Vodacom Group Limited

Interim Results

for the six months ended 30 September 2017

vodacom

Vodacom Group CEO commented

Shameel Joosub

We concluded two key milestones during the first half of the year: Successfully acquiring a 34.94% strategic stake in Safaricom and completing the listing of a 25% stake in Vodacom Tanzania. The listing, the largest IPO on the Dar es Salaam Stock Exchange since it launched 19 years ago, resulted in almost 40 000 Tanzanians investing directly in capital markets for the first time.

In addition we delivered another good financial performance for the first six months of the financial year, despite weaker economic conditions in some of our key markets, the Group increased normalised service revenue by 4.6%*, boosted by a strong increase in customer gains in South Africa and significant gains in data and M-Pesa revenue internationally.

In South Africa, we gained 2.9 million customers to breach the 40 million mark for the first time. We now also have 3.3 million sim card connections in our Internet of Things offerings. This growth in both areas shows that our segmented markets approach and the delivery of greater value through innovative personalised bundles is continuing to produce results. An increase in smartphone device sales contributed to the 7.7% increase in revenue growth.

We have consistently said throughout the year that we would accelerate the reduction in data prices and address out-of-bundle prices. These are promises that we have delivered on, with effective data prices decreased by 24.2% during the six-month period. On 1 October 2017 we further reduced out-of-bundle prices by up to 50%.

We have managed to do this while continuing to invest significantly in infrastructure at a time when the lack of available spectrum is pushing our costs higher. Without new spectrum we are forced to build more base stations to meet data growth demand. Additional spectrum will allow us to invest more efficiently and accelerate our rural coverage programme. Over the six month period, we invested R3.9 billion to maintain our network lead and enhance our IT systems.

Stripping out exchange rate volatility, our International operations continue to gain momentum as evidenced by the 5.5% growth in normalised service revenue and the 1.4 million increase in customers to 31.1 million. Our investment in a new M-Pesa platform has had an immediate impact resulting in a 70.9% increase in transactions and an average of R24 billion processed through the enhanced system on a monthly basis. We expect that the Safaricom transaction will further drive M-Pesa development and penetration outside of South Africa. Efforts to drive down the cost of smart devices coupled with increased data speeds and wider coverage contributed to normalised data revenue growth of 6.6%* in our International markets.

Looking ahead, our strategy to become a leading digital company and empower a connected society remains a key focus. We anticipate that our investments in big data and sophisticated machine learning will increasingly allow us to provide customers with relevant Just 4 You propositions. In turn, this should continue to drive revenue and customer growth across all markets.

Highlights

Group revenue grew strongly at

4.6% to R42.0 billion;

normalised growth, excluding currency translation effects, was 6.9%*.

Group service revenue grew

2.0% to R34.7 billion;

normalised growth, excluding currency translation effects, was 4.6%*.

South Africa revenue growth accelerated to

7.7%

boosted by stronger device sales.

Service revenue increased 4.7% to R26.7 billion.

Group EBIT declined

0.2% (-1.4%*)

to R10.8 billion, impacted by higher growth in depreciation and amortisation charges

We added

4.3 million

customers during the first half of the year, 2.9 million in South Africa and 1.4 million in our International operations, to reach just over 71 million customers across the Group, up 11.8%.

Revenue for International operations declined 5.2% and service revenue declined 4.8%. On a normalised basis, revenue and service revenue grew 5.0%* and 5.5%* respectively.

Concluded acquisition of

34.94% interest in Safaricom,

contributing R349 million profit for first two months, including amortisation of fair valued assets.

Net profit increased

7.0% boosted by Safaricom acquisition.

Headline earnings per share (HEPS) up

1.1% to 445 cents per share.

Interim dividend per share of

390 cents.

	Six months ended 30 September		Year-on-year % change	
Rm	2017	2016	Reported	Normalised*
Revenue	41 995	40 151	4.6	6.9
Service revenue	34 654	33 968	2.0	4.6
EBITDA	15 731	15 278	3.0	3.1
EBIT	10 830	10 847	(0.2)	(1.4)
Net profit from associate and joint venture[Δ]	349	–	–	
Operating profit	10 964	10 717	2.3	(2.2)
Net profit	6 712	6 275	7.0	
Capital expenditure	5 378	5 714	(5.9)	
Operating free cash flow[Ŧ]	6 311	7 655	(17.6)	
Free cash flow[Ŧ]	2 028	3 541	(42.7)	
Headline earnings per share (cents)	445	440	1.1	
Interim dividend per share declared (cents)	390	395	(1.3)	

* Amounts marked with an * in this document, represent normalised growth which presents performance on a comparable basis. This excludes merger and acquisition activity and adjusting for foreign currency fluctuation on a constant currency basis (using the current six months as base).
All growth rates quoted are year-on-year growth rates and refer to the six months ended 30 September 2017 compared to the six month ended 30 September 2016, unless stated otherwise.

Ŧ Operating free cash flow and free cash flow excludes 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 40. Refer to page 10 for cash flow commentary.

Δ On 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Limited which is accounted for as an investment in associate. Net profit from associate and joint venture includes attributable profits and related amortisation of fair valued assets.

Operating review

South Africa

Service revenue increased 4.7% to R26.7 billion supported by strong customer gains and growth in data and enterprise services. Revenue growth was stronger at 7.7% to R33.9 billion, boosted by equipment revenue growth of 18.4%, reflecting the improved exchange rate to the US dollar that assisted in our continued strategy of driving uptake of affordable smart devices. The sale of smartphones grew by 18.3%, comprising 59.5% of total device sales.

We added 2.9 million customers in the period, reaching 40.0 million, up 12.1% on the previous year, supported by our segmentation and bundle strategy. **Prepaid customers** increased by 2.8 million to 34.8 million, up 13.4%, driven by the success of our improved value propositions through our 'Just 4 You' offers and customer segmentation. Prepaid ARPU was down 6.5%, as a result of high volumes of low ARPU gross connections, driven by the distribution channels accelerating the connection of sim cards ahead of implementation of improvements to customer registration processes. Underlying ARPU remains strong. **Contract** customers increased by 107 000 in the first half, to 5.2 million. Migration to our new "more data" contracts, which have a larger data allocation, accelerated during this period to 25% of the base, to meet customers' demand for more data. Contract ARPU declined by 3.9% to R392 as a result of change in deal structures and due to a higher rollover of unused bundle allocations, as customers grow into fully utilising these larger bundles over time and also reduce their exposure to out-of-bundle usage.

Our segmentation and bundle strategy continues to successfully address our customers' individual needs and usage behaviours. Our youth proposition (NXT LVL) has reached over 2 million youth customers, while our Siyakha platform offers greater benefits to our emerging prepaid customers, such as free health and information services for expectant mothers and prepaid funeral cover. Machine learning, is enabling us to customise bundle offers based on size, validity period and now with the added sophistication of app-specific data. Total bundles sold increased 64.8% to almost 1.1 billion in the first half of the year. Of these, 800 million were voice bundles, enabling us to reduce our effective price per minute by 10.9%. The success of the personalised voice bundle strategy through our 'Just 4 You' platform has resulted in low **voice revenue** decline of 4.8%.

Data revenue grew 15.0% to R11.4 billion, contributing 42.6% of service revenue surpassing the contribution of voice revenue. This was slightly down in the second quarter as a result of a strong comparative quarter and the introduction of promotional initiatives, such as Meg Your Day, to drive data uptake. Encouragingly, this has enabled an expanding customer base and increased usage. We added 356 000 data customers to 19.9 million, up 9.6% or half of the mobile customer base. 4G customers on our network increased 62.8% to 6.0 million, while the average monthly data usage on smart devices increased 19.5% to 776MB. Our pricing transformation strategy and targeted personalised offers continue to provide customers with greater value. Our data bundle sales grew by 55.5% to 347 million. We have introduced new initiatives to improve the customer experience on out-of-bundle-data spend, and are driving data-usage education to give customers more control. Improved in-bundle usage has resulted in a 24.2% reduction in the effective price per MB.

Enterprise has delivered strong growth, with service revenue up 10.0% to R6.8 billion. Enterprise service revenue now contributes 25.3% (2017: 24.1%) of service revenue. Our fixed-line services revenue increased 11.7%, underpinned by solid growth in connectivity revenue, cloud and hosting revenue and IPVPN revenue. We are progressing with migrating customers from the mobile voice and data communications contract secured last year with South Africa's national and provincial government departments, although this is at a slower rate than projected. Internet of Things (IoT) revenue was up 22.4% to R399 million as we continue to develop innovative solutions in e-health, connected agriculture, smart metering and logistics. Our IoT customer base grew 24.6% to 3.3 million connections.

EBIT declined 2.2% to R9.9 billion, impacted by higher growth in depreciation and amortisation costs, as a result of a write back of depreciation of assets with nil book value in the prior year, increased bad debt charges, following a temporary delay as we introduced new programs to make it easier for customers to settle outstanding debt, and earlier phasing of publicity costs from our global brand refresh campaign. EBIT margin contraction of 2.9ppts to 29.2% was affected by the higher contribution from low margin equipment sales, as well as the cost of our new roaming agreement with WBS.

Our **capital expenditure** of R3.9 billion was focused on maintaining our network lead; with widest coverage and fastest Internet, as well as enhancing our IT systems. This enables us to provide truly segmented and personalised experiences for our customers, which is critical to delivering our strategic ambition of becoming a leading digital company. Our continued investment in infrastructure resulted in 76.7% 4G and 99.3% 3G population coverage, compared with 68.7% 4G coverage a year ago.

