Vodacom Group Limited
Preliminary results
for the year ended 31 March 2017

Vodacom Group CEO commented

Shameel Joosub

A year ago we said that the strategies that we have implemented to differentiate our network experience, to proactively change our pricing and offer customers more value through segmented and personalised offers, will continue to sustain revenue growth.

Our solid results this year show that we continue to make great progress against these strategic priorities with our performance driven in particular by strong customer growth in South Africa, where we added close to three million customers, largely contributing to a 5.6% increase in service revenue growth. This was offset by the impact of currency volatility and the anticipated effects of customer registrations and disconnections in our International operations, where service revenue declined by 5.6% (+2.2%*). Overall Group service revenue grew 2.3% (4.4%*).

In South Africa, customers have responded positively to our segmented marketing approach and concerted efforts to increase bundle adoption engagement, particularly through our 'Just 4 You' offers. This resulted in the sale of almost 1.5 billion bundles, an increase of 34.1% and ultimately in the increase in our Net Promoter Score lead over our next-best competitor.

The sustained demand for data remains a key driver for growth with active data users up 8.3% in South Africa and 29.3% across our International operations. Data now comprises 36.3% (up from 31.9% a year ago) of Group service revenue and grew at 16.4%.

To solidify our network and service differentiation and support this continued growth, we invested R11.3 billion in our infrastructure of which R8.5 billion was in South Africa where we expanded 4G coverage to 75.8% of the population and 3G to 99.8%. Over the past three years, capital expenditure across the Group will total at R37.5 billion with R25.9 billion in South Africa alone.

Enterprise revenue continues to grow strongly at 9.9%. This year, our cloud and hosting revenue increased by 35.2%, and our IoT revenue was up 19.1% to R662 million.

In our International operations, we have recovered from the customers disconnected in the prior year, adding 2.5 million customers for the year. Although short-term pressures remain, we expect the introduction of 'Just 4 You' across all our operations and the continued success of M-Pesa to provide for improved commercial execution to this portfolio. Fuelled by expanding distribution channels and the expansion of products and services on offer, we increased the number of customers that use M-Pesa by 3.7 million to almost 13 million, contributing to a 19.4% rise in M-Pesa revenue.

In the past year, voice and data prices fell by 14.3% and 16.0% respectively in South Africa where significantly more customers benefitted from using bundles. This brings the cumulative reduction in voice and data prices to 42.2% and 44.3% over the past three years. Still, we remain focussed on addressing out-of-bundle pricing and recently launched an enhanced smart notification service to encourage in-bundle usage.

Cognisant of our responsibility to increase digital and social connectivity in South Africa, we introduced 'Siyakha' in early 2017. Siyakha is a platform that offers zero-rated content and lower priced products and services, which form part of our effort to help improve the lives of people that can least afford communication costs.

We have made significant strides in transformation, evident in our Level 2 contribution status which we achieved based on last year's ICT Sector BEE Codes. As of November 2016, significant changes were made to the codes resulting in more stringent requirements and material amendment to the BBBEE status and recognition criteria. Had these criteria been applied without management and the Board implementing remedial action, within a limited timeframe of three months, it would have resulted in achieving a Level 8 contributor status. Through higher investment in transformation projects and introducing new transformation initiatives, we have achieved a Level 4 contribution status for this year's assessment.

Looking ahead, we are fully alert to the changing regulatory and macroeconomic environments and have measures in place to ensure we have the agility to adapt to various relevant scenarios.

Highlights

Group service revenue up

2.3%

and Group revenue up 1.5%; normalised for the effects of foreign currency translation this growth was 4.4%* and 3.4%* respectively.

South Africa service revenue increased

5.6%

aided by strong customer net additions of close to 3.0 million.

International operations' service revenue declined

5.6%

normalised up 2.2%*; impacted by currency volatility, and customer registration processes.

Group data revenue up

16.4%

supported by our strategy of data network investment and device migration.

Group EBITDA grew

2.9%

to R31 238 million, up 7.1%* excluding foreign currency translation impacts, with margins improving by 0.5ppts to 38.4%.

Group capital expenditure of

R11 292 million

with focus on data expansion and information technology.

Headline earnings per share (HEPS) up

4.5%

to 923 cents per share.

Final dividend per share of

435 cents

taking the total dividend to 830 cents per share for the year.

	Year ended 31 March		Year-on-year % change	
Rm	**2017**	**2016**	**Reported**	**Normalised***
Revenue	**81 278**	80 077	**1.5**	3.4
Service revenue	**68 286**	66 763	**2.3**	4.4
EBITDA	**31 238**	30 345	**2.9**	7.1
EBIT	**22 126**	21 696	**2.0**	6.5
Operating profit	**21 750**	21 059	**3.3**	
Capital expenditure	**11 292**	12 875	**(12.3)**	
Operating free cash flow†	**19 555**	16 523	**18.4**	
Headline earnings per share (cents)	**923**	883	**4.5**	

Notes:
Certain financial information presented in these preliminary annual results constitute pro-forma financial information to the extent that it is not extracted from the segment disclosure included in the audited financial statements for the year ended 31 March 2017. 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 31 – 34.

* Normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current year as base), (collectively 'foreign exchange').

† Operating free cash flow and free cash flow have been restated to exclude movements in amounts due to M-Pesa account holders. Operating free cash flow and free cash flow have been reconciled to cash generated from operations on page 34.

Refer to pages 31 to 33 for a reconciliation of adjustments.

All growth rates quoted are year-on-year growth rates unless otherwise stated.

Operating review

South Africa

Service revenue increased 5.6% to R52 071 million driven by strong customer additions, with good progress on data and enterprise services. Revenue grew by 3.9% to R64 729 million, hampered by the equipment revenue decline of 4.0%. This was mainly due to slightly lower device sales, which was impacted by the weakening of the rand against the US dollar and Euro for most of the year.

Customers increased by 8.6% to 37.1 million, with 3.0 million customer net additions in the year, as our segmentation and bundle strategy continued to attract new customers. **Prepaid customers** reached 32.0 million, up 9.3%, driven by the success of our improved value propositions through 'Just 4 You' offers, the successful launch of our youth (NXT LVL) proposition and a highly engaging summer promotion. We added 218 000 **contract** customers during the year with improved loyalty leading to reduced contract **churn** of 4.2%, while increasing contract **ARPU** by 2.8% to R408. Our bundle strategy, designed to make communication more affordable, continues to progress well and we sold a total of 1.5 billion bundles, up, 34.1% in the period. Of these, one billion were voice bundles. This enabled us to reduce our effective price per minute by 14.3% to the benefit of customers. The success of the personalised voice bundle strategy through our 'Just 4 You' platform has resulted in a slower voice revenue decline of 3.7%.

Data revenue grew 19.7% to R20 696 million, now comprises 39.7% of service revenue. As the strong demand for data continues, underlying drivers of growth remain strong with data customers up 8.3% to 19.5 million and data traffic up 43.2%. This was enabled through growing our data network coverage and capacity as well as focussing our device strategy on increasing 3G and 4G device uptake. 4G customers on our network increased 86.7% to 5.1 million, while the average monthly data usage on smartphones increased 25.0% to 560MB. Our data bundles sales grew by 44.8% to 495 million resulting in the reduction in the effective price per MB by 16.0% thereby continuing to give more value to our customers. Our focus in the year ahead will be to transform data pricing to the benefit of customers, by reducing customer exposure to higher out of bundle rates.

Enterprise showed continued strong revenue growth of 12.7% (of which 2.8ppts relates to the impact of Autopage customer buy backs in the prior year) from customer win backs, and now contributes 24.3% (2016: 22.8%) of service revenue. Mobile enterprise customer revenue grew 14.2% (of which 4.5ppts relates to the impact of Autopage customer buy backs in the prior year) to R7 884 million. We have secured South Africa's national and provincial government department's mobile voice and data communications contract for a period of four years. This award will enable us to partner with government to support greater innovation. Customer migration for this contract is expected to commence in the first quarter. We are leveraging our network reliability and our leading mobile brand to move more deeply into fixed-line. Fixed-line and business managed services (BMS) revenue increased 8.3% with growth in cloud and hosting revenue gaining further momentum as it increased by 35.2% in the year. Internet of things (IoT) revenue increased 19.1% to R662 million.

EBITDA increased 7.2% to R26 815 million with EBITDA margin expanding strongly by 1.2ppts to 41.4% due to strong focus on cost efficiencies and driven by sales margin improvement. We focussed on driving efficiencies across all distribution channels. We rebalanced our subsidies towards data enabled devices, resulting in improved take up of data services and improved returns. We benefitted from improved inventory management, reduced office accommodation spend as we rationalised offices and various network cost savings. These cost saving initiatives have offset higher network operating costs due to increased number of sites and a trading foreign exchange net loss of R250 million (2016: R531 million net gain).

