

Vodacom Group Interim results

for the six months ended 30 September 2022



Further together





Shameel Joosub

Vodacom Group CEO commented:

Despite ongoing financial market volatility and weaker prospects for the global economy, Vodacom Group's resilient revenue performance in the first quarter continued into the second quarter, evidenced by the 7.7% increase in Group revenue to R53.7 billion in the first half of the current financial year.

The war in Ukraine, which followed hard on the heels of a global health crisis, continues to result in increased inflationary pressures and elevated living costs in many countries across the world, including markets where Vodacom operates. Vodacom has attempted to absorb considerable inflationary costs from the dramatic increase in energy costs as far as possible and, as a purpose-led organisation, has sought to accelerate various initiatives to deliver even greater value to financially strained customers.

These efforts, coupled with expected start-up costs associated with the recent launch in Ethiopia of a national telecommunications network through Safaricom Ethiopia, in which Vodacom holds a minority and which is accounted for as an associate, contributed to a 9.3% decline in earnings per share. Encouragingly, the fact that it was recently announced that Safaricom Ethiopia will be awarded a financial services licence is expected to accelerate our ambition to transform lives in Africa's second most populous country. We have already launched our network in 16 cities in Ethiopia with plans to expand services to 25 cities by April 2023, to reach our first milestone of 25% population coverage.

We continue to transform lives in South Africa where we were recognised as a level one Broad-Based Black Economic Empowerment (B-BBEE) contributor for a fourth consecutive year and remain one of the JSE's most transformed companies. As Vodacom Group, we continue to make good progress in addressing climate change. In our role as a partner of the COP27 UN Climate Change Conference hosted in Egypt earlier this month, we re-affirmed our pledge of halving the Group's environmental impact by 2025.

One of our many purpose-led initiatives which I am particularly proud of is our mobile healthcare programme in Tanzania called 'm-mama', a service that provides emergency transport for pregnant and post-partum women. Tanzania has one of the highest maternal mortality rates in the world, many of which could be prevented by reducing delays in receiving care. 'M-mama' is expected to save the lives of around 9 000 mothers and babies over the next five years. It is estimated that the service has already helped reduce the maternal mortality rate by 30% in the Lake Zone region in Tanzania, showcasing what the right partnerships and digital solutions can achieve.

Substantial investments into technology and our networks continues to resonate with customers, having attracted an additional 3.0 million customers in the period. This means we now serve 132.6 million customers across our footprint, where we now have an addressable market of more than 400 million people, with Vodafone Egypt set to add further scale. Our efforts to deepen financial inclusion continue to thrive, supported by the double digit increase in financial services customers to 63.1 million (including Safaricom on a 100% basis). We are Africa's leading fintech player measured by a processed transaction value of US\$355.2 billion over the last twelve months, up 17.6%.

Tanzanians in particular have benefitted from significant reductions in mobile money levies, with the government implementing decreases of up to 43% effective from 1 July 2022. This helped drive an additional 19.5% increase in the number of Tanzanians using M-Pesa, and is clearly supportive of financial inclusion.

Accelerated growth of 39.3% in the second quarter saw our M-Pesa revenue end the six-month period 25.2% higher at R3.0 billion, accounting for nearly a quarter of International service revenues. In addition to M-Pesa's recovery, strong data growth and foreign exchange tailwinds largely contributed to the 17.9% growth in service revenue from our International operations to R12.6 billion.

In South Africa, we invested R5.8 billion in our network – the most in a six-month period – to further enhance the customer experience at a time when the country experienced record levels of power outages. In the past two years, we invested over R2.0 billion in batteries alone to enhance the resilience of our network so that we keep customers connected during extended periods of loadshedding. At the same time, we continue to work closely with Eskom to find a renewable energy solution for the benefit of our planet and customers, having announced in September 2022 an in-principle agreement with South Africa's energy utility to pilot a programme that would see Vodacom South Africa source its electricity from renewable independent power producers and contribute this into the national grid.

It is also particularly pleasing to see that the investments into our South African network – more than R50.0 billion over the past five years alone – have culminated in further extending our Net Promoter Score (NPS) lead over our nearest competitor while at the same time driving growth from our new services – such as financial and digital services, fixed and IoT. In addition to increased demand for personalised bundles and strong equipment sales, these factors contributed to a 4.9% rise in revenue in our largest market. Underpinned by an almost 20% increase in insurance policies, revenue generated from financial services improved 8.1% to R1.4 billion. Launched almost a year ago, super-app VodaPay, reaches 2.2 million registered users through 3.5 million downloads while near-term plans to add cash-in and cash-out capabilities and scale our affordable consumer micro loans positions this business well to expand our offerings and drive deeper penetration of financial services.

Vodacom has a proven track record as a resilient company, and we are committed to ensuring that we follow our purpose of connecting people to a better future while delivering value for our shareholders.

Like many other companies, the operating environment that we face requires an unwavering focus to deliver our strategy, to meet our business objectives and to serve our customers. We continue to act swiftly so that we have the right measures in place – including our commercial initiatives and cost efficiency programmes – to help mitigate the impacts from the global macroeconomic risks.

Looking ahead, we expect that the Vodafone Egypt acquisition and Community Investment Ventures Holdings (Proprietary) Limited (CIVH) joint venture will enhance our system of advantage and provide scope to accelerate the growth profile of the Vodacom Group. In Egypt, the transaction obtained approval from the National Telecom Regulatory Authority and remains subject to the Financial Regulatory Authority's approval and other key suspensive conditions as set out in the circular to shareholders published by the Company on 10 December 2021. Our strategic acquisition of a joint venture stake of up to 40% in CIVH, recently received approval from ICASA subject to licence conditions, such as open-access, and remains subject to Competition Commission approval.

Highlights

Group revenue of

R53.7 billion

was up 7.7%, supported by normalised growth of 5.0%* and rand depreciation against our basket of International currencies.

Headline earnings per share declined

9.5%

impacted by start-up losses in Ethiopia and higher finance costs as interest rates normalised to pre-COVID levels.

Group service revenue growth was

7.2%

in the period, with normalised growth accelerating to 4.9%* in the second quarter.

Net debt to EBITDA at

1.1 times

reflecting spectrum acquisition in South Africa and elevated network investment.

Muted EBITDA growth of 0.6% (-1.8%*) to

R20.2 billion

impacted by one-off factors and higher energy and network costs.

Implementation of new simplified dividend policy and interim dividend of

340cps.

Financial services customers were up 10.2% to

63.1 million

(including Safaricom on a 100% basis).

