

# Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

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(Vodacom)

## News release

### Vodacom Group Limited trading update for the quarter ended 30 June 2018

24 July 2018

#### Highlights

- Group service revenue growth, excluding currency translation effects, up 5.2%\*, reported up 4.2%<sup>Δ</sup>.
- Added 2.5 million customers during the quarter, 1.5 million in South Africa and 1.0 million in our International operations, to reach 76.5 million customers across the Group, up 10.3% year on year.
- Group data revenue increased 9.9%\*, reported up 9.6%<sup>Δ</sup>. International data revenue, excluding currency translation effects, up 14.7%\* and 11.3%<sup>Δ</sup> reported.
- South Africa service revenue grew 4.9%<sup>Δ</sup> to R13.8 billion, supported by improved customer revenue growth trends and customer gains.
- International service revenue increased 4.1%<sup>Δ</sup>; adjusted growth was 12.4%\*\* to R4.3 billion.
- M-Pesa revenue growth, excluding currency translation effects, was 23.8%\*; reported 18.1%<sup>Δ</sup>.

Rm	Quarter ended	Quarter ended	YoY % change IAS 18	
	30 June 2018 IFRS 15	30 June 2018 IAS 18	Reported <sup>Δ</sup>	Normalised*
<b>Group service revenue</b>	<b>16 773</b>	<b>17 813</b>	<b>4.2</b>	<b>5.2</b>
South Africa	12 736	13 760	4.9	4.9
International	4 275	4 292	4.1	8.3
<b>Group revenue</b>	<b>20 653</b>	<b>21 553</b>	<b>4.2</b>	<b>5.0</b>
South Africa	16 515	17 415	4.6	4.6
International	4 424	4 424	4.3	8.5

Following the prospective adoption of IFRS 15. Revenue from Contracts with Customers on 1 April 2018, the Group's results for the quarter ended 30 June 2018 are on an IFRS 15 basis, whereas the results for the quarter ended 30 June 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, revenue for the quarter ended 30 June 2018 has been disclosed on both an IFRS 15 and IAS 18 basis and 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 news release.

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

#### Shameel Joosub, Vodacom Group CEO commented:

The strong momentum from our annual results has carried Vodacom into a pleasing first quarter. Group revenue and service revenue increased 5.0%\* and 5.2%\* respectively. We were delighted to add 2.5 million customers over the quarter, reaching 76.5 million across the Group (excluding Safaricom).

In South Africa, despite a tougher economic environment, we grew service revenue by 4.9%<sup>Δ</sup>, supported by customer growth of 9.5% to reach 43.1 million customers. This was driven by our 'Big Data' led innovations, which contributed to robust demand for personalised bundles, offering customers better value for money. We sold over 600 million bundles this quarter resulting in an effective price reduction of 10% on voice minutes and 17% for data megabytes. This is evidence of our commitment to lowering the cost to

\* 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 quarter as the base). Refer to page 12-14 for a reconciliation of adjustments.

\*\* Growth adjusted: During the 2nd quarter of the previous year, we reclassified the foreign exchange difference between USD and CDF sales to be netted off on the corresponding revenue line. The adjustment was USD11.4 million for Q1 2017. Q1 2017 was not restated for this change. Refer to page 12-14 for a reconciliation of adjustments.

<sup>Δ</sup> Reported growth is calculated on an IAS 18 basis, reflecting a like-for-like comparison between the current and comparative reporting period.

All growth rates quoted are year-on-year and refer to the quarter ended 30 June 2018 compared to the quarter ended 30 June 2017, which are based on the IAS 18 accounting principles, unless stated otherwise.

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

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communicate. We have also launched some exciting consumer propositions, including our new Vodacom Ticket, which allows customers to save up to 50% on data for social media, video, music and gaming. Data revenue grew close to 10%, a pleasing performance off a bigger base, contributing more than 44% to service revenue.

In our International operations, service revenue increased 12.4%\*\* to R4.3 billion, driven largely by M-Pesa and data adoption. M-Pesa continues to grow strongly and we now have 12.7 million customers<sup>1</sup> (excluding Safaricom) using this service.

We remain focused on network investment as a key competitive differentiator, expanding our 4G coverage to 81.5% up from 75.9% a year ago.