International

Normalised growth trends in our International operations continue to improve. Tanzania is delivering on its turnaround strategy accelerating revenue and customer growth, while Mozambique and Lesotho executed on a number of commercial actions driving strong growth momentum. In the DRC, economic weakness and decoupling of the Congolese Franc from the US dollar has impacted negatively on consumer spending. Exchange rate volatility continues to negatively impact reported growth in our International operations.

We added 1.4 million **customers** in the first half, reaching 31.1 million, up 11.4%.

Service revenue declined by 4.8% to R8.3 billion in the first half; normalised for currency translation effects, growth was 5.5%*. Service revenue growth was further underpinned by strong normalised growth in both data and M-Pesa revenue.

Data revenue[1] declined by 2.7%, with normalised growth of 6.6%*, supported by an increase of 1.8 million data customers, to 14.8 million, up 23.3%. All markets grew above 20% apart from the DRC. In addition to increasing data network speeds and improving data coverage, we have retained a strong focus on providing customers with access to better low-cost smart devices, by promoting Vodacom-branded devices. This is enabling higher smartphone penetration in all our markets. Data revenue comprised 13.6% (2017: 13.4%) of International operations' service revenue. We continue to focus on improving data monetisation in all markets as demand grows rapidly.

M-Pesa revenue grew strongly at 14.0%, with normalised growth of 27.2%*. We added 1.1 million customers in the first half of the year, reaching 14.8 million[2]. The new M-Pesa platform with enhanced technology has significantly improved stability, resulting in increased trust with customers and 70.9% more transactions processed through the system. There has also been a steady uptake of our International Money Transfer services. During the first half of the year, on average, R24 billion was processed monthly through the M-Pesa system. Customer growth in all markets remains strong, with 56.0% of customers now using this service in Mozambique, 35.3% in Lesotho and 22.2% in the DRC. Tanzania remains the leader in International operations with 61.7% of customers using M-Pesa.

EBIT increased 18.6% (2.2%*) to R988 million, while the EBIT margin expanded by 2.3ppts to 11.5%. Various actions to mitigate the impact of the slower revenue growth in the prior year have helped to improve margins. The success of M-Pesa in all markets has resulted in savings in commission as more airtime is purchased directly, thereby eliminating third party commissions. We are driving improved efficiencies, and continued savings in network operating expenses through our "Fit for growth" savings programme which remains a key program to minimise cost growth impacts.

Capital expenditure of R1.5 billion enabled us to continue investing in all our markets to strengthen network and service differentiation and to support wider voice coverage and data growth, with our 4G coverage in Tanzania expanded to more cities outside Dar es Salaam. As part of our digital transformation we have enhanced our IT systems to support our personalised pricing offers and to deliver on our segmentation strategy.

During the year ended 31 March 2016, the Vodacom Tanzania Board approved a plan to exit its investment in Helios Towers Tanzania Limited (HTT), given that it no longer complimented its core business objectives. In February 2017, an agreement with HTA Holdings, LTD (HTA) was reached.

1. Mobile data revenue and M-Pesa revenue was previously reported in aggregate. These items are now separately disclosed.
2. Number of unique customers who have generated revenue related to M-Pesa in the past 90 days, of these 10.8 million have been active in the past 30 days.

In October 2017, Vodacom Tanzania sold both its 24.06% equity stake and debt holding in HTT a passive infrastructure service provider, to HTT's parent, HTA for USD58.5 million and USD2.7 million respectively.

The transfer of shares will result in an accounting profit from disposal of TZS 121 billion (c.R743 million) before tax.

Safaricom

During the period we concluded our acquisition of a 34.94% indirect stake in Safaricom, the number one mobile operator in Kenya. During the first two months, Safaricom has contributed a profit of R349 million which represents the net amount of a profit from associate of R446 million and an amortisation charge, in relation to fair valued assets recognised as part of the purchase consideration, of R97 million.

Underlying performance in Safaricom remains strong. It achieved local currency service revenue growth of 12.0% for the six months period to KES109.7 billion and local currency EBIT growth of 8.9% (20.6% excluding one off adjustment from prior year) to KES37.5 billion.

Underpinning the results was strong expansion of Safaricom's customer base by 10.8% to 29.5 million customers. Strong growth in both data and M-Pesa revenue continues as data customer increased by 13.5% to 16.9 million customers and 30 day active M-Pesa customers increased 9.5% to 19.3 million. M-Pesa revenue grew 16.2% while data revenue grew by 31.0%. M-Pesa revenue now contributes 27.0% to service revenue and mobile data 16.0%. Investment in capital expenditure of KES17.4 billion resulted in 3G sites increasing 21.5% and 4G sites increasing 129% year on year.

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.

The White Paper, inter alia proposes the establishment of a wholesale open access network (WOAN) which will be the sole beneficiary of any new high demand spectrum that will be allocated, and open access obligations for existing networks.

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, for which preserving investment competition in networks is essential. 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. Such a solution would also ensure continued predictability and improve cost efficiency of investment in the network.

The Ministry has subsequently appointed the Council for Scientific and Industrial Research to conduct a study on the spectrum requirements for the WOAN. The outcome of the study is still to be released.

The White Paper is a statement of policy intent and to give effect to it, new laws and amendments to existing laws are currently being drafted.

ICASA priority market review

ICASA indicated that it will undertake a study to identify priority markets susceptible to ex ante regulations. Notice of intention to conduct an inquiry to identify priority markets was published by ICASA in terms of section 4B of the ICASA Act on 30 June 2017.

It is our understanding that ICASA intends to finalise the inquiry on or before 31 March 2018. We will be fully cooperating with ICASA in this regard.

ICASA's intention to amend End-user and Subscriber Service Charter Regulations

On 2 August 2017, ICASA announced in Parliament that they intend to review regulations on data billing and expiry period for data bundles. ICASA subsequently published a notice in which they propose amendments to the End-user and Subscriber Service Charter Regulations in relation to data expiry rules and also out-of-bundle billing. The Group submitted its response to the intended amendments, which highlighted self-regulatory mechanisms to be implemented, and plans to address out-of-bundle usage and notifications.

Competition Commission investigation into complaint on the national treasury government transversal contract for mobile communication services

On 14 March 2016, National Treasury issued a tender for the supply and delivery of mobile communication services to national and provincial government departments for the period 15 September 2016 to 31 August 2020. Vodacom was selected as the preferred supplier after the other bidders were eliminated at different phases of the bidding process.

The Competition Commission has launched an investigation into the aforementioned, under sections 8(c) and 8(d)(i) of the Competition Act. The Group is committed to fully co-operate with the Competition Commission.

Outlook

We are making good progress in utilising more sophisticated analyses of customer behaviour and in applying these insights through a segmented customer approach across all our operations. Our Just 4 You proposition supported by big data analysis has now been deployed across all operations, and is enabling us to offer our customers compelling customer propositions.

Data revenue continues to grow, fuelled by strong demand for data services. The underlying growth drivers remain strong. Growing our data network coverage and capacity and focusing our device strategy to increase 3G and 4G device uptake remain key strategic initiatives. Our immediate focus has been to transform data pricing dramatically, by improving the customer experience through the reduction of out-of-bundle rates resulting in lower rates from the beginning of October. While this creates some short-term pressure on data revenue growth, the effects of this will be managed through driving higher uptake and elasticity to compensate for this pricing transformation process.

Our International operations continue to perform well, with strong growth in key areas of data and M-Pesa. All operations are delivering well, with the exception of DRC where the decoupling of the US dollar from the Congolese Franc, and economic pressure, has impacted results. We are seeing improvements in the macro environment in Mozambique. We are continuing our efforts to improve data monetisation across all markets, which remains a key priority.

Following the acquisition of a 34.94% stake in Safaricom we have prioritised three work streams to drive value across both businesses. We will be driving further development of M-Pesa across all markets, expanding our Enterprise opportunity across east Africa, and driving big data initiatives across the two organisations.

Regulatory scrutiny across all markets is increasing. We are proactively making changes to address key concerns from customers and regulators. We continue to work with the relevant regulatory agencies in all our operations to ensure a balanced and fair outcome.

We maintain our targets for Group service revenue growth of mid-single digit growth, Group EBIT growth of mid-to-high single digit and capital intensity of 12% – 14% of Group revenue over the next three years. 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	Six months ended 30 September 2017	2016	Year-on-year % change Reported	Normalised*
Revenue	**41 995**	40 151	**4.6**	**6.9**
Service revenue	**34 654**	33 968	**2.0**	**4.6**
EBITDA	**15 731**	15 278	**3.0**	**3.1**
EBIT	**10 830**	10 847	**(0.2)**	**(1.4)**
Net profit from associate and joint venture$^{\Delta}$	**349**	–	–	–
Operating profit	**10 964**	10 717	**2.3**	
Net profit	**6 712**	6 275	**7.0**	
Capital expenditure	**5 378**	5 714	**(5.9)**	
Operating free cash flow‡	**6 311**	7 655	**(17.6)**	
Free cash flow‡	**2 028**	3 541	**(42.7)**	
Net debt	**24 964**	24 509	**1.9**	
Basic earnings per share (cents)	**445**	439	**1.4**	
Headline earnings per share (cents)	**445**	440	**1.1**	
Contribution margin (%)	**60.8**	62.6	**(1.8)**	
EBITDA margin (%)	**37.5**	38.1	**(0.6)**	
EBIT margin (%)	**25.8**	27.0	**(1.2)**	
Operating profit margin (%)	**26.1**	26.7	**(0.6)**	
Effective tax rate (%)	**30.5**	33.3	**(2.8)**	
Net profit margin (%)	**16.0**	15.6	**0.4**	
Capital intensity (%)	**12.8**	14.2	**(1.4)**	
Net debt/EBITDA (times)	**0.8**	0.8		

Service revenue

Rm	Six months ended 30 September 2017	2016	% change 16/17
South Africa	**26 670**	25 463	**4.7**
International	**8 308**	8 725	**(4.8)**
Safaricom[1]	**4 712**	–	–
Corporate and eliminations	**(5 036)**	(220)	**>(200.0)**
Group service revenue	**34 654**	33 968	**2.0**

Group service revenue increased 2.0% (4.6%*) to R34.7 billion, underpinned by net customer additions of 4.3 million and data revenue growth of 13.1%. Data revenue contributes 36.1% of Group service revenue compared to 32.5% a year ago. Revenue growth accelerated to 4.6% (6.9%*) to R42.0 billion supported by strong demand for devices, particularly smartphones.