Progress made on the regulatory approvals for the

Vodafone Egypt and CIVH

 joint venture acquisitions.

Certain financial information presented in this results announcement constitutes *pro-forma* financial information in terms of the JSE Listings Requirements. The applicable criteria on the basis of which this *pro-forma* financial information has been prepared is set out in the supplementary information on pages 47 to 52. The *pro-forma* financial information includes:

* Normalised growth, which presents performance on a comparable basis. This adjusts for foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results.

Amounts marked with an * in this document represent normalised growth as defined above.

All growth rates quoted are year-on-year and refer to the six months ended 30 September 2022 compared to the six months ended 30 September 2021, unless stated otherwise.

Group statutory performance measures

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
Revenue	53 713	49 856	7.7	5.0
Service revenue	41 729	38 915	7.2	3.9
Net profit from associates and joint ventures	1 466	1 644	(10.8)	5.1
Operating profit	13 268	14 058	(5.6)	(5.1)
Net profit	8 072	8 873	(9.0)	
Earnings per share (cents)	457	504	(9.3)	
Headline earnings per share (cents)	457	505	(9.5)	
Interim dividend per share (cents)	340	420	(19.0)	

Group additional performance measures

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
EBITDA	20 200	20 076	0.6	(1.8)
EBITDA margin (%) ¹	37.6	40.3	(2.7ppt)	
Capital expenditure ²	7 599	6 920	9.8	
Capital intensity (%) ²	14.1	13.9	0.2ppt	
Operating free cash flow ³	4 806	6 458	(25.6)	
Free cash flow (pre-spectrum) ³	2 028	4 456	(54.5)	
Financial services revenue ⁴	4 414	3 704	19.2	10.7

Notes:

1. EBITDA margin is EBITDA as a percentage of revenue.
2. Detail relating to capital expenditure is on page 15. Capital intensity is capital expenditure as a percentage of revenue.
3. A reconciliation of operating free cash flow and free cash flow is set out on page 16.
4. The combination of South Africa financial services revenue and International M-Pesa revenue.

Strategic review

Purpose-led business model driving climate-related innovation

Our purpose-led model is premised on the three pillars: digital society; inclusion for all; and planet. Further, we remain focused on the delivery of our Social Contract with stakeholders to ensure that we make meaningful contributions to inclusion and the recovery in markets where we operate. In the period, the global energy outlook was put into sharp focus with the war in Ukraine while South Africa faced heightened power-availability challenges. This operating context re-affirmed our focus on the planet and our partnership role at the COP27 UN Climate Change Conference hosted in Egypt in November 2022.

As a technology company, our digital solutions and capabilities play a critical role in helping society to mitigate and adapt against climate change impacts. The Internet of Things (IoT) for instance, is key in saving energy, creating cleaner and more efficient communities, and enabling sectors such as agriculture to be more efficient and sustainable. We engaged extensively on this at COP27 so we can accelerate the fight against climate change. Beyond IoT, Vodacom is pursuing numerous other climate related initiatives, some of which include renewable energy powered rural sites and a pilot renewable energy solution in South Africa with the state-owned utility, Eskom.

Macro conditions continue to test the resilience of our strategy

Our evolution from a telecommunication to a technology company is well on track as we expand our ecosystem of products. Our multi-product strategy, called the system of advantage, aims to deliver diversified, differentiated offerings to our customers, further strengthening and growing our relationships with them. Our strategy, which was stress tested during the COVID-19 pandemic, faces ongoing macro challenges associated with the war in Ukraine. These challenges include supply constraints, increased foreign exchange volatility and inflationary pressures.

The prevailing macro backdrop has necessitated a sharpened focus on our data-led personalised pricing and accelerated cost containment initiatives. We expect that by executing on our strategy and the new cost initiatives, we are positioned to deliver the following unchanged medium-term targets:

1. Mid-single digit Group service revenue growth;
2. Mid-to-high-single digit Group EBITDA growth; and
3. 13.0% to 14.5% of Group capital expenditure as a % of Group revenue.

These targets are on average, over the next three years, and are on a normalised basis in constant currency, based on prevailing economic conditions, excluding spectrum purchases, exceptional items and any merger and acquisition (M&A) activity such as Vodafone Egypt and CIVH. We expect the Vodafone Egypt to contribute positively to our growth profile from the date of acquisition and the CIVH fibre assets to support our longer-term growth profile. We intend to provide an update on the Group's targets subsequent to the completion of the Vodafone Egypt transaction. In the near term, should inflationary pressures continue to accelerate we see scope for EBITDA growth to trend towards the lower end of the medium-term guidance.

Investment-led growth acceleration

Group service revenue grew 7.2% (3.9%*) in the period, supported by a resilient performance in South Africa and accelerating growth in International. Group service revenue growth was underpinned by new services, which include digital and financial, fixed and IoT. Financial services delivered growth of 19.2% (10.7%*), as we continue to scale user adoption, new products and services. In aggregate, these new services amounted to R7.9 billion and contributed 18.9% of Group service revenue from 17.6% in the prior year period. We target that new service revenue will contribute 25% to 30% of Group service revenue over the medium-term.

In the second quarter, Group service revenue grew 9.2%. Despite incremental macro headwinds, Group normalised service revenue growth accelerated to 4.9% in the second quarter from 2.9% in the first quarter. This result was supported by investment into our core connectivity business and an acceleration in both International and South Africa prepaid data revenue growth. Additionally, financial services revenue delivered an excellent result in the second quarter as we continue to expand our addressable market.

Group EBITDA increased 0.6% (-1.8%*) to R20.2 billion and was subdued by an acceleration of network operating expenditure in South Africa, higher energy costs across the Group and a lease contract separation in the DRC. In South Africa, higher network and energy costs diluted the segment's EBITDA growth by almost 2ppts. Further, South African consumer price inflation accelerated to 7.1% in the period, negatively impacting expense growth and outpacing service revenue growth of 3.0%. The DRC lease contract separation diluted Group EBITDA growth by 1ppt,

Strategic review continued

although did not materially impact net profit as higher operating expenses were offset by reduced right-of-use (ROU) depreciation and interest. We expect a clear improvement in normalised EBITDA growth into the second half of the financial year as we accelerate cost initiatives and lap the impact of accelerated network operating expenditure in South Africa, the lease contract separation and levies on mobile money transactions in Tanzania. Near-term cost initiatives will include supply-chain management renegotiations and incremental focus on discretionary spend and payroll costs.