Capital expenditure of R8 471 million allowed us to continue widening our 3G and 4G data coverage, improve voice quality and increase data speeds. 4G coverage increased to 75.8% of the population, up from 58.2% a year ago reaching over 7 900 sites. We extended our high-speed transmission to 92.1% of our sites. We completed the development of our new customer management and billing systems to future proof our operations and have migrated all our consumer contract customers to this new platform. We also entered into a commercial agreement with WBS that will enable us to roam on their 4G and 4G plus network.

Our focus on **customer experience improvements** through network enhancements, better value propositions and service, through our **CARE initiative**, has enabled us to increase our customer satisfaction lead to 17 points over our nearest competitor as measured through the Net Promoter Score methodology. We have underpinned our best network promise with our dropped call compensation guarantee, giving customers free minutes for calls dropped on our network. As customers become more digital, we are positioning the MyVodacom app as customers' primary interaction channel with Vodacom for people with smartphones. The app enables a number of self-help features, up to date bundle and balance information with an easy interface to buy our bundles. We continue to drive higher usage of the app through promotional offers and consistent improvement of the app, to deliver improved functionality.

International

Service revenue declined 5.6% (up 2.2%*) to R16 775 million, impacted by exchange rate volatility and the anticipated effect of the disconnection of customers, most notably in the prior year, in compliance with customer registration requirements in DRC, Mozambique and Tanzania. Short-term pressure remains, with signs of improvement in Tanzania, very strong execution in Mozambique and Lesotho, but a challenging macro environment in the DRC. We have introduced 'Just 4 You' personalised offers across all our operations and take up is progressing well. M-Pesa continues to be a key area of growth.

Customers increased 9.3% to 29.7 million as the International operations have returned to positive net additions of 2.5 million in the year. We continue to improve our customer registration processes as we work closely with regulators to ensure full compliance in all our operations.

Data revenue grew 2.3% (9.4%*) to R4 113 million driven by a 29.3% increase in data customers to 13.0 million, reflecting strong demand for mobile data services in all our markets, offset by strong pricing competition, mainly in Tanzania and the DRC. We continue to focus on our commercial and network offering to drive data growth, ensuring customers have access to better low cost smart devices, especially Vodacom branded devices, increasing data network speeds and driving the adoption of data bundles. Improving monetisation of the substantial growth opportunity in data in all operations is a key priority for the next financial year.

M-Pesa revenue increased 19.4% to R1.9 billion, fuelled by expansion in the distribution channels and expansion of the products and services on offer. We added 3.7 million customers, increasing the number of customers to 12.9 million[1]. Tanzania launched an M-Pesa app for smartphones that has unique features to improve customer experience such as QR code payments, easier access to contacts and predefined amounts. Mozambique has made significant progress in the year, 2.5 million customers representing 48% of its customer base are now using the M-Pesa service while Tanzania leads at 63% penetration of its customer base. DRC has reached over two million customers as they focussed on distribution and realignment of the business model. We have implemented a new M-Pesa platform in all operations except Lesotho with enhanced technology which has significantly improved stability, resulting in increased trust with customers which is a key attribute for success. The system continues to grow from its roots of person to person transfers, now also incorporating complete merchant payment system, bill payments, a salary payment system, as well as savings and loans products for customers. In Tanzania alone, we now transact US$1 billion in value each month.

EBITDA declined 15.6% normalised declined 8.6%* to R4 545 million and the EBITDA margin contracted by 3.1ppts to 26.2%. A number of actions to mitigate the impact of the slowed revenue growth in the year helped to offset the impact on margins. These included sales margin improvement through the promotion of own channels such as M-Pesa for recharge, restructuring to drive improved efficiencies and continued savings in network operating expenses through our "Fit for growth" savings programme.

Capital expenditure of R2 833 million represented 16.3% of revenue. We continue to invest significantly in all our markets to strengthen network and service differentiation and to support data growth and wider voice coverage. We added 284 4G sites, 888 3G sites and 536 2G sites since March 2016.

Regulatory matters

South Africa Integrated information and communication technology ICT Policy White Paper (White Paper)

The Ministry of Telecommunications and Postal Services published a White Paper, as approved by cabinet, on 2 October 2016. Vodacom supports the objectives of the White Paper to make broadband more accessible and affordable for all. However, as it now stands, we do not believe the White Paper will achieve these objectives.

1. Number of unique customers who have generated revenue related to M-Pesa in the past 90 days, of these 10.0 million have been active in the past 30 days.

The Group believes the White Paper, in its current form, contains a number of policy elements and interventions which are unclear and require more detail. For the White Paper to have legal effect, a number of new laws would need to be promulgated and/or existing laws amended. Consultation with all stakeholders would be required to give effect to these changes.

Since publication a number of initial exploratory meetings for implementation of the policy paper between the Minister and industry were held with the objective of finding a workable solution to meet South Africa's social and economic objectives. The result was a unified proposal presented to the Minister by six of the country's main mobile and fixed operators. The proposal outlined the operators' vision of the creation of a wholesale access network, while still allowing current operators the opportunity to access high demand spectrum. The outcome of this is still to be determined.

Listing of Vodacom Tanzania

In June 2016, the Parliament of Tanzania passed the Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010, to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering (IPO) on the Dar es Salaam stock exchange (DSE).

Vodacom Tanzania opened its offer in compliance with the legislation on 9 March 2017 and the offer period closed on 11 May 2017. Vodacom Tanzania will announce the allotment of shares from 19 May 2017 onwards and commence trading on the DSE on 6 June 2017.

Outlook

The significant investments that we have made in our networks and IT infrastructure over the past three years continue to bear fruit. This, coupled with our segmented marketing approach and personalised pricing strategy, is resonating with an increasing number of customers. This continues to be evident in our customer satisfaction scores, customer additions and improved loyalty resulting in lower contract churn and higher engagement with customers buying bundles.

Our International operations have recovered customers that were disconnected, most notably in the prior year, to comply with stricter customer registration requirements. Mozambique and Lesotho continue to perform well and we are seeing improvements in our operational performance in Tanzania. The DRC continues to face political and macroeconomic pressure, which we will monitor.

Our key growth areas remain robust, including data, for which customer demand remains strong. In all our markets, there is still an opportunity to monetise this growth even further by growing the base through wider network coverage and pushing uptake of data enabled devices, while innovating in the areas of pricing and content to drive customer take up. A key focus area in the year ahead will be data pricing transformation in South Africa to reduce exposure to out of bundle rates, and improving data monetisation in our International operations. M-Pesa has achieved scale in both DRC and Mozambique, and growth in new products and services across all our International operations will continue to support the growth of this key revenue stream.

Our enterprise business continues to grow as we enable more services, expand operational scale and as customers migrate their IT infrastructure to the cloud.

We continue to engage with government and regulators to resolve delays in the allocation of new spectrum, while currency fluctuations across all our markets remain a key risk.

We target Group service revenue growth of mid-single digit, previously low-to-mid single digit, Group EBIT growth of mid-to-high single digit and capital intensity of 12 – 14% of Group revenue over the next three years. The change to an EBIT target reflects a change in management short term incentive targets, which are now based on EBIT, previously EBITDA. The main aim of this is to align to the Board's objective of optimising capital allocation and maximising returns on investments. These targets are on average, over the next three years and are on a normalised basis in constant currency, excluding spectrum purchases and any merger and acquisition activity. This assumes broadly stable currencies in each of our markets and stable macro and regulatory environments.

Financial review

Summary financial information

Rm	Year ended 31 March 2017	2016	Year-on-year % change Reported	Normalised*
Revenue	81 278	80 077	1.5	3.4
Service revenue	68 286	66 763	2.3	4.4
EBITDA	31 238	30 345	2.9	7.1
EBIT	22 126	21 696	2.0	6.5
Operating profit	21 750	21 059	3.3	
Net profit	13 126	12 910	1.7	
Capital expenditure	11 292	12 875	(12.3)	
Operating free cash flow†	19 555	16 523	18.4	
Free cash flow†	11 404	9 276	22.9	
Net debt	22 484	21 287	5.6	
Basic earnings per share (cents)	915	881	3.9	
Headline earnings per share (cents)	923	883	4.5	
Contribution margin (%)	62.5	60.5	2.0 ppts	
EBITDA margin (%)	38.4	37.9	0.5 ppts	
EBIT margin (%)	27.2	27.1	0.1 ppts	
Operating profit margin (%)	26.8	26.3	0.5 ppts	
Effective tax rate (%)	31.7	31.5	0.2 ppts	
Net profit margin (%)	16.1	16.1	–	
Capital intensity (%)	13.9	16.1	(2.2 ppts)	
Net debt/EBITDA (times)	0.7	0.7	–	

Service revenue

Rm	Year ended 31 March 2017	2016	% change 16/17
South Africa	52 071	49 320	5.6
International	16 775	17 763	(5.6)
Corporate and eliminations	(560)	(320)	75.0
Group service revenue	68 286	66 763	2.3

Group service revenue increased 2.3% (4.4%*) to R68 286 million, underpinned by net customer additions of 5.5 million and data revenue growth of 16.4%. Data revenue contributes 36.3% of Group service revenue compared to 31.9% a year ago. Revenue grew at a slower pace of 1.5% (3.4%*) to R81 278 million due to equipment revenue declining by 4.4%, mainly due to lower sales volumes in South Africa resulting from higher selling prices which were impacted by currency volatility in the first half of this year.