In South Africa, service revenue increased 4.7% benefitting from growth in mobile data revenue, net customer additions of 2.9 million boosting prepaid customer revenue and enterprise revenue growth.

1. Represents two months of value effective 1 August 2017, at 100% interest. The Safaricom interest is equity accounted in net profit from associates and joint venture. These values are for information purposes.

In our International operations, service revenue declined 4.8% (up 5.5%*). Underlying growth was supported by increased customer additions and strong growth in data and M-Pesa revenue.

Service revenue growth of 12.0%, compared to prior six months in Safaricom was driven by growth in data and M-Pesa revenue.

Total expenses[2]

	Six months ended 30 September		% change
Rm	**2017**	**2016**	**16/17**
South Africa	**20 527**	18 436	**11.3**
International	**6 211**	6 703	**(7.3)**
Corporate and eliminations	**(418)**	(258)	**(62.0)**
Group total expenses	**26 320**	24 881	**5.8**

Group total expenses increased 5.8% to R26.3 billion.

In South Africa, total expenses increased 11.3% mainly as a result of increased equipment sales, increased bad debt charges following a temporary delay as we introduced new programs to make it easier for customers to settle outstanding debt and earlier phasing of publicity costs from our global brand refresh campaign. The costs also include charges in relation to our new roaming agreement with WBS.

In our International operations, actions taken in the prior year to mitigate slowed revenue growth continue to deliver benefits. Total expenses decreased by 7.3% (up 6.4%*). Savings were realised mainly from network and maintenance costs as well as commission savings, as more airtime is purchased directly through M-Pesa, thereby eliminating third party commissions.

EBIT

	Six months ended 30 September		% change
Rm	**2017**	**2016**	**16/17**
South Africa	**9 882**	10 101	**(2.2)**
International	**988**	833	**18.6**
Safaricom[1]	**1 610**	–	**–**
Corporate and eliminations	**(1 650)**	(87)	**>(200)**
Group EBIT	**10 830**	10 847	**(0.2)**

Group EBIT decreased 0.2% (-1.4%*) with the Group EBIT margin decreasing by 1.2ppts to 25.8%. South Africa EBIT decreased by 2.2% with a margin decline of 2.9ppts to 29.2%. Margins were impacted by higher contributions from low margin handset business, as well as the costs of roaming on the WBS network. In our International operations, EBIT increased 18.6% (2.2%*) with the EBIT margin rising by 2.3ppts to 11.5%. Margins were aided by improved revenue growth in operations following declines in the prior year. In Safaricom, EBIT increased 8.9% (20.6% excluding one-off adjustments in the prior year) in the six months period as a result of the higher service revenue contribution.

1. Represents two months of value effective 1 August 2017, at 100% interest. The Safaricom interest is equity accounted in net profit from associates and joint venture. These values are for information purposes.
2. Excluding depreciation, amortisation, impairments, Share based payment charges and net profit from associate and joint venture.

Operating profit

Rm	Six months ended 30 September 2017	2016	% change 16/17
South Africa	**9 757**	9 971	**(2.1)**
International	**899**	833	**7.9**
Net profit from associate and joint venture[Δ]	**349**	–	**–**
Corporate and eliminations	**(41)**	(87)	**52.9**
Group operating profit	**10 964**	10 717	**2.3**

Group operating profit increased 2.3% to R11.0 billion. In South Africa, operating profit declined 2.1% to R9.7 billion mainly due to EBIT decline. International operations' operating profit increased 7.9% to R899 million, lower than EBIT growth as a result of restructuring costs in the DRC and costs relating to the listing of Vodacom Tanzania.

Safaricom contributed R349 million in net profit for the first two months since acquiring an indirect stake in the business. This represents our share of the net profit in the associate of R446 million and the related amortisation of fair valued assets recognised on acquisition of R97 million.

Net finance charges

Rm	Six months ended 30 September 2017	2016	% change 16/17
Finance income	**317**	388	**(18.3)**
Finance costs	**(1 405)**	(1 335)	**(5.2)**
Net loss on remeasurement and disposal of financial instruments	**(212)**	(356)	**40.4**
Net finance charges	**(1 300)**	(1 303)	**0.2**

Net finance charges remained in line with the prior year. The R212 million net loss on the re-measurement of financial instruments mainly relates to foreign currency denominated intergroup loans held by Mozambique and Tanzania. The reduction in rand denominated measurement loss was driven by an improvement in the MZM/USD exchange rate, as well as partial repayment of the USD loan, as well as the settlement of the Tanzania intergroup loan. The reduction in the net loss was supported by a gain on forward exchange contract (FEC) revaluation in the current year of R15 million (2016: gain of R60 million). Finance costs were higher as a result of a 2.0% increase in average gross debt.

Taxation

The tax expense of R3.0 billion was 6.0% lower than the prior year (2016: R3.1 billion). The Group's effective tax rate decreased from 33.3% in the prior year to 30.5%. The effective tax rate for the half year to 30 September 2016 was higher due to the HTT tower sale tax adjustment in Tanzania offset by the deferred tax assets recognised in South Africa and Mozambique for tax losses brought forward. The net after tax profit of the Safaricom associate included in the Group's profit before tax resulted in a reduction of 1.0ppts in the effective tax rate.

Earnings

Rm	Six months ended 30 September 2017	2016	% change 16/17
Headline earnings	6 856	6 446	6.4
Adjusted for			
Net Profit from associate and joint venture	(349)	–	–
Attributable profits from Safaricom	(446)	–	–
Amortisation on assets, net of tax	97	–	–
With-holding tax	31		
Minority interest	44		
Adjusted headline earnings (used for dividend calculations)	6 582	6 446	2.1
Earnings per share (EPS)	445	439	1.4
Headline earnings per share (HEPS)	445	440	1.1
Weighted average number of ordinary share outstanding for the purpose of calculating EPS	1 541	1 467	5.0

Headline earnings per share remained in line with the prior year, impacted by the issue of 233.5 million shares as consideration for the acquisition of our interest in Safaricom. On an equal share basis, EBITDA growth contributed (+29 cps), net profit from associate (+23cps), and the decreased tax charge (+12cps), partly offset by increased depreciation (-30cps). The negative impact of the increase in weighted shares issued due to the Safaricom acquisition was (-21cps).

Capital expenditure

Rm	Six months ended 30 September 2017	2016	% change 16/17
South Africa	3 917	4 056	(3.4)
International	1 460	1 619	(9.8)
Safaricom	558	–	–
Corporate and eliminations	(557)	39	>(200.0)
Group capital expenditure	5 378	5 714	(5.9)
Group capital intensity[1] (%)	12.8	14.2	(1.4)

The Group's capital expenditure was R5.4 billion, representing 12.8% of revenue. In South Africa, capital expenditure was directed at accelerating our 3G capacity and extending 4G coverage to 76.7% of the population. In our International operations, the focus remained on increasing both coverage and capacity thereby adding 115 4G sites, 209 3G sites and 157 2G sites since March 2017. In Safaricom, capital expenditure was focused on increasing 3G and 4G sites as well as fibre roll out and upgrade on the M-Pesa platform to enhance functionality.

1. Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment increased 1.7% to R40.9 billion and intangible assets decreased by 1.1% to R9.1 billion compared to 31 March 2017. The combined increase is mainly as a result of net additions of R5.3 billion, offset by depreciation and amortisation of R5.0 billion and foreign currency translation gain of R326 million.

Net debt increased R2.5 billion to R25.0 billion. Total borrowings has remained stable. Bank and cash balances are lower mainly due to the payment of dividends, offset by cash proceeds from the listing of Vodacom Tanzania.

Net debt

	As at 30 September	As at 31 March	Movement	As at 30 September
Rm	2017	2017	Mar/Sep	2016
Bank and cash balances	6 874	8 873	(1 999)	8 443
Bank overdrafts	(379)	–	(379)	(90)
Current borrowings	(8 366)	(3 762)	(4 604)	(2 196)
Non-current borrowings	(23 139)	(27 613)	4 474	(30 592)
Other financial instruments	46	18	28	(74)
Net debt[1]	(24 964)	(22 484)	(2 480)	(24 509)
Net debt[1]/EBITDA (times)	0.8	0.7		0.8

Cash flow

Free cash flow

	Six months ended 30 September		% change
Rm	2017	2016	16/17
EBITDA	15 731	15 278	3.0
Working capital	(4 013)	(1 891)	(112.2)
Cash capital expenditure[2]	(5 654)	(5 874)	(3.7)
Disposal of property, plant and equipment	149	64	132.8
Other	98	78	25.6
Operating free cash flow[Ŧ]	6 311	7 655	(17.6)
Tax paid	(3 107)	(3 111)	(0.1)
Finance income received	381	343	11.1
Finance costs paid	(1 509)	(1 301)	16.0
Net dividends paid	(48)	(45)	6.7
Free cash flow[Ŧ]	2 028	3 541	(42.7)

Free cash flow decreased by 42.7% or R1.5 billion from the prior year mainly due to a substantial investment in working capital. Working capital investment was higher as a result of the delayed creditor payments in the prior year due to currency shortages in our International operations, increased trade receivables and a temporary timing difference on receipt of trade receivables. Higher finance costs paid was due to the higher net debt balances.

1. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.
2. Cash 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 interim dividend number 17 – payable from income reserves

Notice is hereby given that a gross interim dividend number 17 of 390 cents per ordinary share in respect of the six months ended 30 September 2017 has been declared payable on Monday 4 December 2017 to shareholders recorded in the register at the close of business on Friday 1 December 2017. The number of ordinary shares in issue at the date of this declaration is 1 721 413 781. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net interim dividend to those shareholders not exempt from paying dividend withholding tax of 312.00000 cents per ordinary share.

Last day to trade shares cum dividend	Tuesday 28 November 2017
Shares commence trading ex-dividend	Wednesday 29 November 2017
Record date	Friday 1 December 2017
Payment date	Monday 4 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday 29 November 2017 and Friday 1 December 2017, both days inclusive.

On Monday 4 December 2017, the 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 4 December 2017.

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

Dividend

The interim dividend of 390 cents per share, reflects a dividend of 90% of adjusted headline earnings (refer page 9) amounting to 345 cents per share, as well as the inclusion of 50%[1] of the dividend receivable from Safaricom (net of withholding tax), amounting to 45 cents per share.

The board intends to pay the remainder of the Safaricom dividend at the end of the financial year as part of the final dividend, adjusting for any currency fluctuation on receipt of the dividend from Safaricom, by Vodacom Group.

The Board maintains its dividend policy of paying at least 90% of adjusted headline earnings which excludes the contribution of the attributable net profit or loss from Safaricom and any associated intangible amortisation. In addition, the Group intends to distribute any dividend it receives from Safaricom, up to a maximum amount of the dividend received, net of withholding tax.

The Group 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

Jabu Moleketi
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Till Streichert
Chief Financial Officer

Midrand

10 November 2017

1. Exchange rate of ZAR/KES 7.6223 as at 30 September 2017.

Independent auditor's review report

To the shareholders of Vodacom Group Limited

We have reviewed the condensed consolidated interim financial statements (interim financial statements) of Vodacom Group Limited set out on pages 13 to 27, which comprise the condensed consolidated statement of financial position as at 30 September 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 six month period then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS 34) Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council 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 interim 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 interim financial statements. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2410, Review of Interim 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 interim 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 interim 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 in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of Vodacom Group Limited for the six months ended 30 September 2017 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D.B. von Hoesslin
Registered Auditor
Pretoria

10 November 2017

Condensed consolidated income statement

for the six months ended 30 September

Rm	Notes	Six months ended 30 September 2017 Reviewed	Six months ended 30 September 2016 Reviewed	Year ended 31 March 2017 Audited
Revenue	3	**41 995**	40 151	81 278
Direct expenses		**(16 465)**	(15 022)	(30 483)
Staff expenses		**(2 839)**	(2 764)	(5 472)
Publicity expenses		**(990)**	(967)	(1 971)
Other operating expenses		**(6 026)**	(6 128)	(12 193)
Share-based payment charges		**(79)**	(30)	(75)
Depreciation and amortisation		**(4 981)**	(4 523)	(9 251)
Impairment losses		**–**	–	(84)
Net profit from associate and joint venture	8	**349**	–	1
Operating profit		**10 964**	10 717	21 750
Finance income		**317**	388	777
Finance costs		**(1 405)**	(1 335)	(2 818)
Net loss on remeasurement and disposal of financial instruments		**(212)**	(356)	(481)
Profit before tax		**9 664**	9 414	19 228
Taxation		**(2 952)**	(3 139)	(6 102)
Net profit		**6 712**	6 275	13 126
Attributable to:				
Equity shareholders		**6 850**	6 442	13 418
Non-controlling interests		**(138)**	(167)	(292)
		6 712	6 275	13 126

Cents		Six months ended 30 September 2017 Reviewed	Six months ended 30 September 2016 Reviewed	Year ended 31 March 2017 Audited
Basic earnings per share	4	**445**	439	915
Diluted earnings per share	4	**431**	427	886

Condensed consolidated statement of comprehensive income

for the six months ended 30 September

Rm	Six months ended 30 September 2017 Reviewed	Six months ended 30 September 2016 Reviewed	Year ended 31 March 2017 Audited
Net profit	**6 712**	6 275	13 126
Other comprehensive income[1]			
Foreign currency translation differences, net of tax	**881**	(1 619)	(1 633)
Total comprehensive income	**7 593**	4 656	11 493
Attributable to:			
Equity shareholders	**7 608**	4 767	11 647
Non-controlling interests	**(15)**	(111)	(154)
	7 593	4 656	11 493

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations.

Condensed consolidated statement of financial position

as at 30 September

Rm	Notes	As at 30 September 2017 Reviewed	As at 30 September 2016 Reviewed	As at 31 March 2017 Audited
Assets				
Non-current assets		**100 941**	51 080	52 127
Property, plant and equipment		**40 878**	39 417	40 181
Intangible assets		**9 081**	9 088	9 186
Financial assets		**446**	724	424
Investment in associate	8	**48 071**	–	–
Investment in joint venture		**6**	5	5
Trade and other receivables		**869**	747	971
Finance receivables		**1 382**	888	1 161
Deferred tax		**208**	211	199
Current assets		**33 469**	29 579	29 011
Financial assets		**4 347**	2 979	3 489
Inventory		**1 153**	1 146	1 268
Trade and other receivables	8	**18 563**	14 546	13 489
Non-current assets held for sale		**118**	585	114
Finance receivables		**1 891**	1 603	1 556
Tax receivable		**523**	277	222
Bank and cash balances		**6 874**	8 443	8 873
Total assets		**134 410**	80 659	81 138
Equity and liabilities				
Fully paid share capital	8	**42 618**	*	*
Treasury shares		**(1 833)**	(1 719)	(1 670)
Retained earnings		**26 873**	25 216	26 396
Other reserves		**1 038**	(574)	(663)
Equity attributable to owners of the parent		**68 696**	22 923	24 063
Non-controlling interests		**6 772**	(978)	(1 067)
Total equity		**75 468**	21 945	22 996
Non-current liabilities		**27 243**	34 120	31 423
Borrowings	9	**23 139**	30 592	27 613
Trade and other payables		**893**	743	815
Provisions		**375**	166	360
Deferred tax		**2 836**	2 619	2 635
Current liabilities		**31 699**	24 594	26 719
Borrowings	9	**8 366**	2 196	3 762
Trade and other payables		**22 692**	22 066	22 700
Provisions		**179**	103	188
Tax payable		**61**	118	47
Dividends payable		**22**	21	22
Bank overdrafts		**379**	90	–
Total equity and liabilities		**134 410**	80 659	81 138

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity

for the six months ended 30 September

Rm	Notes	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 April 2017		**24 063**	**(1 067)**	**22 996**
Total comprehensive income		**7 608**	**(15)**	**7 593**
Dividends		**(6 374)**	**(48)**	**(6 422)**
Shares issued on acquisition of associate net of share issue cost	8	**42 618**	**–**	**42 618**
Repurchase, vesting and sale of shares		**(279)**	**–**	**(279)**
Share-based payments		**76**	**–**	**76**
Changes in subsidiary holdings	11.9	**984**	**1 798**	**2 782**
Acquisition of subsidiary and associate	8	**–**	**6 104**	**6 104**
30 September 2017 – Reviewed		**68 696**	**6 772**	**75 468**
1 April 2016		24 158	(1 134)	23 024
Total comprehensive income		4 767	(111)	4 656
Dividends		(5 862)	(45)	(5 907)
Repurchase, vesting and sale of shares		(162)	–	(162)
Share-based payments		46	–	46
Changes in subsidiary holdings		(24)	312	288
30 September 2016 – Reviewed		22 923	(978)	21 945
1 April 2016		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 – Audited		24 063	(1 067)	22 996

Condensed consolidated statement of cash flows

for the six months ended 30 September

Rm	Notes	Six months ended 30 September 2017 Reviewed	Six months ended 30 September 2016 Reviewed	Year ended 31 March 2017 Audited
Cash generated from operations		**12 157**	13 938	31 791
Tax paid		**(3 107)**	(3 111)	(6 051)
Net cash flows from operating activities		**9 050**	10 827	25 740
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		**(5 665)**	(5 886)	(11 689)
Proceeds from disposal of property, plant and equipment and intangible assets		**149**	64	73
Business combinations and acquisition of subsidiary and associate (net of cash and cash equivalents acquired)		**(330)**	(285)	(285)
Finance income received		**381**	343	689
Repayment of loans granted and equity investments		**–**	–	295
Other investing activities[1]		**(360)**	(1 027)	(1 278)
Net cash flows utilised in investing activities		**(5 825)**	(6 791)	(12 195)
Cash flows from financing activities				
Borrowings incurred	9	**60**	4 000	4 000
Borrowings repaid	9	**(56)**	(51)	(1 568)
Finance costs paid		**(1 509)**	(1 301)	(2 699)
Dividends paid – equity shareholders		**(6 374)**	(5 862)	(11 657)
Dividends paid – non-controlling interests		**(48)**	(45)	(91)
Repurchase and sale of shares		**(279)**	(162)	(134)
Changes in subsidiary holdings	11.9	**2 770**	291	240
Net cash flows utilised in financing activities		**(5 436)**	(3 130)	(11 909)
Net (decrease)/increase in cash and cash equivalents		**(2 211)**	906	1 636
Cash and cash equivalents at the beginning of the year		**8 873**	7 751	7 751
Effect of foreign exchange rate changes		**(167)**	(304)	(514)
Cash and cash equivalents at the end of the year		**6 495**	8 353	8 873

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

Notes to the condensed consolidated interim financial statements

for the six months ended 30 September

1. Basis of preparation

These condensed consolidated interim 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 the International Accounting Standard 34: Interim Financial Reporting (IAS 34) 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 (JSE) 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 condensed consolidated interim 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 12.