Headline earnings per share (HEPS) declined 9.5% to 457 cents per share. The decline was largely attributable to start-up losses in Ethiopia (20 cents per share) and higher finance costs (23 cents per share). Separately, the Board declared an interim dividend per share (DPS) of 340 cents which reflects our updated and simplified dividend policy of at least 75% of headline earnings. Recognising that the acquisition of Vodafone Egypt has not yet completed, the dividend pay-out ratio was set above the minimum threshold at 80%.

We generated operating free cash flow of R4.8 billion, down 25.6%, having invested R7.6 billion into capital expenditure (excluding costs of acquiring spectrum), a further R2.4 billion applied to lease payments and R5.7 billion absorbed into working capital. Capital expenditure increased 9.8% as we accelerated investment into network performance. Pleasingly, we extended our network NPS leadership score in South Africa. The working capital outflow reflects seasonal timing, the payment of capital creditors associated with elevated capital investment in the fourth quarter of the previous financial year and higher inventory levels to mitigate global supply challenges. We expect this working capital investment to unwind into the second half of the financial year, supporting a significant improvement in free cash flow.

Leading African fintech operator

Financial services revenue

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
South Africa	1 406	1 301	8.1	–
International	3 008	2 403	25.2	12.0
Consolidated Group	4 414	3 704	19.2	10.7
Safaricom (100% basis) ¹	7 865	6 937	13.4	8.7

Financial services revenue reached R4.4 billion in the six-month period, up 19.2% (10.7%*). In South Africa growth was fuelled by our insurance business, with policies up 19.4% to 2.6 million and a recovery in Airtime Advance revenue growth. Significantly, normalised M-Pesa revenue growth accelerated to 20.4% in the second quarter, as Tanzania lapped mobile money levies imposed in July 2021 and our new financial services continued to scale. New financial services such as loans and merchant services contributed more than half of M-Pesa revenue growth in the period. Safaricom generated financial services revenue of R7.9 billion on a 100% basis, up 8.7%* on a normalised basis.

Our financial services strategy is supported by a dual-sided ecosystem across consumers and merchants, bringing these segments together through exceptional and personalised experiences relating to entertainment, e-commerce, payments, savings, investments, lending and insurance services. As key drivers of this strategy, our two super-apps – VodaPay and M-Pesa – integrate our own products and services with the best offerings from our partners. In South Africa, our super-app, VodaPay, reached 3.5 million downloads in less than a year since launch. Across our M-Pesa footprint, including Safaricom, app users exceeded 3.2 million.

Alongside the super-app roll-out, our active merchant base continued to scale meaningfully in South Africa and across our International markets. Our merchant base across International was up four-fold to almost 137 000, while Safaricom's merchant base was up 39.3% to 539 000. This growth helps expand our addressable commission pool beyond peer-to-peer payments and withdrawals into both online and offline commerce.

Our M-Pesa platform, including Safaricom, processed US\$355.2 billion of transaction value over the last twelve months, up 17.6%, representing clear leadership in the African fintech space.

Note:

1. The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Strategic review continued

Regulatory progress on strategic M&A

The Group announced two material transactions in the second half of the prior financial year that complement our strategy and support our system of advantage. The transactions provide scope to enhance the Group's growth and returns outlook.

On 10 November 2021, the Group announced that it had entered into a binding agreement to acquire a 55% shareholding in Vodafone Egypt Telecommunications SAE (Vodafone Egypt) from Vodafone Group Plc (Vodafone). We have received regulatory approval from the National Telecom Regulatory Authority of Egypt for the transaction to proceed. This approval is one of the key suspensive conditions related to the acquisition, which remains subject to approval from the Financial Regulatory Authority of Egypt and other suspensive conditions as set out in the circular to shareholders published by the Company on 10 December 2021. It is anticipated that the remaining suspensive conditions will be fulfilled in the near term.

The Vodafone Egypt transaction presents a unique opportunity to advance Vodacom Group's strategic connectivity and financial services ambitions in one of Africa's premier telecom operators. Vodafone Egypt is a clear market leader, strategically positioned to capture growth in a fast-growing Information and Communications Technology (ICT) market that will diversify and accelerate Vodacom Group's growth profile. Vodafone Egypt delivered strong results in the six-month period with local currency service revenue and EBITDA¹ growth of 18.6% and 21.4%, respectively.

Separately, on 10 November 2021, the Group announced a major step forward in scaling our fibre offering in South Africa. Through the announced acquisition of a 30% stake in CIVH fibre assets, with an option to increase to a 40% stake, Vodacom will gain exposure to highly attractive and fast-growing businesses and South Africa's largest open access fibre players including Vumatel and Dark Fibre Africa. Vodacom's capital injection and strategic support will further accelerate the growth trajectory of these fibre assets. Also, the contribution of Vodacom SA's wholesale FTTH assets will add further scale and enhance CIVH's fibre footprint. The deal is closely aligned with the build-out of our system of advantage, which is aimed at delivering diversified, differentiated connectivity offerings to our customers. Further, we expect that this investment will accelerate fibre reach in South Africa, fostering economic development and helping bridge South Africa's digital divide. The joint venture acquisition remains subject to Competition Commission approval, having recently received approval from ICASA subject to licence conditions such as open-access.

Commercial mobile launch in Ethiopia, mobile financial services licence to be awarded

Safaricom is a strategic asset of the Group. In support of Safaricom's long-term growth outlook, we participated as a minority investor in a Safaricom-led consortium that obtained a mobile telecom licence in Ethiopia. Pleasingly, in October 2022, Safaricom Ethiopia commercially launched mobile operations in the country. Further, it was announced at the launch that Safaricom Ethiopia will be awarded a mobile financial services licence. These important milestones accelerate our ambition to transform lives in the country as we seek to connect every Ethiopian to the global digital economy, while also making various 'Tech for Good' solutions and services available in health, education, manufacturing, agriculture, and digital finance.

Capital structure supported by a simplified dividend policy

We ended the period with net debt to EBITDA ratio of 1.1 times, up from 0.9 times in the prior year period. Net debt was up 17.5% to R44.6 billion as a result of elevated cash outflows related to capital investment and spectrum. This outflow included a spectrum payment in South Africa (R3.2 billion) and cash settlement of capital additions invoiced in the fourth quarter of the previous financial year (R1.0 billion). We expect a clear improvement in second half free cash flow to support the net debt outlook for the financial year.