In South Africa, service revenue increased 5.6% stemming from the growth in mobile data revenue, net customer additions of 3.0 million and enterprise revenue growth.

In our International operations, service revenue declined 5.6% (up 2.2%*) supported by increased data revenue as we recovered the majority of customers disconnected in the prior year. Overall growth has however slowed as a result of the disconnections made in compliance with regulation in the prior year and volatility of foreign exchange in the current year.

Total expenses[1]

Rm	Year ended 31 March 2017	2016	% change 16/17
South Africa	37 945	37 294	1.7
International	12 853	13 191	(2.6)
Corporate and eliminations	(679)	(504)	34.7
Group total expenses[1]	**50 119**	49 981	**0.3**

Group total expenses increased 0.3% to R50 119 million, below revenue growth of 1.5%, as our cost saving initiatives aided in offsetting higher costs due to inflation, site growth and negative foreign currency impacts. These expenses include a net foreign exchange loss on the revaluation of foreign currency denominated trading items of R331 million (2016: R383 million net gain).

In South Africa, total expenses increased 1.7%. Savings were achieved mainly in direct costs due to strong focus on cost efficiencies, especially in sales margin improvement. We focussed on driving efficiencies across all distribution channels as we rebalanced our subsidies towards data enabled devices and improved returns. Excluding the impact of trading foreign exchange, total expenses decreased by 0.3%.

In our International operations, expenses were well contained to mitigate the impact of slower revenue growth. Total expenses decreased by 2.6% (up 5.7%*). Savings were realised mainly from network and maintenance costs. These costs include the costs of rebranding in the DRC of US$5.2 million.

EBITDA

Rm	Year ended 31 March 2017	2016	% change 16/17
South Africa	26 815	25 016	7.2
International	4 545	5 385	(15.6)
Corporate and eliminations	(122)	(56)	117.9
Group EBITDA	**31 238**	30 345	**2.9**

Group EBITDA increased 2.9% (7.1%*) with the Group EBITDA margin increasing by 0.5ppts to 38.4%. Growth was negatively impacted by a R331 million net foreign exchange loss (2016: R383 million net gain). South Africa EBITDA grew strongly by 7.2% (10.5%*) with a margin improvement of 1.2ppts to 41.4% benefitting mainly from efficiencies within our sales margin. In our International operations, EBITDA declined 15.6% (8.6%*) with the EBITDA margin contracting 3.1ppts to 26.2%.

Operating profit

Rm	Year ended 31 March 2017	2016	% change 16/17
South Africa	20 238	19 215	5.3
International	1 627	1 890	(13.9)
Corporate and eliminations	(115)	(46)	150.0
Group operating profit	**21 750**	21 059	**3.3**

Group operating profit increased 3.3% to R21 750 million with strong growth from the South Africa segment, offset by the decline in our International operations.

In South Africa, operating profit grew 5.3% to R20 238 million due to strong EBITDA growth partly offset by a 12.0% increase in depreciation and amortisation. International operations' operating profit decreased 13.9% to R1 627 million, driven by the decline in EBITDA and slightly offset by the non-recurring loss of R234 million in the prior year recognised as a result of our associate investment in Helios Towers Tanzania (HTT).

1. Excluding depreciation, amortisation, impairments, BEE charge/income and net loss from associate and joint venture.

Net finance charges

Rm	Year ended 31 March 2017	2016	% change 16/17
Finance income	777	716	8.5
Finance costs	(2 818)	(2 196)	28.3
Net loss on remeasurement and disposal of financial instruments	(481)	(735)	(34.6)
Net finance charges	(2 522)	(2 215)	13.9

Net finance charges increased 13.9% to R2 522 million. The average cost of debt increased to 8.3% from 7.4% in the prior year mainly due to an average 1.0ppt increase in JIBAR. The average debt increased by 13.8% due to the draw down on a R4 000 million Vodafone Investments Luxembourg s.a.r.l facility to finance capital expenditure. On 31 March 2017, the Group repaid R1 470 million on a three year Vodafone Investments Luxembourg s.a.r.l. loan with a nominal value of R3 000 million. The R481 million net loss on the remeasurement and disposal of financial instruments mainly relates to foreign currency denominated intergroup loans held by Mozambique and Tanzania, offset by a gain on forward exchange contract (FEC) revaluation in the current year of R166 million (2016: loss of R361 million).

Taxation

The tax expense of R6 102 million was 2.8% higher than the prior year (2016: R5 934 million) in line with growth in operating profit. The Group's effective tax rate increased to 31.7% from 31.5%. During the year Tanzania recognised a one-off tax adjustment relating to the disposal of network assets to HTT. The adjustment contributed 1.4ppts to the Group's effective tax rate. This increase was mostly offset by a decline in non-deductible items (-1.1ppts) and the loss from associate in the prior year not recurring (-0.4ppts).

Earnings

Basic earnings per share increased 3.9% to 915 cents while headline earnings per share increased 4.5% or 40 cents to reach 923 cents per share for the year. The strong contribution from EBITDA was mostly offset by increased depreciation (-35cps) and net finance cost (-38cps) which increased due to higher interest rates and average net debt. HEPS benefitted from a decline in net loss on re-measurement and disposal of financial instruments (+17cps), an increase in losses attributed to non-controlling interests (+20cps). In addition the prior year non-recurring loss recognised from HTT as well as the DRC restructuring cost, positively impacted HEPS by (29cps) in the current year.

Capital expenditure

Rm	Year ended 31 March 2017	2016	% change 16/17
South Africa	8 471	8 747	(3.2)
International	2 833	4 090	(30.7)
Corporate and eliminations	(12)	38	(131.6)
Group capital expenditure	11 292	12 875	(12.3)
Group capital intensity[1] (%)	13.9	16.1	(2.2) ppts

The Group's capital expenditure decreased by 12.3% to R11 292 million as we exit our period of capex acceleration, representing 13.9% of revenue. In South Africa, capital expenditure was directed at accelerating our 3G capacity and extending 4G coverage to 75.8%. We increased the number of self-provided sites for high-speed transmission to 92.1%. In our International operations, the focus remained on increasing both coverage and capacity thereby adding 284 4G sites, 888 3G sites and 536 2G sites since March 2016.

1. Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment increased 1.1% to R40 181 million and intangible assets decreased by 3.5% to R9 186 million compared to 31 March 2016. The combined increase is mainly as a result of net additions of R11 207 million, offset by depreciation and amortisation of R9 251 million and foreign currency translation differences of R2 299 million.

Net debt increased R1 197 million to R22 484 million. The increase in non-current borrowings supports investment in our networks and information technology infrastructure.

Net debt

	Year ended 31 March		Movement
Rm	**2017**	**2016**	**16/17**
Bank and cash balances	**8 873**	7 934	**939**
Bank overdrafts	**–**	(183)	**183**
Current borrowings	**(3 762)**	(2 284)	**(1 478)**
Non-current borrowings	**(27 613)**	(26 658)	**(955)**
Other financial instruments	**18**	(96)	**114**
Net debt[1]	**(22 484)**	(21 287)	**(1 197)**
Net debt[1]/EBITDA (times)	**0.7**	0.7	**–**

Cash flow

Free cash flow

	Year ended 31 March		% change
Rm	**2017**	**2016**	**16/17**
EBITDA	**31 238**	30 345	**2.9**
Working capital	**(629)**	(1 526)	**58.8**
Capital expenditure[2]	**(11 292)**	(12 875)	**12.3**
Disposal of property, plant and equipment	**73**	334	**(78.1)**
Other	**165**	245	**(32.7)**
Operating free cash flow†	**19 555**	16 523	**18.4**
Tax paid	**(6 051)**	(5 456)	**(10.9)**
Finance income received	**689**	683	**0.9**
Finance costs paid	**(2 699)**	(2 397)	**(12.5)**
Net dividends paid	**(91)**	(78)	**(16.7)**
Free cash flow†	**11 404**	9 276	**22.9**

Free cash flow increased by 22.9% or R2 128 million from the prior year as a result of higher EBITDA, a reduction in working capital investment due to improved inventory management and lower capital expenditure for the Group. Tax paid increased in line with higher profits from tax paying companies and net finance cost spend increased as a result of a higher net debt position, coupled with slightly higher interest during the year.

1. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.
2. Capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments Purchases of customer bases are excluded from capital expenditure.

Declaration of final dividend number 16 – payable from income reserves

Notice is hereby given that a gross final dividend number 16 of 435 cents per ordinary share in respect of the financial year ended 31 March 2017 has been declared payable on Monday 26 June 2017 to shareholders recorded in the register at the close of business on Friday 23 June 2017. The number of ordinary shares in issue at the date of this declaration is 1 487 954 000. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 348.00000 cents per ordinary share.

Last day to trade shares cum dividend	Tuesday 20 June 2017
Shares commence trading ex-dividend	Wednesday 21 June 2017
Record date	Friday 23 June 2017
Payment date	Monday 26 June 2017

Share certificates may not be dematerialised or rematerialised between Wednesday 21 June 2017 and Friday 23 June 2017, both days inclusive.

On Monday 26 June 2017, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 26 June 2017.

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

Dividend policy

The final dividend of 435 cents per share declared above reflects a final payment of 90% of reported HEPS in line with policy.

The Board maintains its dividend policy to pay at least 90% of headline earnings, after consideration of the factors below.

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

For and on behalf of the Board

Peter Moyo
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Till Streichert
Chief Financial Officer

Midrand

12 May 2017

Independent auditor's review report

To the shareholders of Vodacom Group Limited

We have reviewed the preliminary condensed consolidated financial statements of Vodacom Group Limited, set out on pages 11 to 22 of the preliminary report, which comprise the condensed consolidated statement of financial position as at 31 March 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the preliminary condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these preliminary condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the preliminary condensed consolidated financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the preliminary condensed consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2017 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the preliminary condensed consolidated financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D von Hoesslin
Registered Auditor

Pretoria

12 May 2017

Condensed consolidated income statement

for the year ended 31 March

Rm	Notes	2017 Reviewed	2016 Audited
Revenue	3	**81 278**	80 077
Direct expenses		**(30 483)**	(31 594)
Staff expenses		**(5 472)**	(5 557)
Publicity expenses		**(1 971)**	(1 986)
Other operating expenses		**(12 193)**	(10 844)
Black economic empowerment charge		**(75)**	(55)
Depreciation and amortisation		**(9 251)**	(8 735)
Impairment losses		**(84)**	(14)
Net profit/(loss) from associate and joint venture		**1**	(233)
Operating profit		**21 750**	21 059
Finance income		**777**	716
Finance costs		**(2 818)**	(2 196)
Net loss on remeasurement and disposal of financial instruments		**(481)**	(735)
Profit before tax		**19 228**	18 844
Taxation		**(6 102)**	(5 934)
Net profit		**13 126**	12 910
Attributable to:			
Equity shareholders		**13 418**	12 917
Non-controlling interests		**(292)**	(7)
		13 126	12 910

Cents		2017 Reviewed	2016 Audited
Basic earnings per share	4	**915**	881
Diluted earnings per share	4	**886**	857

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2017 Reviewed	2016 Audited
Net profit	**13 126**	12 910
Other comprehensive income[1]	**(1 633)**	264
Foreign currency translation differences, net of tax	**(1 633)**	260
Gain on hedging instruments in cash flow hedges, net of tax	**–**	4
Total comprehensive income	**11 493**	13 174
Attributable to:		
Equity shareholders	**11 647**	13 779
Non-controlling interests	**(154)**	(605)
	11 493	13 174

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations and/or when a hedged item is recognised in profit or loss.

Condensed consolidated statement of financial position

as at 31 March

Rm	Notes	2017 Reviewed	2016 Audited
Assets			
Non-current assets		**52 127**	51 085
Property, plant and equipment		**40 181**	39 744
Intangible assets		**9 186**	9 517
Financial assets		**424**	280
Investment in joint venture		**5**	4
Trade and other receivables		**971**	754
Finance receivables		**1 161**	761
Deferred tax		**199**	25
Current assets		**29 011**	27 618
Financial assets		**3 489**	2 641
Inventory		**1 268**	1 675
Trade and other receivables		**13 489**	13 275
Non-current assets held for sale	8	**114**	589
Finance receivables		**1 556**	1 390
Tax receivable		**222**	114
Bank and cash balances		**8 873**	7 934
Total assets		**81 138**	78 703
Equity and liabilities			
Fully paid share capital		*****	*
Treasury shares		**(1 670)**	(1 658)
Retained earnings		**26 396**	24 635
Other reserves		**(663)**	1 181
Equity attributable to owners of the parent		**24 063**	24 158
Non-controlling interests		**(1 067)**	(1 134)
Total equity		**22 996**	23 024
Non-current liabilities		**31 423**	29 909
Borrowings	9	**27 613**	26 658
Trade and other payables		**815**	815
Provisions		**360**	164
Deferred tax		**2 635**	2 272
Current liabilities		**26 719**	25 770
Borrowings	9	**3 762**	2 284
Trade and other payables		**22 700**	22 845
Provisions		**188**	92
Tax payable		**47**	344
Dividends payable		**22**	22
Bank overdrafts		**–**	183
Total equity and liabilities		**81 138**	78 703

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity

for the year ended 31 March

Rm	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2015 – Audited	22 062	(419)	21 643
Total comprehensive income	13 779	(605)	13 174
Dividends	(11 660)	(78)	(11 738)
Repurchase, vesting and sale of shares	(167)	–	(167)
Share-based payments	192	–	192
Changes in subsidiary holdings	(48)	(32)	(80)
31 March 2016 – Audited	**24 158**	**(1 134)**	**23 024**
Total comprehensive income	**11 647**	**(154)**	**11 493**
Dividends	**(11 657)**	**(91)**	**(11 748)**
Repurchase, vesting and sale of shares	**(134)**	**–**	**(134)**
Share-based payments	**123**	**–**	**123**
Changes in subsidiary holdings	**(74)**	**312**	**238**
31 March 2017 – Reviewed	**24 063**	**(1 067)**	**22 996**

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	Note	2017 Reviewed	2016 Audited
Cash generated from operations		**31 791**	29 800
Tax paid		**(6 051)**	(5 456)
Net cash flows from operating activities		**25 740**	24 344
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		**(11 689)**	(13 565)
Proceeds from disposal of property, plant and equipment and intangible assets		**73**	336
Business combinations		**(285)**	(573)
Finance income received		**689**	683
Repayment of loans granted and equity investments		**295**	(39)
Other investing activities[1]		**(1 278)**	(522)
Net cash flows utilised in investing activities		**(12 195)**	(13 680)
Cash flows from financing activities			
Borrowings incurred	9	**4 000**	6 789
Borrowings repaid	9	**(1 568)**	(4 004)
Finance costs paid		**(2 699)**	(2 397)
Dividends paid – equity shareholders		**(11 657)**	(11 658)
Dividends paid – non-controlling interests		**(91)**	(78)
Repurchase and sale of shares		**(134)**	(167)
Changes in subsidiary holdings		**240**	(129)
Net cash flows utilised in financing activities		**(11 909)**	(11 644)
Net increase/(decrease) in cash and cash equivalents		**1 636**	(980)
Cash and cash equivalents at the beginning of the year		**7 751**	8 870
Effect of foreign exchange rate changes		**(514)**	(139)
Cash and cash equivalents at the end of the year		**8 873**	7 751

1. Consists mainly of the movement in cash restricted deposits as a result of M-Pesa related activities.

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March

1. Basis of preparation

These preliminary condensed consolidated financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the parent Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous year, except as disclosed in Note 2. The significant accounting policies are available for inspection at the Group's registered office.

The preparation of these preliminary condensed consolidated financial statements was supervised by the Chief Financial Officer, Dr phil. T Streichert.

The financial information has been reviewed by PwC whose unmodified review report is presented on page 10.

2. Changes in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2016, none of which had any material impact on the Group's financial results for the year.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2017, which will be available online by 15 June 2017.