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 2017, 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 2018, which will be available online.

	Six months ended 30 September		Year ended 31 March
Rm	**2017 Reviewed**	**2016 Reviewed**	**2017 Audited**
3. Segment analysis			
External customer segment revenue	**41 995**	40 151	81 278
South Africa	**33 686**	31 306	64 415
International	**8 309**	8 845	16 863
Safaricom[1]	**4 901**	–	–
Corporate and eliminations	**(4 901)**	–	–
Inter-segment revenue	**–**	–	–
South Africa	**(195)**	(143)	(314)
International	**(265)**	(205)	(487)
Corporate and eliminations	**460**	348	801

1. On 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Limited (Safaricom), which is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom from the date of acquisition, including the impact of net fair value adjustments on tangible and intangible assets and goodwill (Note 8). The results are therefore eliminated in full in the 'Corporate and eliminations' column.

Rm	Six months ended 30 September 2017 Reviewed	2016 Reviewed	Year ended 31 March 2017 Audited
3. Segment analysis continued			
EBITDA	**15 731**	15 278	31 238
South Africa	**13 370**	13 013	26 815
International	**2 405**	2 351	4 545
Safaricom[1]	**2 346**	–	–
Corporate and eliminations	**(2 390)**	(86)	(122)
EBIT	**10 830**	10 847	22 126
South Africa	**9 882**	10 101	20 593
International	**988**	833	1 648
Safaricom[1]	**1 610**	–	–
Corporate and eliminations	**(1 650)**	(87)	(115)
Reconciliation of segment results			
EBITDA	**15 731**	15 278	31 238
Depreciation and amortisation excluding acquired brands and customer bases	**(4 896)**	(4 424)	(9 054)
Net loss on disposal of property, plant and equipment and intangible assets	**(5)**	(7)	(58)
EBIT	**10 830**	10 847	22 126
Acquired brand and customer base amortisation	**(85)**	(99)	(197)
Impairment losses	**–**	–	(84)
Share-based payment charges	**(79)**	(30)	(75)
Net profit from associate and joint venture	**349**	–	1
Other	**(51)**	(1)	(21)
Operating profit[2]	**10 964**	10 717	21 750
Total assets	**134 410**	80 659	81 138
South Africa	**58 452**	55 029	51 930
International	**29 419**	24 263	23 104
Safaricom[1]	**61 782**	–	–
Corporate and eliminations	**(15 243)**	1 367	6 104
Total liabilities	**(58 942)**	(58 714)	(58 142)
South Africa	**(51 839)**	(48 272)	(43 134)
International	**(17 319)**	(17 567)	(16 413)
Safaricom[1]	**(21 343)**	–	–
Corporate and eliminations	**31 559**	7 125	1 405

1. On 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Limited (Safaricom), which is accounted for as an investment in associate. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom as at 30 September 2017, including the impact of net fair value adjustments on tangible and intangible assets and goodwill (Note 8). The results are therefore eliminated in full in the 'Corporate and eliminations' column, apart from the Group's equity accounted investment, which remains in the total assets under 'Corporate and eliminations'.
2. For a reconciliation of operating profit and net profit for the year, refer to the Condensed consolidated income statement on page 13.

Cents	Six months ended 30 September 2017 Reviewed	2016 Reviewed	Year ended 31 March 2017 Audited

4. Per share calculations

4.1 Earnings and dividends per share

Cents	2017 Reviewed	2016 Reviewed	2017 Audited
Basic earnings per share	**445**	439	915
Diluted earnings per share	**431**	427	886
Headline earnings per share	**445**	440	923
Diluted headline earnings per share	**432**	427	894
Dividends per share[1]	**435**	400	795

Million	Six months ended 30 September 2017 Reviewed	2016 Reviewed	Year ended 31 March 2017 Audited
4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:			
Basic and headline earnings per share	**1 541**	1 467	1 467
Diluted earnings and diluted headline earnings per share	**1 542**	1 468	1 469
4.3 Ordinary shares for the purpose of calculating:			
Dividends per share[2]	**1 488**	1 488	1 488

Vodacom Group Limited acquired 1 926 508 shares in the market during the year at an average price of R165.76 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 R6 473 million (30 September 2016: R5 952 million; 31 March 2017: 11 829 million) of which R28 million (30 September 2016: R25 million; 31 March 2017: 44 million) was offset against the forfeitable share plan reserve, R4 million (30 September 2016: R3 million; 31 March 2017: R5 million) expensed as staff expenses and R67 million (30 September 2016: R62 million; 31 March 2017: R123 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

1. Includes a dividend of 435 cents per share declared on 12 May 2017 (30 September 2016: 400 cents per share declared on 13 May 2016). The March 2017 dividend per share includes a dividend of 400 cents per share declared on 13 May 2016 and 395 cents per share declared on 11 November 2016. The Group declared an interim dividend in respect of the year ending 31 March 2018 after the reporting period (Note 12).
2. This dividend was declared and paid prior to the issue of shares for the Safaricom acquisition (Note 8).

Rm	Six months ended 30 September 2017 Reviewed	2016 Reviewed	Year ended 31 March 2017 Audited
4. Per share calculations continued			
4.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic earnings per share	**6 850**	6 442	13 418
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets	**5**	7	58
Impairment losses	**–**	–	84
	6 855	6 449	13 560
Tax impact of adjustments	**(8)**	–	(15)
Non-controlling interests' share in adjustments	**9**	(3)	(5)
Headline earnings for headline earnings per share[3]	**6 856**	6 446	13 540
Dilutive effect of potential ordinary shares in subsidiary	**(201)**	(173)	(408)
Headline earnings for diluted headline earnings per share	**6 655**	6 273	13 132

3. This disclosure is a requirement of the JSE Limited. 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 associates, joint venture and parent, including entities in its group.

Rm	Six months ended 30 September 2017 Reviewed	2016 Reviewed	Year ended 31 March 2017 Audited
5.1 Balances with related parties			
Borrowings	**26 867**	28 330	26 856
5.2 Transactions with related parties			
Dividends declared	**(4 207)**	(3 869)	(7 689)
Finance costs	**(1 158)**	(1 105)	(2 334)

5.3 Directors' and key management personnel information

Compensation paid to the Group's Board and key management personnel will be disclosed in the Group's annual financial statements for the year ending 31 March 2018, which will be available online.

MP Moyo, independent chairman of the Group, retired and stepped down from the Board on Tuesday, 19 July 2017, and is succeeded by PJ Moleketi. SJ Macozoma was appointed to the Board as the lead independent director on 19 July 2017.

Rm	Six months ended 30 September		Year ended 31 March
	2017 Reviewed	2016 Reviewed	2017 Audited
6. Capital commitments			
Capital expenditure contracted for but not yet incurred[1]	**4 714**	4 302	2 361

1. The Group entered into facilities leasing, services and roaming agreements with Wireless Business Solutions (Pty) Limited which will result in R1 225 million (30 September 2016: R2 300 million; 31 March 2017: 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	Six months ended 30 September		Year ended 31 March
	2017 Reviewed	2016 Reviewed	2017 Audited
7. Capital expenditure incurred			
Capital expenditure additions including software	**5 378**	5 714	11 292

8. Acquisition of interest in Safaricom Limited (Safaricom) through Vodafone Kenya Limited (Vodafone Kenya)

On 7 August 2017, the Group acquired 87.5% of Vodafone Kenya from Vodafone International Holdings B.V. (VIHBV). Vodafone Kenya holds a 39.93% stake in Safaricom, the Republic of Kenya's leading integrated communications company. The investment in Vodafone Kenya has been treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. As Vodafone Kenya is an investment holding company, with its only material asset being the associate investment in Safaricom, the transaction does not meet the definition of a business combination under IFRS 3: Business Combinations. The 39.93% equity interest that Vodafone Kenya holds in Safaricom has been equity accounted as an investment in an associate.

The purchase consideration was settled by the issuance of 233 459 781 Vodacom Group Limited shares to the value of R42 618 million (net of directly attributable transaction costs of R3 million), measured based on the closing price of Vodacom Group Limited on the effective date, and, for the equity interest in Vodafone Kenya, a cash consideration of R51 million.

VIHBV retained a non-controlling interest (NCI) of 12.5% in Vodafone Kenya, resulting in NCI of R6 104 million being recognised at the acquisition date, measured on a fair value basis.

The fair value of the Group's investment in Safaricom, based on the listed closing share price as at 30 September 2017, was R52 478 million.

8. Acquisition of interest in Safaricom Limited (Safaricom) through Vodafone Kenya Limited (Vodafone Kenya) continued

Rm	30 September 2017 Reviewed
Reconciliation of carrying amount:	
Investment at cost (including R408 million directly attributable costs)	43 029
Derivative on acquisition	52
Non-controlling interest's share of associate investment at fair value	6 096
Investment at cost (including directly attributable costs, derivative and NCI)	49 177
Profit from associate	349
Net profit for the period	446
Depreciation and amortisation on fair value adjustment, net of tax	(97)
Dividends receivable (included in current trade and other receivables)	(1 988)
Foreign exchange gain	533
Carrying amount of investment	48 071
Analysis of investment at cost (including directly attributable costs, derivative and NCI):	
Safaricom's net asset value at acquisition	15 707
Fair value adjustments net of tax	26 714
Safaricom's net assets at fair value	42 421
Vodafone Kenya's equity interest in Safaricom at 39.93%	16 941
Notional goodwill	32 236
Vodafone Kenya's investment in associate	49 177

Refer to the segment disclosure in Note 3 for key financial information of Safaricom.