Looking forward, our strategic deals in Egypt and South Africa fibre provide us with an opportunity to accelerate the growth profile of the Group while adhering to our threshold of 1.5 times net debt to EBITDA ratio. Mindful of the progress on the Vodafone Egypt deal, the Board has implemented the simplified dividend policy we announced with the transactions in November 2021. The simplified policy of paying at least 75% of headline earnings combines a high pay-out on enhanced growth prospects. Notwithstanding the change in dividend policy, the Group will still have one of the highest dividend pay-out policies on the JSE. Additionally, the policy provides scope for Vodacom Group to invest within its 13.0% to 14.5% capital intensity target, de-lever and accommodate the upstreaming and dividend pay-out profiles of Safaricom and Vodafone Egypt.

Note:

1. As per Vodafone reporting EBITDA after leases.

Operational review

South Africa

Summary financial information

Rm	Six months ended 30 September		% Change
	2022	2021	Reported
Service revenue	29 485	28 615	3.0
EBITDA	15 766	15 860	(0.6)
Operating profit	9 947	10 464	(4.9)
Capital expenditure	5 847	5 588	4.6

South Africa service revenue grew 3.0% to R29.5 billion, supported by the mobile contract segment and growth in our new services. New services such as financial and digital services, fixed and IoT were up 7.6% and contributed R4.3 billion or 14.5% of South Africa's service revenue. In the second quarter, service revenue growth accelerated modestly to 3.1% – this was supported by the excellent traction of our personalised bundles. Revenue increased 4.9% to R41.2 billion, driven by strong equipment sales.

Mobile contract customer revenue increased by 5.7% to R11.2 billion, with both Vodacom Business and consumer contract contributing to this growth. In the first quarter, we increased contract pricing by between 3% and 5% to help mitigate inflationary cost pressures. We added 62 000 contract customers in the second quarter and improved ARPU by 0.7% to R301, despite the repricing pressure associated with the government contract for mobile services (RT15) within our Vodacom Business segment.

Our prepaid segment delivered a resilient performance given a challenging macro backdrop associated with a sharp increase in the cost of living and disruptions to social grant payments. Prepaid revenue increased 2.2% to R12.7 billion as we endeavoured to increase share of customer wallet by leveraging our innovative customer value management (CVM) capabilities to deliver contextualised and personalised 'bite-sized' offers to keep customers engaged on the network. In the second quarter, prepaid revenue growth accelerated to 2.7% as prepaid data revenue grew 11.8%. Data revenue growth reflects the high adoption of our data-led bundles, which offer lower rates to the most price-sensitive, lower-income consumers.

Data traffic was up 30.3% in the six-month period supported by smart device penetration and affordable data tariffs. We added 0.8 million data customers, reaching 23.8 million customers, up 4.1%. Smart devices were up by 11.8% to 27.6 million, while 4G and 5G devices increased by 24.1% to 20.3 million. The average usage per smart device increased by 24.0% to 2.8GB per month.

Service revenue generated from financial services was up 8.1% to R1.4 billion, underpinned by our insurance portfolio. Our insurance policies grew impressively to 2.6 million, up 19.4%. In the second quarter, financial services revenue growth accelerated to 11.6% supported by new products and an improved performance from our Airtime Advance product. Our new products leverage our dual-sided financial services strategy, with encouraging progress in areas such as merchant acquiring. Our super-app, VodaPay, reached 2.2 million registered users through 3.5 million downloads in less than a year since launch. We exceeded 100 mini-apps on the platform in the second quarter, with near-term plans to add cash-in and cash-out capabilities and scale affordable consumer micro loans as we expand our offering to drive deeper penetration of financial services.

Vodacom Business service revenue grew 2.1% to R8.6 billion, supported by sustained demand for mobile connectivity and IoT revenue. This demand for connectivity was evidenced by mobile contract revenue growth of 7.2%, achieved despite the pressures associated with the RT15 government contract. IoT connections were up 23.2% to 7.1 million, with revenue growth at 7.5% to R0.7 billion. Wholesale revenue dampened the Vodacom Business growth profile, as we lapped a strong prior year comparative period.

Fixed service revenue was up 4.8%, excluding wholesale transit. We continue to scale in fibre with homes and businesses connected reaching almost 150 000¹, while our own fibre passed more than 160 000 homes and businesses. In November last year, the Group announced a major step forward in scaling our fibre offering in South Africa. Through the acquisition of a 30% stake in CIVH fibre assets, with an option to increase to a 40% stake, Vodacom will gain exposure to the market's largest open access fibre players including Vumatel and Dark Fibre Africa. This will enable us to accelerate our fibre reach in South Africa and help bridge the digital divide.

Note:

1. Including Bitstream, which refers to where we act as an internet service provider (ISP) to fibre wholesalers. In the period, we churned some low value fibre connections with an immaterial impact on fixed-line revenue.

Operational review continued

EBITDA declined by 0.6% as we accelerated network operating expenditure to support improved network resilience, faced higher energy costs, above-trend inflation and reverted to pre-COVID levels of 'back-to-office' expenses such as publicity, office accommodation and travel. The resilience programme was initiated in the second half of the previous financial year to address power challenges and higher rates of theft and vandalism. Pleasingly, this intervention extended our market-leading network NPS position in the period. The EBITDA margin declined by 2.1ppts to 38.3% and was diluted by strong growth in low margin equipment revenue and higher network and energy costs. We expect an improvement in the EBITDA trend into the second half of the financial year as we accelerate cost initiatives and lap the 'back-to-office' and accelerated network operating expenditure initiated in the second half of the previous financial year.

We invested R5.8 billion in our network, up 4.6%, to expand network capacity to manage additional demand for data, modernise our network and enhance our IT platforms to maintain our competitive edge. Looking ahead, we will leverage our newly acquired spectrum to accelerate our investment in next-generation mobile infrastructure as we connect our customers for a better future.

International

Summary financial information

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
Service revenue	12 630	10 713	17.9	5.6
EBITDA	4 762	4 350	9.5	(1.7)
Operating profit	2 114	2 073	2.0	(5.5)
Capital expenditure	1 748	1 325	31.9	

Our International operations reported service revenue growth of 17.9% to R12.6 billion, supported by strong growth in data, a recovery in M-Pesa and foreign exchange translation tailwinds. Normalised service growth was 5.6%* in the period and accelerated to 8.7%* in the second quarter. M-Pesa was the key contributor of the second quarter acceleration, supported by excellent growth in new financial services and a further reduction of mobile money levies in Tanzania from July 2022. Data revenue growth remained strong throughout the period.