	Rm	2017 Reviewed	2016 Audited
3.	**Segment analysis**		
	External customer segment revenue	**81 278**	80 077
	South Africa	**64 415**	61 959
	International	**16 863**	18 118
	Inter-segment revenue	**–**	–
	South Africa	**(314)**	(319)
	International	**(487)**	(239)
	Corporate and eliminations	**801**	558
	EBITDA	**31 238**	30 345
	South Africa	**26 815**	25 016
	International	**4 545**	5 385
	Corporate and eliminations	**(122)**	(56)
	EBIT	**22 126**	21 696
	South Africa	**20 593**	19 430
	International	**1 648**	2 296
	Corporate and eliminations	**(115)**	(30)

Rm	2017 Reviewed	2016 Audited
3. Segment analysis continued		
Reconciliation of segment results		
EBITDA	31 238	30 345
Depreciation and amortisation excluding acquired brands and customer bases	(9 054)	(8 599)
Net loss on disposal of property, plant and intangible assets	(58)	(50)
EBIT	22 126	21 696
Acquired brands and customer base amortisation	(197)	(136)
Impairment losses	(84)	(14)
Black economic empowerment charge	(75)	(55)
Net profit/(loss) from associate and joint venture	1	(233)
Other	(21)	(199)
Operating profit[1]	21 750	21 059
Total assets	81 138	78 703
South Africa	51 930	48 430
International	23 104	25 014
Corporate and eliminations	6 104	5 259
Total liabilities	(58 142)	(55 679)
South Africa	(43 134)	(40 664)
International	(16 413)	(16 852)
Corporate and eliminations	1 405	1 837

1. For a reconciliation of operating profit and net profit for the year, refer to the Condensed consolidated income statement on page 11.

Cents	2017 Reviewed	2016 Audited
4. Per share calculations		
4.1 Earnings and dividends per share		
Basic earnings per share	915	881
Diluted earnings per share	886	857
Headline earnings per share	923	883
Diluted headline earnings per share	894	860
Dividends per share[1]	795	795

Rm	2017 Reviewed	2016 Audited
4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:		
Basic and headline earnings per share	1 467	1 467
Diluted earnings and diluted headline earnings per share	1 469	1 469
4.3 Ordinary shares for the purpose of calculating:		
Dividends per share	1 488	1 488

1. Includes a dividend of 400 cents per share declared on 13 May 2016 and 395 cents per share declared on 11 November 2016. The 31 March 2016 dividend per share includes dividends of 400 cents per share and 395 cents per share, declared on 14 May 2015 and 6 November 2015, respectively. The Group declared a final dividend in respect of the year ended 31 March 2017 after the reporting period (Note 13).

4. Per share calculations continued

Vodacom Group Limited acquired 1 386 131 shares in the market during the year at an average price of R167.23 per share. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital.

Dividend per share calculations are based on a dividend declared of R11 829 million (2016: R11 829 million) of which R44 million (2016: R41 million) was offset against the forfeitable share plan reserve, R5 million (2016: R5 million) expensed as staff expenses and R123 million (2016: R123 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

	Rm	2017 Reviewed	2016 Audited
4.4	**Headline earnings reconciliation**		
	Earnings attributable to equity shareholders for basic earnings per share	**13 418**	12 917
	Adjusted for:		
	Net loss on disposal of property, plant and equipment and intangible assets	**58**	50
	Impairment losses	**84**	14
		13 560	12 981
	Tax impact of adjustments	**(15)**	(18)
	Non-controlling interests' share in adjustments	**(5)**	(6)
	Headline earnings for headline earnings per share[1]	**13 540**	12 957
	Dilutive effect of potential ordinary shares in subsidiary	**(408)**	(333)
	Headline earnings for diluted headline earnings per share	**13 132**	12 624

1. This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 2/2015 as issued by SAICA.

5. Related parties

The amounts disclosed in Notes 5.1 and 5.2 include significant balances and transactions with the Group's associate, joint venture and parent, including entities in its group.

	Rm	2017 Reviewed	2016 Audited
5.1	**Balances with related parties**		
	Borrowings	**26 856**	24 256
5.2	**Transactions with related parties**		
	Dividends declared	**(7 689)**	(7 689)
	Finance costs	**(2 334)**	(1 765)

5. Related parties continued

5.3 Directors' and key management personnel remuneration

Compensation paid to the Group's Board, prescribed officers and key management personnel will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2017, which will be available online by 15 June 2017.

S Timuray, non-executive director, stepped down from the Board with effect from 8 December 2016, and was replaced by V Badrinath, who was appointed on the same date. MP Moyo, independent chairman of the Group, will retire and step down from the Board at the forthcoming annual general meeting to be held on Tuesday, 18 July 2017. The Board is in the process of identifying a new independent chairman and a further announcement will be made in due course.

Rm	2017 Reviewed	2016 Audited
6. Capital commitments		
Capital expenditure contracted for but not yet incurred[1]	**2 361**	3 987

1. The Group entered into facilities leasing, services and roaming agreements with Wireless Business Solutions (Pty) Limited which will result in R1 740 million future capital expenditure for the Group. The majority of this expenditure is non-current. Capital commitments do not include the aforementioned.

Rm	2017 Reviewed	2016 Audited
7. Capital expenditure incurred		
Capital expenditure additions including software	**11 292**	12 875

8. Non-current assets held for sale

During the prior year, the Board approved a plan to exit its investment in Helios Towers Tanzania Limited (Helios) through a sale of shares which was expected to be completed within the current financial year. Due to circumstances beyond the Group's control, the sale has been delayed beyond the initial expected closing period. The Board as well as the purchaser, HTA Holdings LTD (HTA) remain committed to the transaction and are currently in the process of obtaining the necessary regulatory approvals in order to effect the sale. It is highly probable that the sale will be completed in the next financial year, and the investment therefore continues to be classified as a non-current asset held for sale. US$30 million of the associated shareholder's loan, comprising the nominal value of US$22 million and accrued interest thereon, has been purchased by HTA. The Group has not recognised any impairment losses in respect of its investment, since the proceeds are expected to exceed the carrying value of the investment.

9. Borrowings

During the current year the Group drew on a facility from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R4 000 million, which will be used primarily for capital expenditure. The loan bears interest payable quarterly at three-month JIBAR plus 1.57%, is unsecured and repayable on 29 July 2021.

The Group repaid R1 470 million on a 3 year, R3 000 million Vodafone Investments Luxembourg s.a.r.l loan on 31 March 2017, reducing the capital balance to R1 530 million. The loan bears interest at three-month JIBAR plus 1.15% and is repayable on 24 November 2017.

10. Business combinations

During the current year, the Group acquired 100% of the issued share capital of Shared Networks Tanzania Limited from its shareholders for a consideration of US$15 million, less a working capital adjustment of US$4 million. The fair value of the net identifiable assets acquired amounted to US$11 million. The goodwill represents future synergies, and is allocated to the Group's Tanzania cash-generating unit.

11. Contingent liabilities

11.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R119 million (2016: R113 million).

Foreign denominated guarantees amounting to R1 005 million (2016: R1 102 million) are in issue in support of Vodacom Congo (RDC) SA relating to liabilities included in the consolidated statement of financial position.

11.2 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

11.3 Legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined, that adequate provision has been made in respect of these legal proceedings as at 31 March 2017.

11.4 Kenneth Makate (Mr Makate) vs Vodacom (Pty) Limited

Negotiations with Mr Makate in accordance with the Constitutional Court order to determine a reasonable compensation for a business idea that led to a product known as 'Please Call Me' commenced but were interrupted by Mr Makate's application to the Constitutional Court for the variation of its original order. The Constitutional Court dismissed Mr Makate's application and negotiations have since resumed.

12. Other matters

12.1 Competition Commission Complaints

12.1.1 Cell C On/Off-Net Complaint against Vodacom (Pty) Limited (the Company)

During October 2013 Cell C lodged a complaint with the Competition Commission of South Africa. It was alleged that the Group's South African business had abused its market dominance in contravention of Section 8 of the Competition Act. The Competition Commission investigated this complaint and on 18 April 2017 the Commission announced its decision not to refer the matter to the competition tribunal due to insufficient evidence required to successfully prosecute.

12.1.2 Facilities leasing and roaming agreements between Vodacom (Pty) Limited (the Company) and Wireless Business Solutions (Pty) Limited (WBS)

During the current year the Company concluded facilities leasing, services and roaming agreements between the Company and WBS. MTN and Cell C have raised complaints with both the sector regulator, the Independent Communications Authority of South Africa (ICASA), and the Competition Commission. The Competition Commission is determining whether the roaming arrangement between the Company and WBS is a notifiable merger under the Competition Act, Act 89 of 1998. ICASA, on the other hand, is conducting an enquiry to determine whether this transaction contravenes the requirements of the Electronic Communications Act 2005, Act 36 of 2005, as amended.