Looking ahead, we expect the implementation of the ICASA End-user Subscriber Charter Regulations, in relation to out-of-bundle usage, to have a modest impact on data revenue growth. We expect this to be mitigated in the short term by continued uptake of data bundles and strong elasticity in demand for these services. We are encouraged by the improved performance in our International business. We will continue to strengthen our customer value proposition across all operations as a leading digital company.

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1. 30-day active M-Pesa customers.

# Vodacom Group Limited

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## Operating review

### South Africa

**Service revenue** increased 4.9%<sup>△</sup> to R13.8 billion, supported by the improvement in customer revenue growth trends, despite a subdued macroeconomic and consumer spending environment.

**Customers** increased 9.5% reaching 43.1 million, after adding 1.4 million prepaid customers and 75 000 net contract additions.

**Prepaid customer** revenue growth was good at 5.5%. This was supported by continued strong customer growth of 10.0%, which was slightly offset by lower ARPU as we attract new customers with lower spend levels, on average, than the current base.

**Contract customer** revenue growth has recovered from declines in previous quarters, to grow at 0.8%. The growth was supported by improved performance in the Enterprise segment, reflecting customer and ARPU gains from recent contract sign ups and improved usage. Overall contract customers increased by 5.9%. Contract ARPU declined 2.3%, an improvement in trend from the last two quarters, as customers continue to grow into their "more data" contracts and benefits from higher value ARPU customers in Enterprise.

**Voice revenue** decline remained low at 2.6%, reflecting the success of our personalised voice bundle strategy through our 'Just 4 You' platform while reducing the effective price per minute by 10.0%.

**Data revenue** grew 9.4% to R6.1 billion, contributing 44.1% (2018: 42.2%) of service revenue. We continue to drive bundle engagement aggressively to ensure a worry free experience for our customers. The success of this pricing strategy, making data more affordable for our customers, has resulted in a 32.2% increase in data bundle sales and an overall effective price per MB reduction of 17.1%. We continue to grow our current 4G data users, adding 739 000 4G customers in the quarter reaching 8.1 million customers. Vodacom Ticket was launched during June, which provides customers with data bundles that have more inclusive value. This allows us to drive greater uptake on URL-specific services with worry free usage.

**Fixed-line** revenue growth was 22.0% as we continue to grow connectivity revenue for business and homes. Internet of Things (IoT) connections increased 25.2% to 3.9 million.

We spent R2 billion on **capital expenditure**, focusing on new sites, upgrades and capacity to improve network quality and performance. These efforts have resulted in Vodacom leading in data speed benchmarks<sup>1</sup>. This also allowed us to expand our 4G coverage to 81.5%, up from 75.9% a year ago. We also expanded our rural coverage and made progress to improve backhaul performance and capacity by increasing the proportion of self-provided high capacity sites from 90.1% a year ago to 92.4%.

### International

**Service revenue** increased 12.4%\*\*<sup>△</sup>, reflecting continued strong execution in all markets. Reported growth was up 4.1%<sup>△</sup>.

Tanzania service revenue growth was in line with the previous quarter, despite continued pricing pressure. DRC, Mozambique and Lesotho have made solid progress on their M-Pesa businesses, and data continues to perform well.

We added 987 000 **customers** in the quarter, reaching 33.4 million, up 11.4%. This was supported by good customer growth in the DRC and Mozambique.

**Data revenue** increased, excluding currency translation effects, by 14.7%\*, reported up 11.3%, supported by a 17.3% increase in data customers to 17.5 million. The demand for data remains strong with data traffic up 53.3%. We launched 4G in the DRC during the period, following the award of a 4G licence. We now offer 4G services in all our markets except Mozambique.

Our mobile money service continues to grow across all operations. **M-Pesa revenue** was up 23.8%\*, excluding currency translation effects, to R634 million, reported up 18.1%. Customers increased by 26.0% to 12.7 million. Tanzania celebrated 10 years of M-Pesa with 6.8 million customers, up 14.7%. We continue to improve the eco-system, stimulating activity on the platform. In Tanzania, the 'Lipa kwa' our merchant payment solution has over 7 900 merchants now actively trading on the platform; the service has also recently been added in Mozambique. M-Pesa revenue now contributes 14.8% to International service revenue.

**Capital expenditure** increased 8.2% to R552 million, which enabled us to continue to invest in all our markets to strengthen network and service differentiation and to support data growth and wider voice coverage.