Our customer base increased 3.3% to 43.9 million, with net additions of 1.2 million in the second quarter supported by our price transformation in Mozambique. Customer growth for our International operations is critical for us to achieve our 2025 ambition of improving the lives of the next 100 million customers.

Data services remain a key driver of growth and is fundamental to our commitment to connecting for a better future. Supported by data traffic growth of 34.7%, data revenue grew by 32.0% (18.6%*) in the period. Of our 21.1 million data customers, just 34.2% of our one-month active base has a smartphone. This highlights the potential for increased smartphone adoption and data usage, and will be enabled by continued investment in our network, innovative prepaid handset financing solutions and cost-effective commercial propositions.

M-Pesa revenue was up 25.2% to R3.0 billion in the period, contributing 23.8% of International service revenues. In the second quarter, growth accelerated meaningfully to 39.3% (20.4%*). This acceleration was driven by Tanzania, which lapped the impact of levies on mobile money that was introduced last year. Further, from 1 July 2022, the government implemented a further meaningful reduction of the levies of up to 43%. This intervention re-accelerated M-Pesa customer growth in Tanzania to 19.5%, clearly supportive of financial inclusion. The other International markets continued to deliver strong growth as we scale our dual-sided financial services ecosystem with new products for consumers and merchants.

International EBITDA margins contracted by 2.7ppts to 36.6% and was impacted by a lease contract separation in the DRC effected in the second half of last year. The lease contract separation had no impact on net income as higher operating expenditure was offset by lower ROU depreciation and interest, however impacted International EBITDA growth by 3ppts. This lease separation impact will be lapped in the second half of the financial year.

Operational review continued

Our capital investment of R1.7 billion was focused mainly on expanding the 4G network, with 594 additional 4G sites in the period. In September 2022, we launched Tanzania's first 5G network, an important technology milestone. Our 5G network will offer our customers a greater customer experience through faster speeds and lower latency while also supporting the development of emerging technologies such as IoT. Subsequent to the period end we acquired 700 MHz, 2 300 MHz and 2 600 MHz spectrum in Tanzania, re-establishing our spectrum leadership in the market. The spectrum cost of US\$63.0 million is expected to support our network coverage and capacity and unlock new product offerings.

In the second half of the financial year, we will continue to invest in our data network and expect a sustained improvement in M-Pesa revenue. Notably, the Tanzanian government announced a further reduction to levies on mobile money with effect from 1 October 2022. This change brings the cumulative reduction for the top-band levy to 80% from the July 2021 rate and a more than 50% reduction, on average, across all transaction values bands. This government intervention is expected to further enhance financial inclusion.

Safaricom

Summary financial information

KShs m (100% basis) ¹	Six months ended 30 September		% Change
	2022	2021	Reported
Service revenue	144 825	138 434	4.6
EBITDA	74 042	77 405	(4.3)
Capital expenditure	37 503	22 818	64.4

Safaricom delivered a strong set of results given the challenging macro backdrop, reduction in mobile termination rates, disruption to business activity as a result of the general elections in Kenya and a step-up in investment into Ethiopia. Service revenue of 4.6% was supported by recovery in mobile data growth and an excellent performance in the fixed business. Significantly, in the period, Safaricom also accelerated its digital financial inclusion agenda and focused on increasing customer service and satisfaction as part of its 'Tuiunane' ('Let's Go Beyond') campaign.

M-Pesa revenue grew 8.7% and was supported by sustained platform growth. Total M-Pesa transaction values grew 32.0% to KShs18.1 trillion, while the volume of transactions grew at a similar pace to 9.6 billion in the six-month period. While M-Pesa revenue growth was impacted by lower business activity associated with the August 2022 election cycle, this was offset by excellent product adoption in both the consumer and merchant segments provides comfort on the growth outlook for M-Pesa.

Fixed service and wholesale transit revenue grew 23.0% to KShs6.8 billion supported by 26.8% growth in fixed enterprise revenue, including FTTB, to KShs4.4 billion and 16.2% growth in FTTH revenue to KShs2.3 billion. FTTH customers grew 13.0% to 173 239 while enterprise fixed customers grew 16.6% to 52 349.

Voice revenue declined 3.8% impacted by the soft macro-economic backdrop. Mobile data revenue grew 11.3%, accelerating from the prior year growth rate as price transformation supported excellent usage growth. Safaricom's usage growth across voice, mobile data and fibre was supported by capital expenditure in Kenya of KShs18.0 billion, equating to an 11.8% capital intensity ratio. Including the greenfield mobile roll-out in Ethiopia, capital expenditure for Safaricom was KShs37.5 billion.

EBITDA for the Kenyan operations was up 3.1%, with margins contracting 0.7ppts to 52.2%. The cost base was impacted by foreign exchange pressures and higher energy costs. Safaricom's overall EBITDA, including Ethiopia, declined 4.3% reflecting the start-up losses associated with the Ethiopian roll-out. While the net profit of the Kenyan operations grew 0.6%, Safaricom's overall net profit attributable to equity shareholders declined by 10.0% as a result of start-up financing and operating costs for Ethiopia.

Note:

1. The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Operational review continued

In October 2022, and as a result of the significant investment into the country, Safaricom Ethiopia commercially launched mobile operations. Safaricom Ethiopia's 2G, 3G and 4G mobile services are currently available in 16 cities, including Addis Ababa and the country's second largest city Dire Dawa. The company plans to launch services in a total of 25 cities by April 2023. Further, it was confirmed in October 2022 that Safaricom Ethiopia will be awarded a mobile financial services licence. These milestones align with our ambition to transform lives in the country as we seek to connect every Ethiopian to the global digital economy, while also making various 'Tech for Good' solutions and services available in health, education, manufacturing, agriculture, and digital finance.

On a rand reported basis, Safaricom contributed R1.5 billion to the Group's operating profit, down 7.3% year-on-year. The decline was attributable to Ethiopia start-up losses. On a normalised basis and excluding the start-up losses and finance costs associated with Ethiopia, Safaricom's contribution to our operating profit increased 4.9%*. Safaricom accounted for 11.6% of the Group's operating profit in the period.

Growth rates are in local currency and year-on-year, unless otherwise stated. Safaricom results announcements are available here:

www.safaricom.co.ke/investor-relation/financials/reports/financial-results

Regulatory matters

ICASA – Assignment of High Demand Spectrum

An auction for high demand spectrum was concluded on 17 March 2022 and Vodacom secured 110 MHz of HDS spectrum including 2 x 10 MHz in the 700 MHz spectrum band, 80 MHz in the 2 600 MHz spectrum band, and 10 MHz in the 3 500 MHz spectrum band, for an amount of R5.4 billion. The spectrum licence was effective on 1 July 2022 and Vodacom paid R3.2 billion in the current period for this spectrum. The balance of the spectrum amount will become payable once the remainder of the spectrum becomes available for use.