9. Borrowings

During the current period, the Group modified two of the existing loan facilities received from Vodafone Investments Luxembourg s.a.r.l.. On the 3rd of May 2017, R8 000 million and R4 000 million loan facilities were modified from variable interest rate loans to fixed interest rate loans. The loan facilities bear interest at fixed rates of 8.703% and 8.991% and are repayable on the 26 November 2019 and 26 July 2021 respectively.

Additionally, the existing fixed rate facility of R3 000 million was re-financed with a floating rate facility of R3 000 million at a rate of 3 month Jibar +1.50% with a repayment date of 24 May 2022.

10. Contingent liabilities

10.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R112 million (30 September 2016: R119 million; 31 March 2017: R119 million).

Foreign denominated guarantees amounting to R1 015 million (30 September 2016: R1 030 million; 31 March 2017: R1 005 million) are in issue in support of Vodacom Congo (RDC) SA relating to liabilities included in the consolidated statement of financial position.

10.2 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.

10.3 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 30 September 2017.

10.4 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' are ongoing.

11. Other matters

11.1 Competition Commission investigations

11.1.1 Competition complaint on the national treasury government transversal contract for mobile communications services

On 14 March 2016, National Treasury issued a tender for the supply and delivery of mobile communication services to national and provincial government departments in South Africa. The tender was awarded to the Group, for the period 15 September 2016 to 31 August 2020, after an open and transparent process. The Competition Commission has initiated an investigation against the Group under sections 8(c) and 8(d)(i) of the Competition Act.

The Group is committed to full cooperation with the Competition Commission's investigations.

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

Complaints have been raised with the Independent Communications Authority of South Africa (ICASA) and the Competition Commission regarding the facilities leasing and roaming arrangements between the Company and WBS. ICASA and the Competition Commission are currently investigating these complaints.

11. Other matters continued

11.2 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 USD1.16 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 USD256 million. Arbitration has commenced, and is expected to end in March 2018. Vodacom Congo filed its statement of claim on 31 July 2017. GHI will file its statement of defence and counter-claim soon, but has failed to pay its share of the arbitration fees to the ICC, demanding that Vodacom Congo carry all the costs of the arbitration proceedings.

11.3 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 USD200 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. The public prosecutor has since issued an opinion to the court. The judgement will be delivered on a date yet to be set.

11.4 Customer registration

The Group has made considerable strides in complying with customer registration requirements in all its markets in line with applicable laws. In Tanzania the Group, together with the other operators, was fined in July 2017 for non-compliance with these requirements based on investigations undertaken in December 2016. Significant measures have been taken to achieve compliance prior to and since the fine. The fine, translated, amounted to approximately R12 million. The Group will keep up with customer registration requirements in markets where full compliance has been achieved and has put in place accelerated action plans in Tanzania. The Group continues to participate in government and industry coordinated forums overseeing the continued efforts to enhance the registration processes.

11.5 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.

11.6 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.

The White Paper, inter alia proposes the establishment of a wholesale open access network (WOAN) which will be the sole beneficiary of any new high demand spectrum that will be allocated, and open access obligations for existing networks.

11. Other matters continued

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

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, for which preserving investment competition in networks is essential. 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. Such a solution would also ensure continued predictability and improve cost efficiency of investment in the network.

The Ministry has subsequently appointed the Council for Scientific and Industrial Research to conduct a study on the spectrum requirements for the WOAN. The outcome of the study is still to be released.

The White Paper is a statement of policy intent and to give effect to it, new laws and amendments to existing laws are currently being drafted.

11.7 ICASA priority market review

ICASA indicated that it will undertake a study to identify priority markets susceptible to *ex ante* regulation. Notice of intention to conduct an inquiry to identify priority markets was published by ICASA in terms of section 4B of the ICASA Act on 30 June 2017. It is our understanding that ICASA intends to finalise the inquiry on or before 31 March 2018. We will be fully cooperating with ICASA in this regard.

11.8 ICASA's intention to amend End-user and Subscriber Service Charter Regulations

On 2 August 2017, ICASA announced in Parliament that they intend to review regulations on data billing and expiry period for data bundles. ICASA subsequently published a notice in which they intend to amend the End-user and Subscriber Service Charter Regulations in relation to data expiry rules and also out-of-bundle billing. The Group submitted its response, which highlighted self-regulatory mechanisms to be implemented, and plans to address out-of-bundle usage and notifications.

11.9 Vodacom Tanzania Public Limited Company (Vodacom Tanzania) listing requirement

In June 2016, the Parliament of Tanzania passed the Finance Act, 2016 which amended 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).

On 15 August 2017, Vodacom Tanzania listed on the Main Investment Market Segment (MIMS) of the DSE under the ticker VODA, and became the first telecommunications operator to comply with these regulatory changes. The listing was the largest initial public offering (IPO) in the 19-year history of the DSE, and raised net proceeds after underwriting costs of R2 770 million (TZS 470 billion).

11.10 Revenue collection system in Tanzania

The Tanzanian Revenue Authority (TRA), has implemented an Electronic Revenue Collection System (ERC system) designed to calculate and collect taxes, including value added tax and excise duty, from September 2017. All mobile network operators and financial institutions are mandated to provide requested information on a monthly basis to the ERC system in compliance with the Tax Administration (Electronic Revenue Collection System) Regulations, 2017. Information provided under the ERC system includes mobile phone numbers, traffic and revenue. Vodacom Tanzania is at advanced stages of compliance with the ERC system requirements.

11.11 Vodacom Congo

Vodacom Congo is not in compliance with the minimum capital requirements as set out under the Organisation for the Harmonisation of Business Law in Africa (OHADA). Vodacom Congo has to increase its share capital to meet the minimum OHADA requirements. The Board and shareholders of Vodacom Congo are in negotiations to address the recapitalisation of the company.

12. 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:

12.1 Sale of investment in Helios Towers Tanzania Limited (Helios)

Vodacom Tanzania sold its 24.06% investment in Helios to Helios Towers Africa Holding Limited (HTA) during October 2017 for total cash proceeds of R806 million. This investment is included in non-current asset held for sale as at 30 September 2017. The sale will result in a after pre-tax profit on sale of approximately R652 million being recognised in the second half of this financial year. The remaining balance of loans receivable from Helios of R42 million have also been sold to HTA.

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

An interim dividend of R6 714 million (390 cents per ordinary share) for the year ending 31 March 2018, was declared on 10 November 2017, payable on 4 December 2017 to shareholders recorded in the register at the close of business on 1 December 2017. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 312.00000 cents per share.

13. Fair value hierarchy

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

Rm	Six months ended 30 September 2017 Reviewed	Six months ended 30 September 2016 Reviewed	Year ended 31 March 2017 Audited
Level one[1]			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Unit trust investments	**255**	205	244
Level two[2]			
Derivative financial assets	**110**	24	108
Derivative financial liabilities	**(64)**	(98)	(89)
	301	131	263

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.

Supplementary information

Operating results for the six months ended 30 September 2017

Rm	South Africa	% 16/17	International	% 16/17	Safaricom[2]	% 16/17	Corporate/ Eliminations	Group	% 16/17
Mobile contract revenue	11 785	0.7	526	(26.1)	583	–	(586)	12 308	(0.9)
Mobile prepaid revenue	11 332	6.7	6 298	(1.2)	3 698	–	(3 698)	17 630	3.7
Customer service revenue	23 117	3.5	6 824	(3.7)	4 281	–	(4 284)	29 938	1.8
Mobile interconnect	769	(19.9)	632	(16.2)	138	–	(340)	1 199	(26.2)
Fixed service revenue	1 032	45.8	773	7.4	142	–	(252)	1 695	29.1
Other service revenue	1 752	19.4	79	(51.8)	151	–	(160)	1 822	12.6
Service revenue	26 670	4.7	8 308	(4.8)	4 712	–	(5 036)	34 654	2.0
Equipment revenue	6 374	18.4	170	(1.7)	122	–	(172)	6 494	17.6
Non-service revenue	837	39.7	96	(36.4)	67	–	(153)	847	28.5
Revenue	33 881	7.7	8 574	(5.2)	4 901	–	(5 361)	41 995	4.6
Direct expenses	(14 082)	(15.2)	(2 763)	9.4	(1 474)	–	1 854	(16 465)	(9.6)
Staff expenses	(1 846)	(4.1)	(788)	2.1	(282)	–	77	(2 839)	(2.7)
Publicity expenses	(708)	(15.1)	(278)	16.5	(104)	–	100	(990)	(2.4)
Other operating expenses	(3 891)	(1.7)	(2 382)	5.4	(697)	–	944	(6 026)	1.7
Share based payment charges	(40)	(33.3)	(39)	–	1	–	(1)	(79)	(163.3)
Depreciation and amortisation	(3 558)	(18.2)	(1 425)	5.8	(738)	–	740	(4 981)	(10.1)
Net profit from associate and joint venture	1	n/a	–	–	–	–	348	349	–
Operating profit	9 757	(2.1)	899	7.9	1 609	–	(1 300)	10 964	2.3
EBITDA	13 370	2.7	2 405	2.3	2 346	–	(2 390)	15 731	3.0
EBITDA margin (%)	39.5		28.0		47.9	–		37.5	
EBIT	9 882	(2.2)	988	18.6	1 610	–	(1 650)	10 830	(0.2)
EBIT margin (%)	29.2		11.5		32.9	–		25.8	
Included in service revenue:									
Mobile voice	11 061	(4.8)	4 365	(7.4)	–	–	(3)	15 423	(5.6)
Mobile data (excl M-Pesa)[1]	11 360	15.0	1 134	(2.7)	–	–	–	12 494	13.1
Mobile messaging	1 144	(8.4)	212	(7.4)	–	–	–	1 356	(8.3)
M-Pesa revenue[1]	–	–	1 126	14.0	–	–	–	1 126	14.0

Notes:

1. Mobile data revenue and M-Pesa revenue was previously reported in aggregate. These items are now separately disclosed.
2. Represents two months of value effective 1 August 2017, at 100% interest. The Safaricom interest is equity accounted in net profit from associate and joint venture . These values are for information purposes.