We were awarded a 4G licence in the DRC during the period and there are currently 80 sites live in three major cities. During June, Tanzania held a 4G spectrum auction, where we secured 2x10MHz of 700MHz. This spectrum is key in enabling us to extend and improve coverage and capacity, and thereby improve the customer experience. The combined cost of the 4G licence in the DRC and 4G spectrum in Tanzania was USD32 million.

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

1. As measured by independent third-parties, Atio and Ookla, for the period ending 30 June 2018.

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## Regulatory matters

### Electronic Communications Amendment Bill (ECA Bill) – South Africa

The Ministry of Telecommunications and Postal Services (Ministry) published a White Paper, as approved by cabinet, on 2 October 2016. On 17 November 2017, the Department of Telecommunications and Postal Services (DTPS) gazetted amendments to the Electronic Communications Act as a Bill. As part of a public participation process, we reiterated our support for a hybrid model, establishing a competitive wholesale open access network (WOAN) alongside the assignment of spectrum to the current players. On the basis of an independent economic impact assessment, we also noted the negative impacts the draft legislation could have on investment in the sector, GDP growth and job creation. The Ministry will consider all submissions before submitting a revised Bill to cabinet for approval to be tabled in Parliament for further consultation and debate.

### Amendment to End-user and Subscriber Service Charter Regulations – South Africa

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 main objective to address consumer concerns on out-of-bundle charges and expiry rules.

These final amendments followed a consultation process between ICASA and industry stakeholders. The regulations require the following:

- Voice, SMS and data bundle depletion notices are to be sent to customers at 50%, 80% and 100% depletion thresholds;
- Operators are not allowed to default customers to out-of-bundle charges on depletion of data bundles, unless specific opt-in instructions have been received from the customer; and
- Operators should allow customers the option to roll over unused data before expiry and also provide customers with an option to transfer data to other customers on the same network.

The effective date has been suspended pending the final determination of an urgent application launched by other operators in the High Court.

### ICASA priority market review – South Africa

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 regulations, and to determine from these markets and market segments those that the Authority intends to prioritise for market reviews and potential regulation. These studies are in line with similar processes in other markets around the world. The final phase of the inquiry would be the publication of a findings document, which is expected in the second half of FY19.

### Competition Commission investigation into complaint on the National Treasury government transversal contract for mobile communication services – South Africa

On 14 March 2016, National Treasury issued a tender for the supply and delivery of mobile communication services to national and provincial government departments for the period 15 September 2016 to 31 August 2020. Vodacom was selected as the preferred supplier on a non-exclusive basis after the other bidders were eliminated at different phases of the competitive bidding process. The Competition Commission has initiated an investigation against Vodacom Group for alleged abuse of dominance in terms of section 8 of the Competition Act. The tender process was initiated and controlled by National Treasury through strict governance procedures, and we are confident that we followed due process in a fiercely contested and transparent bidding process.

### Positive conclusion of ICASA and competition commission investigation of Rain agreements – South Africa

In 2016, Vodacom and Rain (formerly WBS) announced agreements for facilities leasing, services and Vodacom roaming on Rain's network. Rain signed separate facilities leasing and services agreements with Vodacom, in order to lease passive network infrastructure from Vodacom, which they require to roll out a 4G network. Vodacom signed a roaming agreement with Rain, whereby Vodacom customers will be able to roam on Rain's 4G network.

The main benefit of the agreements for Vodacom is to improve the experience for its customers by offloading data traffic onto Rain's network. This is an important mechanism to manage future demand for data services, which would have otherwise been challenging in a potentially spectrum constrained environment.

The agreements have been subject to review by both the Competition Commission and ICASA, both these authorities have now confirmed and communicated that their respective investigations have not indicated anything of concern, and that they have therefore approved the agreements between Vodacom and Rain.

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## Financial review

### Revenue for the quarter ended

Rm	30 June 2018		IAS 18	IAS 18	YoY % change IAS 18	
	IFRS 15	IAS 18	31 March 2018	30 June 2017	Reported <sup>Δ</sup>	Normalised*
South Africa	16 515	17 415	17 875	16 654	4.6	4.6
International	4 424	4 424	4 167	4 240	4.3	8.5
Corporate and eliminations	(286)	(286)	(314)	(209)	(36.8)	(36.8)
<b>Revenue</b>	<b>20 653</b>	<b>21 553</b>	21 728	20 685	4.2	5.0