ICASA – Approval of CIVH transaction

On 10 November 2021, the Group announced an investment into a joint venture that will house the material fibre network assets for both the Group and CIVH. The operating companies of CIVH managing its material fibre network are Dark Fibre Africa (Proprietary) Limited (DFA) and Vumatel (Proprietary) Limited. During October 2022, ICASA approved the transaction subject to the incorporation of conditions relating to the provision of open-access network services, along with limitations on ownership and control, into DFA's licences. The Competition Commission approval process is ongoing.

TCRA – Assignment of High Demand Spectrum

The Tanzania Communications Regulatory Authority (TCRA) held an auction for high demand spectrum on 11 October 2022. Vodacom Tanzania participated in the auction and secured winning bids for the one block of 2 x 10 MHz in the 700 MHz band, the two blocks each comprising 1 x 35 MHz in the 2 300 MHz band and one block of 1 x 20 MHz in the 2 600 MHz band. The total purchase price was US\$63.0 million and secured Vodacom Tanzania a market leading spectrum portfolio to support its network expansion plans and unlock further growth potential.

Lesotho – Amicable resolution to licence dispute

The Lesotho High Court has issued an order setting aside a number of decisions of the Lesotho Communications Authority, including its decision to revoke the operating licence of Vodacom Lesotho (Proprietary) Limited, following an amicable and negotiated settlement agreement between the parties.

Outlook and medium-term targets

Vodacom is a purpose-led company, and we connect for a better future. We remain focused on strong governance and our three purpose pillars: digital society; inclusion for all; and planet, as we deliver on our business strategy, 'Vision 2025'. We believe that this integrated approach, and our Social Contract with stakeholders, will support balanced economic progress across the countries in which we operate and provide us with compelling growth opportunities.

Our strategy, which comprises ten connected elements, sets out to deliver exceptional value to our customers. We implement our strategy through our system of advantage, which is designed to grow with our customers as we strive to be a strategic partner of choice and an integral part of their lives, homes and offices. At the core of this strategy is connecting people, places and things. As the market leader in mobile across the countries where we operate, we intend to also establish a more meaningful foundation in fixed to support our position as the connectivity partner of choice. Market leadership and scale provide us with the platform we need to deploy our digital ecosystem. Powered by Big Data, our digital ecosystem includes capabilities across financial and digital services to IoT platforms that span smart medicine, agriculture and buildings. Critically, our connectivity reach and digital ecosystem positions us to drive digital and financial inclusion. Mindful that we need to deliver on our purpose while also optimising shareholder returns, we are leveraging partnerships and sharing models to support the build-out of best-in-class networks and platforms that broaden our reach and overall customer proposition.

Complementing our organic strategy, we announced two material M&A transactions in November 2021. We believe that the purchase of a controlling shareholding in Egypt's telecom market leader, Vodafone Egypt, and a significant stake in leading fibre assets in South Africa, including Vumatel and Dark Fibre Africa, will enhance Vodacom's growth and return potential. Further, Vodafone Egypt is expected to meaningfully diversify the Group's geographic potential.

Since we provided our medium-term outlook in May 2022, the macro-outlook across our markets has worsened as a result of the war in Ukraine, rampant global inflation and an ongoing energy crisis. While we continue to believe that our strategy will prove resilient, it has also necessitated a sharpened focus on our data-led personalised pricing and accelerated cost containment initiatives across the Group. By executing on our system of advantage and these incremental initiatives we remain focused on delivering the following medium-term targets:

1. Mid-single digit Group service revenue growth;
2. Mid-to-high-single digit Group EBITDA growth; and
3. 13.0% to 14.5% of Group capital expenditure as a % of Group revenue.

These targets are on average, over the next three years, and are on a normalised basis in constant currency, based on prevailing economic conditions, excluding spectrum purchases, exceptional items and any merger and acquisition activity such as Vodafone Egypt and CIVH. Should inflationary pressures continue to accelerate, we see scope for EBITDA growth in the current financial year to trend towards the lower end of the medium-term guidance. Further, we intend to provide an update on the Group's targets subsequent to the completion of the Vodafone Egypt transaction.

Operational review continued

Summary financial information

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
Revenue	53 713	49 856	7.7	5.0
Service revenue	41 729	38 915	7.2	3.9
EBITDA	20 200	20 076	0.6	(1.8)
Net profit from associates and joint ventures	1 466	1 644	(10.8)	5.1
Operating profit	13 268	14 058	(5.6)	(5.1)
Net profit	8 072	8 873	(9.0)	
Capital expenditure (pre-spectrum)	7 599	6 920	9.8	
Operating free cash flow ¹	4 806	6 458	(25.6)	
Free cash flow (pre-spectrum) ¹	2 028	4 456	(54.5)	
Net debt	44 612	37 964	17.5	
Earnings per share (cents)	457	504	(9.3)	
Headline earnings per share (cents)	457	505	(9.5)	
Contribution margin ² (%)	61.1	62.4	(1.3ppt)	
EBITDA margin (%)	37.6	40.3	(2.7ppt)	
Operating profit margin (%)	24.7	28.2	(3.5ppt)	
Effective tax rate (%)	27.1	28.5	(1.4ppt)	
Net profit margin (%)	15.0	17.8	(2.8ppt)	
Capital intensity (%)	14.1	13.9	0.2ppt	
Net debt/EBITDA (times)	1.1	0.9	0.2	

Service revenue

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
South Africa	29 485	28 615	3.0	–
International	12 630	10 713	17.9	5.6
Corporate and eliminations	(386)	(413)	–	–
Group service revenue	41 729	38 915	7.2	3.9
Safaricom ³	20 030	18 351	9.1	4.6

Group service revenue increased 7.2% (3.9%*) to R41.7 billion, supported by a resilient performance in South Africa and accelerated growth in International. Growth was underpinned by new services such as financial, fixed and IoT. Financial services delivered service revenue of R4.4 billion, up 19.1% and contributed 10.6% of Group service revenue. In aggregate, our new services amounted to R7.9 billion and contributed 18.9% of Group service revenue.

