS 18 %	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2018
South Africa	(1.3)	4.0	4.6	10.7	(1.3)
International	12.6	20.3	4.3	4.6	8.8
Corporate and eliminations	(10.2)	(23.9)	(36.8)	(42.1)	(10.2)
Group revenue	1.5	7.0	4.2	9.2	0.7

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Historical key indicators

South Africa

	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017
Customers¹ (thousand)	43 838	44 089	43 107	41 635	41 602	40 000	39 381
Prepaid	38 215	38 552	37 671	36 275	36 283	34 762	34 248
Contract	5 623	5 537	5 436	5 360	5 319	5 238	5 133
Data customers² (thousand)	20 345	20 538	20 434	20 347	20 503	19 905	19 167
Internet of Things connections³ (thousand)	4 335	4 004	3 881	3 628	3 495	3 271	3 100
MOU per month⁴	121	123	123	124	131	128	125
Prepaid	110	112	111	113	120	118	115
Contract	197	201	201	199	202	199	190
Traffic⁵ (millions of minutes)	15 987	16 128	15 628	15 385	16 013	15 331	14 426
Outgoing	13 595	13 768	13 333	13 101	13 612	12 976	12 109
Incoming	2 392	2 360	2 295	2 284	2 401	2 355	2 317
Total ARPU⁶ IFRS 15 (rand per month)	86	88	89				
Prepaid	55	54	55				
Contract	307	325	326				
Total ARPU⁶ IAS 18* (rand per month)	93	95	96	99	102	101	103
Prepaid	55	54	55	57	59	58	58
Contract	362	385	384	381	393	391	393

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 connections (IoT), 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.
- 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.
- 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.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Historical key indicators (continued)

International

	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017
Customers¹ (thousand)	35 164	34 715	33 401	32 415	32 184	31 170	29 986
Tanzania	14 070	13 991	13 277	12 899	12 901	12 857	12 611
DRC	12 830	12 801	12 279	11 821	11 982	11 453	10 792
Mozambique	6 689	6 405	6 255	6 108	5 712	5 421	5 147
Lesotho	1 575	1 518	1 590	1 587	1 589	1 439	1 436
Data customers² (thousand)	18 522	17 964	17 472	16 573	16 013	14 755	13 807
Tanzania	8 132	8 064	7 682	7 345	7 317	7 072	6 767
DRC	5 021	5 042	5 150	4 825	4 470	4 175	3 982
Mozambique	4 577	4 161	3 952	3 730	3 501	2 904	2 470
Lesotho	792	697	688	673	725	604	588
30-day active M-Pesa customers³ (thousand)	13 409	13 182	12 711	11 757	11 117	10 755	10 089
Tanzania	6 892	6 818	6 805	6 369	6 266	6 189	5 934
DRC	2 240	2 324	2 127	1 891	1 600	1 613	1 494
Mozambique	3 775	3 579	3 367	3 109	2 908	2 625	2 343
Lesotho	502	461	412	388	343	328	318
MOU per month⁴							
Tanzania	168	186	177	161	171	167	153
DRC	36	39	38	36	36	42	44
Mozambique	146	134	129	144	152	144	130
Lesotho	82	73	68	71	85	82	79
Total ARPU⁵ (IFRS 15) (rand per month)							
Tanzania	39	38	33				
DRC	41	43	37				
Mozambique	60	59	51				
Lesotho	72	64	61				
Total ARPU⁵ (IAS 18^b) (rand per month)							
Tanzania	39	38	33	31	39	37	35
DRC	41	43	37	34	39	37	42
Mozambique	60	59	51	47	57	53	48
Lesotho	72	65	63	61	71	66	62
Total ARPU⁵ IFRS 15 (local currency per month)							
Tanzania (TZS)	6 205	6 116	5 969				
DRC (USD)	2.9	3.0	3.0				
Mozambique (MZN)	255	248	239				
Total ARPU⁵ (IAS 18^b) (local currency per month)							
Tanzania (TZS)	6 222	6 132	5 984	5 734	6 369	6 295	5 946
DRC (USD)	2.9	3.0	3.0	2.9	2.9	2.8	3.2
Mozambique (MZN)	257	250	242	238	253	244	228