### Service revenue for the quarter ended

Rm	30 June 2018		IAS 18	IAS 18	YoY % change IAS 18	
	IFRS 15	IAS 18	31 March 2018	30 June 2017	Reported <sup>Δ</sup>	Normalised*
South Africa	12 736	13 760	13 891	13 123	4.9	4.9
International	4 275	4 292	3 946	4 122	4.1	8.3
Corporate and eliminations	(238)	(239)	(261)	(147)	(62.6)	(62.6)
<b>Service revenue</b>	<b>16 773</b>	<b>17 813</b>	17 576	17 098	4.2	5.2

### Revenue for the quarter ended 30 June 2018

IAS 18 basis	South Africa	YoY % Change	International	YoY % Change	Corporate/ Eliminations	Group	YoY % change
<b>Rm</b>							
Mobile contract revenue	5 939	0.8	269	5.1	(2)	6 206	1.0
Mobile prepaid revenue	5 843	5.5	3 322	6.7	1	9 166	6.0
<b>Customer service revenue</b>	<b>11 782</b>	<b>3.1</b>	<b>3 591</b>	<b>6.6</b>	<b>(1)</b>	<b>15 372</b>	<b>3.9</b>
Mobile interconnect	491	34.9	294	(4.9)	(146)	639	10.8
Fixed service revenue	622	22.0	373	(8.8)	(85)	910	4.1
Other service revenue	865	5.0	34	(5.6)	(7)	892	4.3
<b>Service revenue</b>	<b>13 760</b>	<b>4.9</b>	<b>4 292</b>	<b>4.1</b>	<b>(239)</b>	<b>17 813</b>	<b>4.2</b>
Equipment revenue	3 067	(4.0)	68	(11.7)	(4)	3 131	(3.6)
Non-service revenue	588	75.5	64	56.1	(43)	609	79.6
<b>Revenue</b>	<b>17 415</b>	<b>4.6</b>	<b>4 424</b>	<b>4.3</b>	<b>(286)</b>	<b>21 553</b>	<b>4.2</b>
<b>Included in service revenue (IAS 18 basis)</b>							
Mobile voice	5 386	(2.6)	2 196	2.3	(1)	7 581	(1.3)
Mobile data	6 064	9.4	648	11.3	–	6 713	9.6
Mobile messaging	498	(15.6)	122	14.0	–	620	(11.0)
M-Pesa revenue	–	–	634	18.1	–	634	18.1
<b>IFRS 15 basis</b>							
<b>Rm</b>							
<b>Service revenue</b>	<b>12 736</b>	<b>5.0</b>	<b>4 275</b>	<b>4.1</b>	<b>(238)</b>	<b>16 773</b>	<b>4.2</b>
Equipment revenue	3 160	(4.6)	85	(7.6)	(3)	3 242	(4.1)
Non-service revenue	619	81.5	64	56.1	(45)	638	85.5
<b>Revenue</b>	<b>16 515</b>	<b>4.6</b>	<b>4 424</b>	<b>4.3</b>	<b>(286)</b>	<b>20 653</b>	<b>4.2</b>

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## Revenue for the quarter ended 30 June 2017

IAS 18 basis	South Africa	International	Corporate/ Eliminations	Group
<b>Rm</b>				
Mobile contract revenue	5 889	256	(2)	6 143
Mobile prepaid revenue	5 536	3 112	1	8 649
<b>Customer service revenue</b>	<b>11 425</b>	<b>3 368</b>	<b>(1)</b>	<b>14 792</b>
Mobile interconnect	364	309	(96)	577
Fixed service revenue	510	409	(45)	874
Other service revenue	824	36	(5)	855
<b>Service revenue</b>	<b>13 123</b>	<b>4 122</b>	<b>(147)</b>	<b>17 098</b>
Equipment revenue	3 196	77	(25)	3 248
Non-service revenue	335	41	(37)	339
<b>Revenue</b>	<b>16 654</b>	<b>4 240</b>	<b>(209)</b>	<b>20 685</b>

### Included in service revenue

#### (IAS 18 basis)

Mobile voice	5 532	2 147	(1)	7 678
Mobile data	5 542	582	–	6 124
Mobile messaging	590	107	–	697
M-Pesa revenue	–	537	–	537

### IFRS 15 basis

#### Rm

<b>Service revenue</b>	<b>12 133</b>	<b>4 107</b>	<b>(146)</b>	<b>16 094</b>
Equipment revenue	3 311	92	(24)	3 379
Non-service revenue	341	41	(38)	344
<b>Revenue</b>	<b>15 785</b>	<b>4 240</b>	<b>(208)</b>	<b>19 817</b>