In South Africa, service revenue increased 3.0% to R29.5 billion, supported by strong growth in contract and new services and a resilient prepaid performance. Financial services revenue amounted to R1.4 billion or 4.8% of South Africa's service revenue. New services in aggregate were up 7.6% to R4.3 billion and comprised 14.5% of service revenue in South Africa.

Our International business reported a service revenue growth of 17.9% (5.6%*) to R12.6 billion. Growth was supported by M-Pesa, data revenue and foreign exchange tailwinds. M-Pesa and data revenue comprised 23.8% and 22.6% of International service revenue for the period, respectively. Safaricom service revenue, which we do not consolidate, increased 9.1% (4.6%*).

Notes:

1. A reconciliation of operating free cash flow and free cash flow is on page 16.
2. Contribution margin is contribution profit as a percentage of revenue. Contribution profit is revenue less direct expenses.
3. The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Financial review

Total expenses¹

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
South Africa	25 461	23 413	8.7	–
International	8 357	6 712	24.5	11.3
Corporate and eliminations	(166)	(340)	–	–
Group total expenses	33 652	29 785	13.0	10.0

Group total expenses increased 13.0% (10.0%*) to R33.7 billion. In South Africa, expenses increased 8.7% to R25.5 billion, impacted by higher costs from equipment sales, the impacts from higher fuel and energy costs and higher technology and network costs to support our leading network NPS position. International expenses increased 24.5% (11.3%*) to R8.4 billion, with higher direct costs to drive commercial activity in both GSM and M-Pesa.

EBITDA

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
South Africa	15 766	15 860	(0.6)	–
International	4 762	4 350	9.5	(1.7)
Corporate and eliminations	(328)	(134)	–	–
Group EBITDA	20 200	20 076	0.6	(1.8)
Safaricom ²	10 245	10 260	(0.1)	(5.1)

Group EBITDA increased 0.6% (-1.8%*) to R20.2 billion at a margin of 38.3%. South Africa EBITDA declined 0.6% to R15.8 billion with EBITDA margin contracting 2.1ppts to 38.3%, impacted by an increase in low margin equipment sales as well as higher operating costs to support network resilience. EBITDA in our International operations increased 9.5% (-1.7%*) to R4.8 billion, with EBITDA margins impacted by a lease contract separation in the DRC, a step-up in commercial activity and higher fuel and network costs.

Operating profit

Rm	Six months ended 30 September		% Change	
	2022	2021	Reported	Normalised*
South Africa	9 947	10 464	(4.9)	–
International	2 114	2 073	2.0	(5.5)
Safaricom	1 538	1 659	(7.3)	4.9
Corporate and eliminations	(331)	(138)	–	–
Group operating profit	13 268	14 058	(5.6)	(5.1)

Group operating profit decreased 5.6% to R13.3 billion as modest EBITDA growth was offset by higher depreciation and amortisation. Further, on a reported basis Safaricom's contribution declined 7.3% reflecting start-up losses in Ethiopia. On a normalised basis and excluding the impact of the expected start-up losses and finance costs related to Ethiopia, Safaricom's contribution to operating profit grew 4.9%. Group operating profit fell 5.1%* on a normalised basis.

Notes:

- Excluding depreciation, amortisation and impairments.
- The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Financial review continued

Net finance charges

Rm	Six months ended 30 September		% Change
	2022	2021	21/22
Finance income	334	314	6.4
Finance costs	(2 373)	(2 006)	18.3
Net finance costs	(2 039)	(1 692)	20.5
Net (loss)/gain on remeasurement and disposal of financial instruments	(153)	44	(>200.0)
Net finance charges	(2 192)	(1 648)	33.0

Net finance charges increased 33.0% to R2.2 billion, driven by higher finance costs and a net loss on the re-measurement and disposal of financial instruments. Higher finance costs reflect an increase in net debt and higher interest rates. Net debt of R44.6 billion was up R6.6 billion year-on-year as a result of investment into growth areas such as Ethiopia and spectrum in South Africa. Interest rates also increase with the South African Reserve Bank repurchase rate increasing from 3.50% in September 2021 to 6.25% by September 2022. Our average cost of debt (including leases) increased from 7.7% in the prior period to 8.0%. The net re-measurement loss on financial instruments relates to an adverse move in forward exchange contracts as a result of the rand's volatility.

Taxation

The tax expense of R3.0 billion was 15.1% lower than the prior year period due to lower taxable profits, the recognition of a deferred tax asset in Tanzania (R0.3 billion) and the decrease in the corporate tax rate in South Africa from 28% to 27%.

Earnings

	Six months ended 30 September		% Change
	2022	2021	21/22
Earnings per share (EPS) (cents)	457	504	(9.3)
Headline earnings per share (HEPS) (cents)	457	505	(9.5)
Weighted average number of ordinary shares outstanding for the purpose of calculating EPS and HEPS (million)	1 693	1 694	(0.1)

EPS and HEPS decreased 9.3% and 9.5% respectively. The decline was attributable to the Group's investment into Ethiopia (20 cents per share), accelerated network operating expenditure in South Africa, higher finance costs and the first quarter impact of mobile money levies in Tanzania.

Financial review continued

Dividend

Rm	Six months ended 30 September		% Change
	2022	2021	21/22
Headline earnings available for distribution ¹	7 740	7 232	–
Interim dividend declared per share (cents)	340	420	(19.0)

Owned capital expenditure²

Rm	Six months ended 30 September		% Change
	2022	2021	21/22
Group capital expenditure	7 599	6 920	9.8
South Africa	5 847	5 588	4.6
International	1 748	1 325	31.9
Corporate and eliminations	4	7	–
Group capital intensity³ (%)	14.1	13.9	0.2ppt
Safaricom	5 170	3 027	70.8
Safaricom capital intensity ³ (%)	24.4	15.6	8.8ppt

The Group's capital expenditure was R7.6 billion, representing 14.1% of revenue. In South Africa, capital expenditure was directed at improving capacity and resilience of the network and increasing 5G roll-out. Spectrum costs are not included in our capital expenditure and the cash payment amounted to R3.2 billion in the period. Safaricom capital expenditure, which we do not consolidate, increased 70.8% reflecting the mobile greenfield roll-out in Ethiopia.

Notes:

1. The prior period excludes the contribution of the attributable net profit from Safaricom. In addition, the Group distributed any dividend it received from Safaricom, up to a maximum amount of the dividend received, net of withholding tax. As such, these figures are not comparable.
2. Owned capital expenditure, excluding spectrum, licences and capitalised right-of-use (ROU) assets. Right-of-use (ROU) asset additions include R2 170 million (1H22: R1 845 million) for the Group, of which R1 551 million (1H22: R1 377 million) for South Africa and R619 million (1H22: R468 million) in International.
3. Capital expenditure as a percentage of revenue.