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 average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Average quarterly exchange rates

	31 December 2018	30 September 2018	31 December 2017	YoY % change	Quarterly % change
USD/ZAR	14.30	14.08	13.61	5.1	1.6
ZAR/MZN	4.27	4.22	4.45	(4.0)	1.2
ZAR/TZS	160.27	162.00	164.71	(2.7)	(1.1)
EUR/ZAR	16.31	16.38	16.04	1.7	(0.4)
ZAR/KES	7.13	7.16	7.60	(6.2)	(0.4)

Reconciliation of normalised and adjusted growth

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 12–13, is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting financial information on a comparable IAS 18 basis and normalised growth on an IAS 18 constant currency basis is to assist the user in understanding the underlying growth trends on a comparable basis. This *pro-forma* information has not been reviewed and reported on by the Group auditors.

Reconciliation of normalised values for the quarter ended 31 December 2018

Rm	IFRS 15 Reported	Adoption of IFRS 15 ¹	IAS 18*	Translation FX	Normalised*
Revenue					
Group	22 172	805	22 977	–	22 977
International	5 312	3	5 315	–	5 315
Service revenue					
Group	17 874	976	18 850	–	18 850
International	5 160	19	5 179	–	5 179
Data revenue					
International	853	–	853	–	853
M-Pesa revenue					
International	851	–	851	–	851

Reconciliation of normalised values for the quarter ended 31 December 2017

Rm	IAS 18 Reported	Translation FX ²	Normalised*
Revenue			
Group	22 647	168	22 815
International	4 719	168	4 887
Service revenue			
Group	18 402	160	18 562
International	4 574	160	4 734
Data revenue			
International	680	23	703
M-Pesa revenue			
International	653	20	674

Vodacom Group Limited

Trading update for the quarter ended 31 December 2018

Results announcement

Reconciliation of normalised growth for the quarter ended 31 December 2018

The reconciliation below presents normalised growth adjusted at a constant currency (using current period as base).

Year-on-year reconciliation

31 December 2018 %	IAS 18 ³ % change	Translation FX ² ppts	Normalised* % change
Revenue			
Group	1.5	(0.8)	0.7
International	12.6	(3.8)	8.8
Service revenue			
Group	2.4	(0.8)	1.6
International	13.2	(3.8)	9.4
Data revenue			
International	25.4	(4.1)	21.3
M-Pesa revenue			
International	30.3	(4.0)	26.4

The quarterly information has not been audited or reviewed by Vodacom's external auditors.

Notes:

1. This column and related adjustment represents the reconciliation of IFRS 15 to IAS 18.
2. 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 2018 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 31 December 2017 numbers, thereby giving a user a view of the performance which excludes exchange variances.
3. The percentage change relates to the year-on-year percentage growth on a comparable IAS 18 basis calculated as the percentage change between the quarter ended 31 December 2018 and quarter ended 31 December 2017 IAS 18 values.

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 because 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

Vodafone, the Vodafone logo, M-Pesa, Connected Farmer, Vodafone Supernet, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This announcement which sets out the quarterly results for Vodacom Group Limited for the quarter ended 31 December 2018 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 2018

Results announcement

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)

Directors

PJ Moleketi (Chairman), MS Aziz Joosub (CEO),
T Streichert (CFO)¹, V Badrinath², F Bianco³, DH Brown,
M Joseph⁴, BP Mabelane, SJ Macozoma,
P Mahanyele-Dabengwa, JWL Otty⁵, T Reisten¹, S Sood⁶

1. German 2. French 3. Italian – alternative to M. Joseph 4. American 5. British 6. Indian

Registered office

Vodacom Corporate Park,
082 Vodacom Boulevard,
Midrand 1685
(Private Bag X9904, Sandton 2146)

Transfer secretary

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Avenue

Rosebank 2196

South Africa

(PO Box 61051, Marshalltown 2107, South Africa)

Sponsor

UBS South Africa (Pty) Limited

ADR depository bank

Deutsche Bank Trust Company Americas

Company secretary

SF Linford

Investor relations

Shaun van Biljon

Media relations

Byron Kennedy