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## Key indicators

### South Africa

	30 June 2018	31 March 2018	30 June 2017	YoY % change	Quarterly % change
<b>Customers<sup>1</sup> (thousand)</b>	<b>43 107</b>	41 635	39 381	<b>9.5</b>	3.5
Prepaid	<b>37 671</b>	36 275	34 248	<b>10.0</b>	3.8
Contract	<b>5 436</b>	5 360	5 133	<b>5.9</b>	1.4
<b>Data customers<sup>2</sup> (thousand)</b>	<b>20 434</b>	20 347	19 167	<b>6.6</b>	0.4
<b>Internet of Things connections<sup>3</sup> (thousand)</b>	<b>3 881</b>	3 628	3 100	<b>25.2</b>	7.0
<b>MOU per month<sup>4</sup></b>	<b>123</b>	124	125	<b>(1.6)</b>	(0.8)
Prepaid	<b>111</b>	113	115	<b>(3.5)</b>	(1.8)
Contract	<b>201</b>	199	190	<b>5.8</b>	1.0
<b>Traffic<sup>5</sup> (millions of minutes)</b>	<b>15 628</b>	15 385	14 426	<b>8.3</b>	1.6
Outgoing	<b>13 333</b>	13 101	12 109	<b>10.1</b>	1.8
Incoming	<b>2 295</b>	2 284	2 317	<b>(0.9)</b>	0.5
<b>Total ARPU<sup>6</sup> (rand per month) – IAS18 basis</b>	<b>96</b>	99	103	<b>(6.8)</b>	(3.0)
Prepaid	<b>55</b>	57	58	<b>(5.2)</b>	(3.5)
Contract	<b>384</b>	381	393	<b>(2.3)</b>	0.8

#### 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 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.
3. 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.
4. 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.
5. 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.
6. 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.

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## Key indicators (continued)

### International

	30 June 2018	31 March 2018	30 June 2017	YoY % change	Quarterly % change
<b>Customers<sup>1</sup> (thousand)</b>	<b>33 403</b>	32 415	29 986	<b>11.4</b>	3.0
Tanzania	<b>13 277</b>	12 899	12 611	<b>5.3</b>	2.9
DRC	<b>12 279</b>	11 821	10 792	<b>13.8</b>	3.9
Mozambique	<b>6 255</b>	6 108	5 147	<b>21.5</b>	2.4
Lesotho	<b>1 590</b>	1 587	1 436	<b>10.7</b>	(0.2)
<b>Data customers<sup>2</sup> (thousand)</b>	<b>17 472</b>	16 573	13 807	<b>26.5</b>	5.4
Tanzania	<b>7 682</b>	7 345	6 767	<b>13.5</b>	4.6
DRC	<b>5 150</b>	4 825	3 982	<b>29.3</b>	6.7
Mozambique	<b>3 952</b>	3 730	2 470	<b>60.0</b>	6.0
Lesotho	<b>688</b>	673	588	<b>17.0</b>	2.2
<b>30-day active M-Pesa customers<sup>3</sup> (thousand)</b>	<b>12 711</b>	11 757	10 089	<b>26.0</b>	8.1
Tanzania	<b>6 805</b>	6 369	5 934	<b>14.7</b>	6.8
DRC	<b>2 127</b>	1 891	1 494	<b>42.4</b>	12.4
Mozambique	<b>3 367</b>	3 109	2 343	<b>43.7</b>	8.3
Lesotho	<b>412</b>	388	318	<b>29.6</b>	6.2
<b>MOU per month<sup>4</sup></b>					
Tanzania	<b>177</b>	161	153	<b>15.7</b>	9.9
DRC	<b>38</b>	36	44	<b>(13.6)</b>	5.6
Mozambique	<b>129</b>	144	130	<b>(0.8)</b>	(10.4)
Lesotho	<b>68</b>	71	79	<b>(13.9)</b>	(4.2)
<b>Total ARPU<sup>5</sup> (rand per month) – IAS 18 basis</b>					
Tanzania (TZS)	<b>33</b>	31	35	<b>(5.7)</b>	6.5
DRC (USD)	<b>37</b>	34	42	<b>(11.9)</b>	8.8
Mozambique (MZN)	<b>51</b>	47	48	<b>6.3</b>	8.5
Lesotho	<b>63</b>	61	62	<b>1.6</b>	3.3
<b>Total ARPU<sup>5</sup> (local currency per month) – IAS 18 basis</b>					
Tanzania (TZS)	<b>5 984</b>	5 734	5 946	<b>0.6</b>	4.4
DRC (USD)	<b>3.0</b>	2.9	3.2	<b>(6.3)</b>	3.4
Mozambique (MZN)	<b>242</b>	238	228	<b>6.1</b>	1.7

#### 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. The Lesotho customer numbers have been restated to align with Group policy.
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. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
4. 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).
5. 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).