Operating results for the six months ended 30 September 2016

Rm	South Africa	International	Corporate/ Eliminations	Group
Mobile contract revenue	11 707	712	(3)	12 416
Mobile prepaid revenue	10 621	6 375	–	16 996
Customer service revenue	**22 328**	**7 087**	**(3)**	**29 412**
Mobile interconnect	960	754	(89)	1 625
Fixed service revenue	708	720	(115)	1 313
Other service revenue	1 467	164	(13)	1 618
Service revenue	**25 463**	**8 725**	**(220)**	**33 968**
Equipment revenue	5 384	173	(33)	5 524
Non-service revenue	599	151	(91)	659
Revenue	**31 446**	**9 049**	**(344)**	**40 151**
Direct expenses	(12 221)	(3 048)	247	(15 022)
Staff expenses	(1 774)	(805)	(185)	(2 764)
Publicity expenses	(615)	(333)	(19)	(967)
Other operating expenses	(3 826)	(2 517)	215	(6 128)
Share based payment charge	(30)	–	–	(30)
Depreciation and amortisation	(3 009)	(1 513)	(1)	(4 523)
Net profit from associate and joint venture	–	–	–	–
Operating profit	**9 971**	**833**	**(87)**	**10 717**
EBITDA	13 013	2 351	(86)	15 278
EBITDA margin (%)	41.4	26.0		38.1
EBIT	10 101	833	(87)	10 847
EBIT margin (%)	32.1	9.2		27.0
Included in service revenue				
Mobile voice	11 623	4 714	(3)	16 334
Mobile data (excl M-Pesa)[1]	9 876	1 166	–	11 042
Mobile messaging	1 249	229	1	1 479
M-Pesa revenue[1]	–	988	–	988

Notes:
1. Mobile data revenue and M-Pesa revenue was previously reported in aggregate. These items are now separately disclosed.

South Africa key indicators

	Six months ended 30 September 2017	2016	% change 16/17
Customers[1] (thousand)	**40 000**	35 685	**12.1**
Prepaid	**34 762**	30 641	**13.4**
Contract	**5 238**	5 044	**3.8**
Data customers[2] (thousand)	**19 905**	18 158	**9.6**
Internet of Things connections[3] (thousand)	**3 271**	2 626	**24.6**
Traffic[4] (millions of minutes)	**29 757**	28 397	**4.8**
Outgoing	**25 085**	23 637	**6.1**
Incoming	**4 672**	4 760	**(1.8)**
MOU per month[5]	**127**	135	**(5.9)**
Prepaid	**117**	125	**(6.4)**
Contract	**194**	191	**1.6**
Total ARPU[6] (rand per month)	**102**	110	**(7.3)**
Prepaid	**58**	62	**(6.5)**
Contract	**392**	408	**(3.9)**
Messaging (million)	**3 419**	1 771	**93.1**
Number of employees	**4 945**	5 005	**(1.2)**

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

	Six months ended 30 September		% change
	2017	**2016**	**16/17**
Customers[1] (thousand)	**31 092**	27 918	**11.4**
Tanzania	**12 857**	12 354	**4.1**
DRC	**11 453**	9 204	**24.4**
Mozambique	**5 421**	4 987	**8.7**
Lesotho	**1 361**	1 373	**(0.9)**
Data customers[2] (thousand)	**14 755**	11 965	**23.3**
Tanzania	**7 072**	6 021	**17.5**
DRC	**4 175**	3 191	**30.8**
Mozambique	**2 904**	2 236	**29.9**
Lesotho	**604**	517	**16.8**
Active M-Pesa customers (thousand)	**13 986**	10 934	**27.9**
Tanzania	**7 929**	7 035	**12.7**
DRC	**2 542**	1 662	**52.9**
Mozambique	**3 034**	1 916	**58.4**
Lesotho	**481**	321	**49.8**
MOU per month[3]			
Tanzania	**160**	160	**–**
DRC	**43**	53	**(18.9)**
Mozambique	**138**	116	**19.0**
Lesotho	**84**	80	**5.0**
Total ARPU[4] (rand per month)			
Tanzania	**36**	40	**(10.0)**
DRC	**40**	57	**(29.8)**
Mozambique	**50**	50	**–**
Lesotho	**66**	62	**6.5**
Total ARPU[4] (local currency per month)			
Tanzania (TZS)	**6 122**	6 032	**1.5**
DRC (USD)	**3.0**	3.9	**(23.1)**
Mozambique (MZN)	**236**	215	**9.8**
Number of employees	**2 339**	2 389	**(2.1)**

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.

Safaricom key indicators

	Six months ended 30 September		% change
	2017	**2016**	**16/17**
Closing customers[1] (thousand)	**29 490**	26 611	**10.8**
Data customers[2] (thousand)	**16 946**	14 297	**13.5**
Active M-Pesa customers[3]	**19 307**	17 630	**9.5**
Service ARPU[4] (local currency per month)	**622.7**	629.0	**(1.0)**

Notes:
1. A customer is defined as a Subscriber Identity Module (SIM), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose (including data only usage) except telemetric applications. For a one month period.
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 month reported.
3. Number of unique customers who have generated revenue related to M-Pesa in the past 30 days.
4. Service ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period. For a one month period.

International financial review per country

	Six months ended 30 September		% change
	2017	**2016**	**16/17**
Revenue (local currency)			
Tanzania (TZSm)	**485 820**	462 326	**5.1**
DRC (USD000)[1]	**206 769**	207 996	**(0.6)**
Mozambique (MZNm)	**8 226**	7 268	**13.2**
Lesotho (LSLm)	**598**	540	**10.7**
EBIT (local currency)			
Tanzania (TZSm)	**49 419**	61 424	**(19.5)**
DRC (USD000)	**5 721**	4 320	**32.4**
Mozambique (MZNm)	**1 855**	1 246	**48.9**
Lesotho (LSLm)	**228**	197	**15.7**

Note:
1. During the 2nd quarter we reclassified the foreign exchange difference between USD and CDF sales to be netted off on the corresponding revenue line. The adjustment was USD11.4 million for Q1 and USD4.4 million for Q2. Q1 has not been restated for this change. This was partially offset by a reversal of excise duties of USD9.9 million, in Q2.

Historical financial review

Revenue for the quarter ended[1]

Rm	30 September 2017	30 June 2017	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016
South Africa	**17 227**	16 654	16 141	17 142	**16 003**	15 443	15 640
International	**4 334**	4 240	3 985	4 316	**4 429**	4 620	5 086
Corporate and eliminations	**(251)**	(209)	(221)	(236)	**(183)**	(161)	(173)
Group revenue	**21 310**	20 685	19 905	21 222	**20 249**	19 902	20 553

Revenue yoy % change for the quarter ended

	Reported				Normalised*
%	30 September 2017	30 June 2017	31 March 2017	31 December 2016	30 September 2017
South Africa	**7.6**	7.8	3.2	4.9	**7.6**
International	**(2.1)**	(8.2)	(21.6)	(8.9)	**2.2**
Corporate and eliminations	**(37.7)**	(29.8)	(27.7)	(105.2)	**n/a**
Group revenue	**5.2**	3.9	(3.2)	1.2	**6.2**

Service revenue for the quarter ended

Rm	30 September 2017	30 June 2017	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016
South Africa	**13 547**	13 123	13 198	13 410	**13 037**	12 426	12 503
International	**4 186**	4 122	3 844	4 206	**4 246**	4 479	4 903
Corporate and eliminations	**(177)**	(147)	(167)	(173)	**(121)**	(99)	(111)
Group service revenue	**17 556**	17 098	16 875	17 443	**17 162**	16 806	17 295

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

Service revenue yoy % change for the quarter ended

	Reported				Normalised*
	30 September	30 June	31 March	31 December	30 September
%	**2017**	**2017**	**2017**	**2016**	**2017**
South Africa	**3.9**	5.6	5.6	5.5	**3.9**
International	**(1.4)**	(8.0)	(21.6)	(8.2)	**3.1**
Corporate and eliminations	**(47.1)**	(48.5)	(50.5)	(170.3)	**n/a**
Group service revenue	**2.3**	1.7	(2.4)	1.3	**3.4**

Exchange rates

	Average YTD			Closing		
	30 September		% change	30 September		% change
	2017	**2016**	**16/17**	**2017**	**2016**	**16/17**
USD/ZAR	**13.20**	14.54	**(9.2)**	**13.54**	13.73	**(1.4)**
ZAR/MZN	**4.68**	4.38	**6.8**	**4.52**	5.69	**(20.5)**
ZAR/TZS	**169.54**	150.72	**12.5**	**165.77**	158.82	**4.4**
EUR/ZAR	**15.01**	16.33	**(8.1)**	**15.98**	15.42	**3.7**
ZAR/KES	**7.84**	6.97	**12.5**	**7.62**	7.37	**3.4**