12.2 G.H. Investments (GHI) and Vodacom Congo (RDC) SA (Vodacom Congo)

Vodacom Congo contracted GHI to install ultra-low cost base stations on a revenue share basis. Shortly after rolling out the first sites GHI sought to renegotiate the contractual terms, which Vodacom Congo declined. GHI then accused Vodacom Congo of infringing its intellectual property rights and demanded payment of compensation in the sum of US$1.16 billion. In July 2016, Vodacom Congo filed a request for arbitration with the International Chamber of Commerce's International Court of Arbitration (ICC). In its replying papers to the arbitration process, GHI has revised its claim to US$256 million.

12.3 Mr Puati vs Vodacom Congo

A patent infringement claim was filed in July 2016 against Vodacom Congo. The plaintiff is asking the Commercial Court of Kinshasa/Gombe, inter alia, to prohibit Vodacom Congo from providing the M-Pesa service and to order Vodacom Congo to pay damages of US$200 million for losses resulting from the alleged patent infringement. A hearing was held in December 2016, and the matter has been referred to the Public Prosecutor (in accordance with procedural rules of the Democratic Republic of the Congo) for an opinion, before a judgement is delivered.

12.4 Customer registration

In each country where the Group is subject to customer registration requirements, the Group continues to register customers to achieve compliance, and also continues to participate in government and industry co-ordinated meetings overseeing the implementation and improved efficiency of the registration processes. This includes introducing electronic registration and verification processes common to all operators, working with government to extend national identification document databases for verification, and information and education to both customers and dealers about the importance of complying with registration requirements.

12.5 Radio frequency spectrum licences

On 30 September 2016 the Pretoria High Court granted an application by the Ministry of Telecommunications and Postal Services (the Ministry) interdicting ICASA from implementing the spectrum licencing process contemplated in the Invitation to Apply (ITA) for the licensing of spectrum in the 700MHz, 800MHz and 2600MHz bands, pending the outcome of a judicial review on the lawfulness of the ICASA ITA.

12.6 Integrated information and communication technology (ICT) Policy White Paper (White Paper)

On 3 October 2016, the Ministry published a White Paper on ICT policy. The White Paper, inter-alia, proposes the establishment of a wholesale access network which will be the sole beneficiary of any new high demand spectrum that will be allocated, and open access obligations for existing networks. The White Paper is a statement of policy intent and to give effect to it, new laws or amendments to existing laws would have to be passed by Parliament.

12.7 Broad Based Black Economic Empowerment (BBBEE)

The ICT Sector BEE Code (the new Code), as amended, was gazetted in November 2016, with the effective date being 1 April 2016. One of the most noticeable changes in the new Code is that the scorecard BBBEE level recognition has changed materially and, if applied without remedy, would have resulted in the Vodacom BBBEE status dropping from Level 2 to Level 8. The Group has introduced new initiatives, and is aiming to achieve a level 4 BBBEE status for the 2017 financial year of assessment, which is currently being assessed, with the certificate to be issued on 31 May 2017.

12.8 Vodacom Tanzania Public Limited Company listing requirement

In June 2016, the Parliament of Tanzania passed the Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010 (EPOCA), to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering (IPO) on the Dar Es Salaam Stock Exchange (DSE).

12. Other matters continued

12.8 Vodacom Tanzania Public Limited Company listing requirement continued

On 16 November 2016, Vodacom Tanzania Limited was converted from a private company to a public company, Vodacom Tanzania Public Limited Company (Vodacom Tanzania). On 25 November 2016, Vodacom Tanzania submitted its applications for an IPO and listing to the Capital Markets and Securities Authority (CMSA) and DSE, respectively. The DSE and CMSA approved the applications on 17 February 2017 and 28 February 2017, respectively. The IPO opened on 9 March 2017 and closed on 11 May 2017. The listing of shares is expected to take place on 6 June 2017.

12.9 Vodacom Congo

Vodacom Congo is not in compliance with the equity requirements of the Organisation for the Harmonisation of Business Law in Africa (OHADA). Vodacom Congo would need to increase its share capital to meet the minimum OHADA requirement. This matter is currently being discussed by the Board and shareholders of Vodacom Congo. No agreement has yet been achieved between the parties.

13. Events after the reporting period

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period, other than the following:

Dividend declared after the reporting date and not recognised as a liability

A final dividend of R6 473 million (435 cents per ordinary share) for the year ended 31 March 2017, was declared on 12 May 2017, payable on 26 June 2017 to shareholders recorded in the register at the close of business on 23 June 2017. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 348.00000 cents per share.

14. Fair value hierarchy

The table below sets out the valuation basis of financial instruments measured at fair value:

Rm	2017 Reviewed	2016 Audited
Level one[1]		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading		
Unit trust investments	**244**	187
Level two[2]		
Derivatives designated as fair value hedging instruments		
Derivative financial assets	**108**	73
Derivative financial liabilities	**(89)**	(169)
Level three[3]		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading.		
Equity linked notes	**–**	173
	263	264

1. Level one classification is used when the valuation is determined using quoted prices in an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices.
3. Level three classification is used when unobservable valuation inputs are used to determine the fair value for the asset/(liability).

Supplementary information

Operating results for the year ended 31 March 2017

Rm	South Africa	% 16/17	International	% 16/17	Corporate/ Eliminations	Group	% 16/17
Mobile contract revenue	23 779	5.3	1 040	(21.0)	(6)	24 813	3.8
In bundle[1,2]	17 312	7.5	208	(16.1)	–	17 520	7.1
Out of bundle[4]	6 467	(0.2)	832	(22.2)	(6)	7 293	(3.3)
Mobile prepaid revenue	21 855	6.1	12 376	(4.2)	–	34 231	2.1
In bundle[1,3]	5 305	28.8	1 407	(1.7)	–	6 712	20.9
Out of bundle[4]	16 550	0.4	10 969	(4.5)	–	27 519	(1.6)
Customer service revenue	45 634	5.7	13 416	(5.8)	(6)	59 044	2.8
Mobile interconnect	1 864	(5.8)	1 406	(9.9)	(297)	2 973	(12.4)
Other service revenue	4 573	10.2	1 953	(0.6)	(257)	6 269	5.4
Service revenue	52 071	5.6	16 775	(5.6)	(560)	68 286	2.3
Equipment revenue	11 447	(4.0)	322	(14.8)	(70)	11 699	(4.4)
Non-service revenue	1 211	16.8	253	17.7	(171)	1 293	20.1
Revenue	64 729	3.9	17 350	(5.5)	(801)	81 278	1.5
Direct expenses	(25 352)	(2.9)	(5 750)	(0.3)	619	(30 483)	(3.5)
Staff expenses	(3 518)	4.4	(1 557)	(15.1)	(397)	(5 472)	(1.5)
Publicity expenses	(1 279)	1.8	(665)	(6.3)	(27)	(1 971)	(0.8)
Other operating expenses	(7 796)	18.7	(4 881)	–	484	(12 193)	12.4
BEE charge	(75)	36.4	–	–	–	(75)	36.4
Depreciation and amortisation	(6 388)	12.0	(2 870)	(5.6)	7	(9 251)	5.9
Impairment losses	(84)	>200.0	–	–	–	(84)	>200.0
Net gain from associate and joint venture	1	–	–	–	–	1	(100.4)
Operating profit	20 238	5.3	1 627	(13.9)	(115)	21 750	3.3
EBITDA	26 815	7.2	4 545	(15.6)	(122)	31 238	2.9
EBITDA margin (%)	41.4		26.2			38.4	
EBIT	20 593	6.0	1 648	(28.2)	(115)	22 126	2.0
EBIT margin (%)	31.8		9.5			27.2	
Operating profit margin (%)	31.3		9.4			26.8	
Included in service revenue:							
Mobile voice	23 229	(3.7)	8 894	(8.0)	(6)	32 117	(4.9)
Mobile data	20 696	19.7	4 113	2.3	–	24 809	16.4
Mobile messaging	2 509	–	429	(25.4)	–	2 938	(4.7)

Notes:

1. Mobile in bundle revenue: represents revenue from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge, with some expectation of recurrence.
2. Mobile in bundle revenue – Contract: revenue from all bundles and add-ons lasting 30 days or more.
3. Mobile in bundle revenue – Prepaid: revenue from bundles lasting seven days or more.
4. Out of bundle: Revenue from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles.