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## Historical financial review

### Revenue

IFRS 15 Rm	30 June 2018
South Africa	16 515
International	4 424
Corporate and eliminations	(286)
<b>Group revenue</b>	<b>20 653</b>

IAS 18 Rm	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017	31 December 2016
South Africa	17 415	17 875	18 211	17 227	16 654	16 141	17 142
International	4 424	4 167	4 719	4 334	4 240	3 985	4 316
Corporate and eliminations	(286)	(314)	(283)	(251)	(209)	(221)	(236)
<b>Group revenue</b>	<b>21 553</b>	<b>21 728</b>	<b>22 647</b>	<b>21 310</b>	<b>20 685</b>	<b>19 905</b>	<b>21 222</b>

### Revenue YoY % change for the quarter ended

IAS 18 %	Reported <sup>Δ</sup>				Normalised*
	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2018
South Africa	4.6	10.7	6.2	7.6	4.6
International	4.3	4.6	9.3	(2.1)	8.5
Corporate and eliminations	(36.8)	(42.1)	(19.9)	(37.2)	(36.8)
<b>Group revenue</b>	<b>4.2</b>	<b>9.2</b>	<b>6.7</b>	<b>5.2</b>	<b>5.0</b>

### Service revenue

IFRS 15 Rm	30 June 2018
South Africa	12 736
International	4 275
Corporate and eliminations	(238)
<b>Group service revenue</b>	<b>16 773</b>

IAS 18 Rm	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017	31 December 2016
South Africa	13 760	13 891	14 061	13 547	13 123	13 198	13 410
International	4 292	3 946	4 574	4 186	4 122	3 844	4 206
Corporate and eliminations	(239)	(261)	(233)	(177)	(147)	(167)	(173)
<b>Group service revenue</b>	<b>17 813</b>	<b>17 576</b>	<b>18 402</b>	<b>17 556</b>	<b>17 098</b>	<b>16 875</b>	<b>17 443</b>

### Service revenue YoY % change for the quarter ended

IAS 18 %	Reported <sup>Δ</sup>				Normalised*
	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2018
South Africa	4.9	5.3	4.9	3.9	4.9
International	4.1	2.7	8.7	(1.4)	8.3
Corporate and eliminations	(62.6)	(56.3)	(34.7)	(46.3)	(62.6)
<b>Group service revenue</b>	<b>4.2</b>	<b>4.2</b>	<b>5.5</b>	<b>2.3</b>	<b>5.2</b>

# Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

## Historical key indicators

### South Africa

	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017	31 December 2016
<b>Customers<sup>1</sup> (thousand)</b>	<b>43 107</b>	41 635	41 602	40 000	<b>39 381</b>	37 131	36 375
Prepaid	<b>37 671</b>	36 275	36 283	34 762	<b>34 248</b>	32 000	31 188
Contract	<b>5 436</b>	5 360	5 319	5 238	<b>5 133</b>	5 131	5 187
<b>Data customers<sup>2</sup> (thousand)</b>	<b>20 434</b>	20 347	20 503	19 905	<b>19 167</b>	19 549	19 261
<b>Internet of Things connections<sup>3</sup> (thousand)</b>	<b>3 881</b>	3 628	3 495	3 271	<b>3 100</b>	2 979	2 810
<b>MOU per month<sup>4</sup></b>	<b>123</b>	124	131	128	<b>125</b>	131	145
Prepaid	<b>111</b>	113	120	118	<b>115</b>	122	138
Contract	<b>201</b>	199	202	199	<b>190</b>	190	187
<b>Traffic<sup>5</sup> (millions of minutes)</b>	<b>15 628</b>	15 385	16 013	15 331	<b>14 426</b>	14 462	15 550
Outgoing	<b>13 333</b>	13 101	13 612	12 976	<b>12 109</b>	12 105	13 158
Incoming	<b>2 295</b>	2 284	2 401	2 355	<b>2 317</b>	2 357	2 392
<b>Total ARPU<sup>6</sup> (rand per month)</b>							
<b>IAS 18 basis</b>	<b>96</b>	99	102	101	<b>103</b>	109	114
Prepaid	<b>55</b>	57	59	58	<b>58</b>	61	64
Contract	<b>384</b>	381	393	391	<b>393</b>	401	414