	Average QTD				Closing QTD			
	30 September	30 June	31 March	31 December	30 September	30 June	31 March	31 December
	2017	**2017**	**2017**	**2016**	**2017**	**2017**	**2017**	**2016**
USD/ZAR	**13.20**	13.21	13.23	13.90	**13.54**	13.06	13.40	13.73
ZAR/MZN	**4.63**	4.74	5.28	5.41	**4.52**	4.60	5.03	5.21
ZAR/TZS	**169.75**	169.33	168.63	157.01	**165.77**	171.50	166.65	158.79
EUR/ZAR	**15.50**	14.52	14.09	14.99	**15.98**	14.90	14.34	14.48
ZAR/KES	**7.82**	7.83	7.82	7.32	**7.62**	7.95	7.69	7.46

Historical key indicators

South Africa for the quarter ended

	30 September 2017	30 June 2017	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016
Customers[1] (thousand)	**40 000**	39 381	37 131	36 375	**35 685**	35 112	34 178
Prepaid	**34 762**	34 248	32 000	31 188	**30 641**	30 148	29 265
Contract	**5 238**	5 133	5 131	5 187	**5 044**	4 964	4 913
Data customers[2] (thousand)	**19 905**	19 167	19 549	19 261	**18 158**	18 054	18 056
Internet of Things connections[3] (thousand)	**3 271**	3 100	2 979	2 810	**2 626**	2 515	2 264
Traffic[4] (millions of minutes)	**15 331**	14 426	14 462	15 550	**14 458**	13 939	13 699
Outgoing	**12 976**	12 109	12 105	13 158	**12 062**	11 575	11 352
Incoming	**2 355**	2 317	2 357	2 392	**2 396**	2 364	2 347
MOU per month[5]	**128**	125	131	145	**136**	134	134
Prepaid	**118**	115	122	138	**127**	124	125
Contract	**199**	190	190	187	**192**	190	191
Total ARPU[6] (rand per month)	**101**	103	109	114	**112**	109	112
Prepaid	**58**	58	61	64	**63**	60	62
Contract	**391**	393	401	414	**415**	401	404

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 – continued

International for the quarter ended

	30 September 2017	30 June 2017	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016
Customers[1] (thousand)	**31 092**	29 936	29 655	28 794	**27 918**	26 722	27 127
Tanzania	**12 857**	12 611	12 653	12 419	**12 354**	12 060	12 375
DRC	**11 453**	10 792	10 388	9 702	**9 204**	8 486	8 527
Mozambique	**5 421**	5 147	5 146	5 208	**4 987**	4 817	4 826
Lesotho	**1 361**	1 386	1 468	1 465	**1 373**	1 359	1 399
Data customers[2] (thousand)	**14 755**	13 807	12 997	12 620	**11 965**	10 919	10 055
Tanzania	**7 072**	6 767	6 463	6 484	**6 021**	5 440	5 415
DRC	**4 175**	3 982	3 705	3 354	**3 191**	2 885	1 996
Mozambique	**2 904**	2 470	2 280	2 196	**2 236**	2 112	2 112
Lesotho	**604**	588	549	586	**517**	482	532
MOU per month[3]							
Tanzania	**167**	153	146	162	**162**	158	124
DRC	**42**	44	44	48	**56**	50	40
Mozambique	**144**	130	130	122	**123**	109	111
Lesotho	**86**	81	79	90	**81**	79	78
M-Pesa customers[4] (thousand)	**13 986**	13 272	12 922	12 032	**10 934**	10 559	9 224
Tanzania	**7 929**	7 698	7 966	7 488	**7 035**	7 467	7 030
DRC	**2 542**	2 412	2 086	1 969	**1 662**	1 357	866
Mozambique	**3 034**	2 745	2 474	2 220	**1 916**	1 478	1 104
Lesotho	**481**	417	396	355	**321**	257	224
Total ARPU[5] (rand per month)							
Tanzania	**37**	35	34	40	**40**	40	41
DRC	**37**	42	37	48	**56**	58	52
Mozambique	**53**	48	40	41	**44**	56	61
Lesotho	**69**	64	54	66	**63**	62	59
Total ARPU[5] (local currency per month)							
Tanzania (TZS)	**6 295**	5 946	5 674	6 279	**6 187**	5 876	5 631
DRC (USD)	**2.8**	3.2	2.8	3.4	**3.9**	3.9	3.3
Mozambique (MZN)	**244**	228	209	223	**223**	207	185

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. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last three months.
5. 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 37 – 40, 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.

Reconciliation of normalised growth for the six months ended

		Foreign exchange			
30 September 2017 %	Reported[1] % change	Trading FX[2] ppts	Translation FX[3] ppts	Merger and Acquisition	Normalised* % change
Revenue					
Group	**4.6**	–	2.3	–	**6.9**
International	**(5.2)**	–	10.2	–	**5.0**
Service revenue					
Group	**2.0**	–	2.6	–	**4.6**
International	**(4.8)**	–	10.3	–	**5.5**
Data revenue					
International	**(2.7)**	–	9.3	–	**6.6**
Total expenses					
International	**(7.3)**	2.4	11.3	–	**6.4**
South Africa	**11.3**	0.1	–	–	**11.4**
EBITDA					
Group	**3.0**	(1.2)	1.3	–	**3.1**
International	**2.3**	(7.0)	7.8	–	**3.1**
South Africa	**2.7**	–	–	–	**2.7**
EBIT					
Group	**(0.2)**	(1.5)	0.3	–	**(1.4)**
International	**18.6**	(20.3)	3.9	–	**2.2**
Operating profit					
Group	**2.3**	(1.6)	0.3	(3.2)	**(2.2)**
M-Pesa					
International	**14.0**	–	13.2	–	**27.2**

Notes:
1. The reported percentage change relates to the six months 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 34.
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 six months ended 30 September 2017 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 30 September 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 34.

Reconciliation of normalised growth for the six months ended

30 September 2017 Rm	Reported	Trading FX[2]	Merger and Acquisition	Normalised*
Revenue				
Group	41 995	–	–	41 995
International	8 574	–	–	8 574
South Africa	33 881	–	–	33 881
Service revenue				
Group	34 654	–	–	34 654
International	8 308	–	–	8 308
South Africa	26 670	–	–	26 670
Data revenue				
International	1 134	–	–	1 134
Total expenses				
International	6 211	3	–	6 214
South Africa	20 527	(73)	–	20 454
EBITDA				
Group	15 731	76	–	15 807
International	2 405	(3)	–	2 402
South Africa	13 370	73	–	13 443
EBIT				
Group	10 830	76	–	10 906
International	988	(3)	–	985
Operating profit				
Group	10 964	76	(349)	10 691
M-Pesa				
International	1 126	–	–	1 126

Reconciliation of normalised growth for the six months ended

		Foreign exchange		
30 September 2016 Rm	Reported	Trading FX[2]	Translation FX[3]	Normalised*
Revenue				
Group	40 151	–	(884)	39 267
International	9 049	–	(884)	8 165
Service revenue				
Group	33 968	–	(847)	33 121
International	8 725	–	(847)	7 878
Data revenue				
International	1 166	–	(102)	1 064
Total expenses				
International	6 703	(169)	(695)	5 839
South Africa	18 436	(77)	–	18 359
EBITDA				
Group	15 278	251	(190)	15 339
International	2 351	169	(190)	2 330
South Africa	13 013	77	–	13 090
EBIT				
Group	10 847	251	(38)	11 060
International	833	169	(38)	964
Operating profit				
Group	10 717	251	(40)	10 928
M-Pesa				
International	988	–	(103)	885

Reconciliation of normalised growth for the quarter ended

30 September 2017 %	Reported[4]	Translation FX[5]	Normalised*
Revenue			
Group	**5.2**	1.0	**6.2**
International	**(2.1)**	4.3	**2.2**
Service revenue			
Group	**2.3**	1.1	**3.4**
International	**(1.4)**	4.5	**3.1**

Reconciliation of normalised growth for the quarter ended

30 September 2017 %	Reported	Translation FX[5]	Normalised*
Revenue			
Group	**21 310**	–	**21 310**
International	**4 334**	–	**4 334**
Service revenue			
Group	**17 556**	–	**17 556**
International	**4 186**	–	**4 186**

Reconciliation of normalised growth for the quarter ended

30 September 2016 Rm	Reported	Translation FX[5]	Normalised*
Revenue			
Group	**20 249**	(188)	**20 061**
International	**4 429**	(188)	**4 241**
Service revenue			
Group	**17 162**	(186)	**16 976**
International	**4 246**	(186)	**4 060**

The reconciliation presents 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 six months 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 34.
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 six months ended 30 September 2017 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 30 September 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 34.
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 34.
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 ended 30 September 2017 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period to the quarter ended 30 September 2017) 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 34.

Reconciliation of operating free cash flow and free cash flow

	Six months ended 30 September	
Rm	**2017**	**2016**
Cash generated from operations[1]	**12 157**	13 938
Cash capital expenditure[2]	**(5 505)**	(5 810)
Movement in amounts due to M-Pesa account holders[3]	**(341)**	(473)
Operating free cash flow[Ŧ]	**6 311**	7 655
Tax paid[1]	**(3 107)**	(3 111)
Finance income received[1]	**381**	343
Finance costs paid[1]	**(1 509)**	(1 301)
Net dividends paid[1]	**(48)**	(45)
Free cash flow[Ŧ]	**2 028**	3 541

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.
2. Cash capital expenditure as per the condensed consolidated statement of cash flows, excluding capital expenditure of license and spectrum fee of R11 million (30 September 2016: R12 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 9 for details relating to service revenue, 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 six month ended 30 September 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)
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(ISIN: ZAE000132577 Share Code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
(Vodacom)

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