Operating results for the year ended 31 March 2016

Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	**22 587**	**1 317**	**(6)**	**23 898**
In bundle	16 108	248	1	16 357
Out of bundle	6 479	1 069	(7)	7 541
Mobile prepaid revenue	**20 605**	**12 920**	**–**	**33 525**
In bundle[1]	4 118	1 432	–	5 550
Out of bundle[1]	16 487	11 488	–	27 975
Customer service revenue	**43 192**	**14 237**	**(6)**	**57 423**
Mobile interconnect	1 979	1 561	(145)	3 395
Other service revenue	4 149	1 965	(169)	5 945
Service revenue	**49 320**	**17 763**	**(320)**	**66 763**
Equipment revenue	11 922	378	(63)	12 237
Non-service revenue	1 037	215	(175)	1 077
Revenue	**62 279**	**18 356**	**(558)**	**80 077**
Direct expenses	(26 096)	(5 768)	270	(31 594)
Staff expenses	(3 371)	(1 833)	(353)	(5 557)
Publicity expenses	(1 257)	(710)	(19)	(1 986)
Other operating expenses	(6 570)	(4 881)	607	(10 844)
BEE charge	(55)	–	–	(55)
Depreciation and amortisation	(5 702)	(3 040)	7	(8 735)
Impairment losses	(14)	–	–	(14)
Net gain/(loss) from associate and joint venture	1	(234)	–	(233)
Operating profit	**19 215**	**1 890**	**(46)**	**21 059**
EBITDA	25 016	5 385	(56)	30 345
EBITDA margin (%)	40.2	29.3		37.9
EBIT	19 430	2 296	(30)	21 696
EBIT margin (%)	31.2	12.5		27.1
Operating profit margin (%)	30.9	10.3		26.3
Included in service revenue				
Mobile voice	24 124	9 665	(7)	33 782
Mobile data	17 287	4 019	–	21 306
Mobile messaging	2 510	575	(1)	3 084

1. The International and Group prepaid in bundle and out of bundle revenue has been restated to align with Group policy.

South Africa key indicators

	Year ended 31 March		% change
	2017	**2016**	**16/17**
Customers[1] (thousand)	**37 131**	34 178	**8.6**
Prepaid	**32 000**	29 265	**9.3**
Contract	**5 131**	4 913	**4.4**
Data customers[2] (thousand)	**19 549**	18 056	**8.3**
Internet of Things connections[3] (thousand)	**2 979**	2 264	**31.6**
Traffic[4] (millions of minutes)	**58 409**	52 917	**10.4**
Outgoing	**48 900**	43 394	**12.7**
Incoming	**9 509**	9 523	**(0.1)**
MOU per month[5]	**136**	132	**3.0**
Prepaid	**128**	122	**4.9**
Contract	**190**	189	**0.5**
Total ARPU[6] (rand per month)	**111**	112	**(0.9)**
Prepaid	**62**	63	**(1.6)**
Contract	**408**	397	**2.8**
Messaging (million)	**4 337**	3 761	**15.3**
Number of employees	**5 038**	5 009	**0.6**

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 have been restated to exclude customers with free allocated data bundles not used. 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. Internet of Things connections (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. 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.
5. 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.
6. 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.

International key indicators

	Year ended 31 March		% change
	2017	**2016**	**16/17**
Customers[1] (thousand)	**29 655**	27 127	**9.3**
Tanzania	**12 653**	12 375	**2.2**
DRC	**10 388**	8 527	**21.8**
Mozambique	**5 146**	4 826	**6.6**
Lesotho	**1 468**	1 399	**4.9**
Data customers[2] (thousand)	**12 997**	10 055	**29.3**
Tanzania	**6 463**	5 415	**19.4**
DRC	**3 705**	1 996	**85.6**
Mozambique	**2 280**	2 112	**8.0**
Lesotho	**549**	532	**3.2**
MOU per month[3]			
Tanzania	**157**	124	**26.6**
DRC	**49**	39	**25.6**
Mozambique	**121**	104	**16.3**
Lesotho	**82**	75	**9.3**
Total ARPU[4] (rand per month)			
Tanzania	**38**	39	**(2.6)**
DRC	**49**	42	**16.7**
Mozambique	**45**	54	**(16.7)**
Lesotho	**61**	62	**(1.6)**
Total ARPU[4] (local currency per month)			
Tanzania (TZS)	**6 003**	5 972	**0.5**
DRC (USD)	**3.5**	3.0	**16.7**
Mozambique (MZN)	**216**	169	**27.8**
Number of employees	**2 351**	2 338	**0.6**

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 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. 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.
4. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period.

International financial review per country

	Year ended 31 March		% change
	2017	**2016**	**16/17**
Revenue (local currency)			
Tanzania (TZSm)	**933 292**	923 347	**1.1**
DRC (USD'000)	**407 413**	429 605	**(5.2)**
Mozambique (MZNm)	**14 641**	11 896	**23.1**
Lesotho (LSLm)	**1 116**	1 027	**8.7**
EBIT (local currency)			
Tanzania (TZSm)	**97 260**	107 200	**(9.3)**
DRC (USD'000)	**12 664**	40 633	**(68.8)**
Mozambique (MZNm)	**2 568**	2 065	**24.4**
Lesotho (LSLm)	**426**	383	**11.2**

Historical financial review

Revenue for the quarter ended[1]

	31 March	31 December	30 September	30 June	31 March	31 December	30 September
Rm	**2017**	**2016**	**2016**	**2016**	**2016**	**2015**	**2015**
South Africa	**16 141**	17 142	16 003	15 443	**15 640**	16 347	15 447
International	**3 985**	4 316	4 429	4 620	**5 086**	4 740	4 435
Corporate and eliminations	**(221)**	(236)	(183)	(161)	**(173)**	(115)	(136)
Group revenue	**19 905**	21 222	20 249	19 902	**20 553**	20 972	19 746

Revenue yoy % change for the quarter ended

	Reported				Normalised*
	31 March	31 December	30 September	30 June	31 March
%	**2017**	**2016**	**2016**	**2016**	**2017**
South Africa	**3.2**	4.9	3.6	4.0	**3.2**
International	**(21.6)**	(8.9)	(0.1)	12.8	**1.7**
Corporate and eliminations	**(27.7)**	(105.2)	(34.6)	(20.1)	**(27.7)**
Group revenue	**(3.1)**	1.2	2.5	5.8	**2.7**

1. South Africa and Group revenue numbers have been restated in March 2016 retrospectively.

Service revenue for the quarter ended

Rm	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016	31 December 2015	30 September 2015
South Africa	**13 198**	13 410	13 037	12 426	**12 503**	12 707	12 348
International	**3 844**	4 206	4 246	4 479	**4 903**	4 581	4 334
Corporate and eliminations	**(167)**	(173)	(121)	(99)	**(111)**	(64)	(98)
Group service revenue	**16 875**	17 443	17 162	16 806	**17 295**	17 224	16 584

Service revenue yoy % change for the quarter ended

	Reported				Normalised*
%	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2017
South Africa	**5.6**	5.5	5.6	5.6	**5.6**
International	**(21.6)**	(8.2)	(2.0)	13.5	**0.8**
Corporate and eliminations	**(50.5)**	(170.3)	(23.5)	(110.6)	**(50.5)**
Group service revenue	**(2.4)**	1.3	3.5	7.3	**4.1**

Exchange rates

	Average YTD			Closing		
	31 March		% change	31 March		% change
	2017	2016	**16/17**	**2017**	2016	**16/17**
USD/ZAR	**14.05**	13.78	**2.0**	**13.40**	14.69	**(8.8)**
ZAR/MZN	**4.86**	3.12	**55.8**	**5.03**	3.50	**43.7**
ZAR/TZS	**156.77**	155.86	**0.6**	**166.65**	148.79	**12.0**
EUR/ZAR	**15.43**	15.21	**1.4**	**14.34**	16.72	**(14.2)**

	Average QTD				Closing QTD			
	31 March	31 December	30 September	30 June	31 March	31 December	30 September	30 June
	2017	2016	2016	2016	**2017**	2016	2016	2016
USD/ZAR	**13.23**	13.90	14.08	15.00	**13.40**	13.73	13.73	14.69
ZAR/MZN	**5.28**	5.41	5.04	3.71	**5.03**	5.21	5.69	4.31
ZAR/TZS	**168.63**	157.01	155.33	146.11	**166.65**	158.79	158.82	149.09
EUR/ZAR	**14.09**	14.99	15.72	16.94	**14.34**	14.48	15.42	16.27

Historical key indicators

South Africa for the quarter ended

	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016	31 December 2015	30 September 2015
Customers[1] (thousand)	**37 131**	36 375	35 685	35 112	**34 178**	34 103	33 745
Prepaid	**32 000**	31 188	30 641	30 148	**29 265**	29 206	28 821
Contract	**5 131**	5 187	5 044	4 964	**4 913**	4 897	4 924
Data customers[2] (thousand)	**19 549**	19 261	18 158	18 054	**18 056**	18 353	17 443
Internet of Things connections[3] (thousand)	**2 979**	2 810	2 626	2 515	**2 264**	2 174	2 057
Traffic[4] (millions of minutes)	**14 462**	15 550	14 458	13 939	**13 699**	13 964	13 073
Outgoing	**12 105**	13 158	12 062	11 575	**11 352**	11 516	10 670
Incoming	**2 357**	2 392	2 396	2 364	**2 347**	2 448	2 403
MOU per month[5]	**131**	145	136	134	**134**	138	130
Prepaid	**122**	138	127	124	**125**	129	119
Contract	**190**	187	192	190	**191**	192	189
Total ARPU[6] (rand per month)	**109**	114	112	109	**112**	116	112
Prepaid	**61**	64	63	60	**62**	66	63
Contract	**401**	414	415	401	**404**	409	393

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 have been restated to exclude customers with free allocated data bundles not used. 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. Internet of Things connections (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. 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.
5. 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.
6. 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.