#### 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 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.
3. 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.
4. 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.
5. 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.
6. Total ARPU is calculated by dividing the average monthly service revenue during the period by the average monthly active customers. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

# Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

## Historical key indicators (continued)

### International

	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017	31 December 2016
<b>Customers<sup>1</sup> (thousand)</b>	<b>33 401</b>	32 415	32 184	31 170	<b>29 986</b>	29 688	28 811
Tanzania	<b>13 277</b>	12 899	12 901	12 857	<b>12 611</b>	12 653	12 419
DRC	<b>12 279</b>	11 821	11 982	11 453	<b>10 792</b>	10 388	9 702
Mozambique	<b>6 255</b>	6 108	5 712	5 421	<b>5 147</b>	5 146	5 208
Lesotho	<b>1 590</b>	1 587	1 589	1 439	<b>1 436</b>	1 501	1 482
<b>Data customers<sup>2</sup> (thousand)</b>	<b>17 472</b>	16 573	16 013	14 755	<b>13 807</b>	12 997	12 620
Tanzania	<b>7 682</b>	7 345	7 317	7 072	<b>6 767</b>	6 463	6 484
DRC	<b>5 150</b>	4 825	4 470	4 175	<b>3 982</b>	3 705	3 354
Mozambique	<b>3 952</b>	3 730	3 501	2 904	<b>2 470</b>	2 280	2 196
Lesotho	<b>688</b>	673	725	604	<b>588</b>	549	586
<b>MOU per month<sup>3</sup></b>							
Tanzania	<b>177</b>	161	171	167	<b>153</b>	146	162
DRC	<b>38</b>	36	36	42	<b>44</b>	44	48
Mozambique	<b>129</b>	144	152	144	<b>130</b>	130	122
Lesotho	<b>68</b>	71	85	82	<b>79</b>	78	91
<b>30-day active M-Pesa customers<sup>4</sup> (thousand)</b>	<b>12 711</b>	11 757	11 117	10 755	<b>10 089</b>	9 963	8 848
Tanzania	<b>6 805</b>	6 369	6 266	6 189	<b>5 934</b>	6 198	5 555
DRC	<b>2 127</b>	1 891	1 600	1 613	<b>1 494</b>	1 423	1 203
Mozambique	<b>3 367</b>	3 109	2 908	2 625	<b>2 343</b>	2 029	1 804
Lesotho	<b>412</b>	388	343	238	<b>318</b>	313	286
<b>Total ARPU<sup>5</sup> (rand per month) IAS 18 basis</b>							
Tanzania	<b>33</b>	31	39	37	<b>35</b>	34	40
DRC	<b>37</b>	34	39	37	<b>42</b>	37	48
Mozambique	<b>51</b>	47	57	53	<b>48</b>	40	41
Lesotho	<b>63</b>	61	71	66	<b>62</b>	53	67
<b>Total ARPU<sup>5</sup> (local currency per month) IAS 18 basis</b>							
Tanzania (TZS)	<b>5 984</b>	5 734	6 369	6 295	<b>5 946</b>	5 674	6 279
DRC (USD)	<b>3.0</b>	2.9	2.9	2.8	<b>3.2</b>	2.8	3.4
Mozambique (MZN)	<b>242</b>	238	253	244	<b>228</b>	209	223

#### 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.
- 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 restated customer numbers. (Refer to note 1).
- M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
- 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 the restated customer numbers. (Refer to note 1).

## Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

### Average quarterly exchange rates

	30 June 2018	31 March 2018	30 June 2017	YoY % change	Quarterly % change
USD/ZAR	12.65	11.95	13.21	(4.2)	5.9
ZAR/MZN	4.74	5.10	4.74	–	(7.1)
ZAR/TZS	179.60	187.90	169.33	6.1	(4.4)
EUR/ZAR	15.08	14.69	14.52	3.9	2.7
ZAR/KES	7.98	8.52	7.83	1.9	(6.3)

### Reconciliation of normalised and adjusted growth

The reconciliation represents normalised growth at a constant currency (using the current period as the base) from on-going operations. The presentation of the pro-forma constant currency information from on-going operations is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting this information is to assist the user in understanding the underlying growth trends in these segments. It has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. This information has not been reviewed nor reported on by the Group's auditors being PriceWaterhouseCoopers Inc.