Historical key indicators

International for the quarter ended

	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016	31 December 2015	30 September 2015
Customers[1] (thousand)	**29 655**	28 794	27 918	26 722	**27 127**	31 130	31 373
Tanzania	**12 653**	12 419	12 354	12 060	**12 375**	12 714	12 521
DRC	**10 388**	9 702	9 204	8 486	**8 527**	11 814	12 118
Mozambique	**5 146**	5 208	4 987	4 817	**4 826**	5 240	5 464
Lesotho	**1 468**	1 465	1 373	1 359	**1 399**	1 362	1 270
Data customers[2] (thousand)	**12 997**	12 620	11 965	10 919	**10 055**	11 231	10 496
Tanzania	**6 463**	6 484	6 021	5 440	**5 415**	5 727	5 553
DRC	**3 705**	3 354	3 191	2 885	**1 996**	2 806	2 297
Mozambique	**2 280**	2 196	2 236	2 112	**2 112**	2 178	2 219
Lesotho	**549**	586	517	482	**532**	520	427
MOU per month[3]							
Tanzania	**146**	162	162	158	**124**	130	123
DRC	**44**	48	56	50	**40**	39	43
Mozambique	**130**	122	123	109	**111**	105	104
Lesotho	**79**	90	81	79	**78**	83	73
Total ARPU[4] (rand per month)							
Tanzania	**34**	40	40	40	**41**	39	38
DRC	**37**	48	56	58	**52**	41	39
Mozambique	**40**	41	44	56	**61**	54	51
Lesotho	**54**	66	63	62	**59**	65	62
Total ARPU[4] (local currency per month)							
Tanzania (TZS)	**5 674**	6 279	6 187	5 876	**5 631**	5 957	6 265
DRC (USD)	**2.8**	3.4	3.9	3.9	**3.3**	2.9	3.0
Mozambique (MZN)	**209**	223	223	207	**185**	180	157

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 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. 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.
4. 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.

Pro-forma financial information

The presentation of the pro-forma financial information and related reconciliations as detailed below on pages 31 – 34, is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting normalised growth is to assist the user in understanding the underlying growth trends in these segments, while the presentation of operating free cash flow and free cash flow is to provide users with relevant information and measures used by the Group to assess performance. 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 pro-forma information has been reviewed and reported on by the Group auditors, being PricewaterhouseCoopers Inc. Their unqualified reporting accountant's report thereon is available for inspection at the company's registered address.

Reconciliation of normalised growth for the year ended

		Foreign exchange		
31 March 2017 %	Reported[1] % change	Trading FX[2] ppts	Translation FX[3] ppts	Normalised* % change
Revenue				
Group	**1.5**	–	1.9	**3.4**
International	**(5.5)**	–	8.1	**2.6**
Service revenue				
Group	**2.3**	–	2.1	**4.4**
International	**(5.6)**	–	7.8	**2.2**
Data revenue				
International	**2.3**	–	7.1	**9.4**
Total expenses				
International	**(2.6)**	0.6	7.7	**5.7**
South Africa	**1.7**	(2.0)	–	**(0.3)**
EBITDA				
Group	**2.9**	2.5	1.7	**7.1**
International	**(15.6)**	(1.1)	8.1	**(8.6)**
South Africa	**7.2**	3.3	–	**10.5**
EBIT				
Group	**2.0**	3.4	1.1	**6.5**

Reconciliation of normalised growth for the year ended

31 March 2017 Rm	Reported	Trading FX[2]	Normalised*
Revenue			
Group	81 278	–	81 278
International	17 350	–	17 350
South Africa	64 729	–	64 729
Service revenue			
Group	68 286	–	68 286
International	16 775	–	16 775
South Africa	52 071	–	52 071
Data revenue			
International	4 113	–	4 113
Total expenses			
International	12 853	(64)	12 789
South Africa	37 945	(250)	37 695
EBITDA			
Group	31 238	331	31 569
International	4 545	64	4 609
South Africa	26 815	250	27 065
EBIT			
Group	22 126	331	22 457

Reconciliation of normalised growth for the year ended

		Foreign exchange		
31 March 2016 %	Reported	Trading FX[2]	Translation FX[3]	Normalised*
Revenue				
Group	80 077	–	(1 440)	78 637
International	18 356	–	(1 440)	16 916
Service revenue				
Group	66 763	–	(1 350)	65 413
International	17 763	–	(1 350)	16 413
Data revenue				
International	4 019	–	(258)	3 761
Total expenses				
International	13 191	(147)	(939)	12 105
South Africa	37 294	531	–	37 825
EBITDA				
Group	30 345	(383)	(488)	29 474
International	5 385	147	(488)	5 044
South Africa	25 016	(531)	–	24 485
EBITDA				
Group	21 696	(383)	(232)	21 081

Reconciliation of normalised growth for the quarter ended

31 March 2017 %	Reported[4]	Translation FX[5]	Normalised*
Revenue			
Group	**(3.1)**	(5.8)	**2.7**
International	**(21.6)**	(23.3)	**1.7**
Service revenue			
Group	**(2.4)**	(6.5)	**4.1**
International	**(21.6)**	(22.4)	**0.8**

Reconciliation of normalised growth for the quarter ended

31 March 2017 Rm	Reported	Translation FX[5]	Normalised*
Revenue			
Group	**19 905**	–	**19 905**
International	**3 985**	–	**3 985**
Service revenue			
Group	**16 875**	–	**16 875**
International	**3 844**	–	**3 844**

Reconciliation of normalised growth for the quarter ended

31 March 2016 Rm	Reported	Translation FX[5]	Normalised*
Revenue			
Group	**20 553**	(1 166)	**19 387**
International	**5 086**	(1 166)	**3 920**
Service revenue			
Group	**17 295**	(1 090)	**16 205**
International	**4 903**	(1 090)	**3 813**

The reconciliations present normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current period as base) from on-going operations.

Notes:

1. The reported percentage change relates to the year-on-year percentage growth from 31 March 2016 to 31 March 2017. 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 28.
2. Trading foreign exchange (FX) are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group.
3. 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 year ended 31March 2017 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) to 31 March 2016 numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange rates for the current and comparative periods are disclosed on page 28.
4. The reported percentage change relates to the quarter to date year-on-year percentage growth. 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 28.
5. 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 to date average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange rates for the current and comparative periods are disclosed on page 28.

Reconciliation of operating free cash flow and free cash flow

	Year ended 31 March	
Rm	**2017**	2016
Cash generated from operations[1]	**31 791**	29 800
Cash capital expenditure[2]	**(11 525)**	(12 746)
Movement in amounts due to M-Pesa account holders[3]	**(711)**	(531)
Operating free cash flow[†]	**19 555**	16 523
Tax paid[1]	**(6 051)**	(5 456)
Finance income received[1]	**689**	683
Finance costs paid[1]	**(2 699)**	(2 397)
Net dividends paid[1]	**(91)**	(78)
Free cash flow[†]	**11 404**	9 276

The reconciliation presents the reconciliation of cash generated from operators to free cash flow. Free cash flow excludes the movement in amounts due to M-Pesa account holders, and held on their behalf. Management excludes these balances to present a view of the true commercial cash conversion in the operation.

Notes:
1. As per the condensed consolidated statement of cash flows on page 15.
2. Cash capital expenditure as per the condensed consolidated statement of cash flows, excluding capital expenditure of license and spectrum fee of R91 million.
3. Movements included in cash generated from operations relate to money held on behalf of M-Pesa customers.

Corporate information

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. This announcement contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group's auditors. 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 to, the comparable IFRS measures where applicable. Refer to pages 6 to 7 for details relating to service revenue, EBITDA, EBIT and headline earnings per share.

Trademarks

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom M-Pesa, Vodacom Millionaires, 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 annual results for Vodacom Group Limited for the year ended 31 March 2017 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
(Incorporated in the Republic of South Africa)
Registration number: 1993/005461/06
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
(Vodacom)

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