### Reconciliation of normalised and adjusted growth for the quarter ended

#### 30 June 2018

IAS 18 basis	IAS 18 Reported <sup>1</sup>	Translation foreign exchange <sup>2</sup>	Normalised*	International One-off <sup>5</sup>	Adjusted**
	% change	ppt	% change	ppt	% change
<b>Revenue</b>					
Group	4.2	0.8	5.0	–	–
International	4.3	4.2	8.5	–	–
<b>Service revenue</b>					
Group	4.2	1.0	5.2	0.9	6.1
International	4.1	4.2	8.3	4.1	12.4
<b>Data revenue</b>					
Group	9.6	0.3	9.9	–	–
International	11.3	3.4	14.7	–	–
<b>M-Pesa revenue</b>					
International	18.1	5.7	23.8	–	–

# Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

## Reconciliation of normalised values for the quarter ended

### 30 June 2018

IAS 18 basis						
Rm	IFRS 15	Impact of adoption of IFRS 15	IAS 18 Reported	Translation foreign exchange <sup>2</sup>		Normalised*
<b>Revenue</b>						
Group	20 653	900	21 553	–		21 553
South Africa	16 515	900	17 415	–		17 415
International	4 424	–	4 424	–		4 424
<b>Service revenue</b>						
Group	16 773	1 040	17 813	–		17 813
South Africa	12 736	1 024	13 760	–		13 760
International	4 275	17	4 292	–		4 292
<b>Data revenue</b>						
Group	–	–	6 713	–		6 713
International	–	–	648	–		648
<b>M-Pesa revenue</b>						
International	–	–	634	–		634

## Reconciliation of normalised values for the quarter ended

### 30 June 2017

IAS 18 basis						
Rm	Reported	Translation foreign exchange <sup>2</sup>	Normalised*	International One-off <sup>3</sup>		Adjusted**
<b>Revenue</b>						
Group	20 685	(164)	20 521	–		20 521
International	4 240	(164)	4 076	–		4 076
<b>Service revenue</b>						
Group	17 098	(159)	16 939	(144)		16 795
International	4 122	(159)	3 963	(144)		3 819
<b>Data revenue</b>						
Group	6 124	(17)	6 107	–		6 107
International	582	(17)	565	–		565
<b>M-Pesa revenue</b>						
International	537	(25)	512	–		512

#### Notes:

1. The reported percentage change relates to the quarter to date year-on-year percentage growth between 30 June 2017 and 30 June 2018 on an IAS 18 basis. 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 above.
2. Translation foreign exchange 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 quarter 30 June 2018 average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the quarter) to 30 June 2017 quarter numbers, thereby giving a user a view of the performance which excludes exchange rate variances. The prevailing exchange rates for the current and comparative quarters are disclosed above.
3. During the 2<sup>nd</sup> quarter of the previous year, we reclassified the foreign exchange difference between USD and CDF sales to be netted off on the corresponding revenue line. The adjustment was USD11.4 million for Q1 2017. Q1 2017 was not restated for this change.

## Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

### Reconciliation of IAS 18 to IFRS 15 values for the quarter ended 30 June 2017

Rm	IAS 18	Impact of adoption of IFRS 15	IFRS 15
<b>Service revenue</b>			
Group	17 098	(1 004)	16 094
South Africa	13 123	(990)	12 133
International	4 122	(15)	4 107
<b>Equipment revenue</b>			
Group	3 248	131	3 379
South Africa	3 196	115	3 311
International	77	15	92
<b>Non-service revenue</b>			
Group	339	5	344
South Africa	335	6	341
International	41	–	41
<b>Revenue</b>			
Group	20 685	(868)	19 817
South Africa	16 654	(869)	15 785
International	4 240	–	4 240

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

# Vodacom Group Limited

Trading update for the quarter ended 30 June 2018

## 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 update which sets out the quarterly results for Vodacom Group Limited for the three months ended 30 June 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 EBIT, 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.

Sponsor: UBS South Africa (Pty) Limited

ADR depository bank: Deutsche Bank Trust Company Americas