Financial review continued

Statement of financial position

Property, plant and equipment increased 7.1% to R63.5 billion and intangible assets increased 27.3% to R17.9 billion. Net capital additions of R11.8 billion and foreign exchange revaluation gains of R3.8 billion more than offset the depreciation and amortisation charge of R8.3 billion. Intangible asset additions included the spectrum acquisition in South Africa.

Rm	Six months ended 30 September		Movement
	2022	2021	21/22
Bank and cash balances	12 999	10 701	2 298
Bank overdrafts	(1 099)	(1 080)	(19)
Current borrowings	(21 143)	(10 166)	(10 977)
Non-current borrowings	(35 648)	(37 408)	1 760
Other financial instruments	279	(11)	290
Net debt¹	(44 612)	(37 964)	(6 648)
Net debt/EBITDA (times)	1.1	0.9	0.2ppt

Our net debt to EBITDA ratio increased to 1.1 times as a result of net debt increasing to R44.6 billion. The R6.6 billion increase in net debt was as a result of investment into growth areas such as Ethiopia and spectrum in South Africa and the step-up in capital expenditure over the last twelve months. Free cash flow generation is expected to materially improve into the second half of the year as the seasonal working capital investment is recovered.

Cash flows

Free cash flow

Rm	Six months ended 30 September		% Change
	2022	2021	21/22
EBITDA	20 200	20 076	0.6
Working capital	(5 723)	(4 697)	21.8
Capital expenditure ²	(7 599)	(6 920)	9.8
Disposal of property, plant and equipment	38	9	>200.0
Lease liability payments	(2 359)	(2 328)	(1.3)
Other	249	318	(21.7)
Operating free cash flow	4 806	6 458	(25.6)
Tax paid	(3 645)	(3 389)	(7.6)
Finance income received	277	343	(19.2)
Finance costs paid	(1 941)	(1 378)	(40.9)
Net dividends received from associates and paid to non-controlling shareholders	2 531	2 422	4.5
Free cash flow	2 028	4 456	(54.5)
Spectrum payments	(3 196)	–	n/a
Free cash flow (after spectrum payments)	(1 168)	4 456	(126.2)

We generated operating free cash flow of R4.8 billion, down 25.6%, having invested R7.6 billion into capital expenditure, a further R2.4 billion applied to lease payments and R5.7 billion absorbed into working capital. Capital expenditure increased 9.8% as we accelerated investment into network performance and resilience. Our working capital investment was implemented to mitigate global supply challenges. We expect the working capital investment to unwind into the second half of the financial year.

Notes:

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

Financial review continued

Dividends

Declaration of final dividend number 27 – payable from income reserves

Notice is hereby given that a gross interim dividend number 27 of 340 cents per ordinary share in respect of the six months ended 30 September 2022 has been declared payable on Monday 5 December 2022 to shareholders recorded in the register at the close of business on Friday 2 December 2022. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 272.00000 cents per ordinary share.

Last day to trade shares <i>cum</i> dividend	Tuesday 29 November 2022
Shares commence trading <i>ex-dividend</i>	Wednesday 30 November 2022
Record date	Friday 2 December 2022
Payment date	Monday 5 December 2022

Share certificates may not be dematerialised or rematerialised between Wednesday 30 November 2022 and Friday 2 December 2022, both days inclusive.

On Monday 5 December 2022, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 5 December 2022.

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

Dividend policy

The acquisition of Vodafone Egypt and an initial 30% stake into a joint venture with CIVH, provides a compelling opportunity to accelerate our system of advantage and the Group's growth profile. Given the progress on acquiring Vodafone Egypt, the Board considered it appropriate to implement the simplified dividend policy it proposed with the acquisitions in November 2021.

Accordingly, from this interim period, the dividend policy is set at least 75% of Vodacom Group headline earnings. The policy and announced acquisitions combine to provide a high pay-out on enhanced growth prospects. Notwithstanding the change in dividend policy, Vodacom Group will still have one of the highest dividend pay-out policies on the JSE. Additionally, the policy provides scope for the Group to invest within its 13.0% to 14.5% capital intensity target, de-lever the balance sheet and accommodate the upstreaming and dividend pay-out profiles of Safaricom and Vodafone Egypt.

For and on behalf of the Board

Sakumzi Justice Macozoma
Chairman

Midrand
11 November 2022

Shameel Aziz Joosub
Chief Executive Officer

Raisibe Morathi
Chief Financial Officer

Independent auditor's review report

To the shareholders of Vodacom Group Limited

We have reviewed the condensed consolidated interim financial statements of Vodacom Group Limited set out on pages 19 to 38, contained in the accompanying interim report, which comprises the condensed consolidated statement of financial position as at 30 September 2022, and the 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 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 condensed consolidated 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 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 condensed consolidated 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 condensed consolidated 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 condensed consolidated 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 condensed consolidated 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 performed 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 condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Vodacom Group Limited for the period ended 30 September 2022 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 Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Vinodhan Pillay

Registered Auditor

Chartered Accountant (SA)

11 November 2022

Condensed consolidated income statement

for the period ended 30 September

Rm	Note	Six months ended 30 September		Year ended 31 March
		2022 Reviewed	2021 Reviewed	2022 Audited
Revenue	3	53 713	49 856	102 736
Direct expenses		(20 453)	(18 404)	(38 624)
Staff expenses		(4 078)	(3 649)	(7 266)
Publicity expenses		(862)	(759)	(1 886)
Net credit losses on financial assets		(452)	(345)	(704)
Other operating expenses		(7 805)	(6 628)	(14 419)
Depreciation and amortisation		(8 261)	(7 657)	(14 657)
Net profit from associates and joint ventures		1 466	1 644	3 056
Operating profit		13 268	14 058	28 236
Finance income		334	314	554
Finance costs		(2 373)	(2 006)	(4 229)
Net (loss)/gain on remeasurement and disposal of financial instruments		(153)	44	2
Profit before tax		11 076	12 410	24 563
Taxation		(3 004)	(3 537)	(6 829)
Net profit		8 072	8 873	17 734
Attributable to:				
Equity shareholders		7 740	8 545	17 163
Non-controlling interests		332	328	571
		8 072	8 873	17 734

Cents	Note	Six months ended 30 September		Year ended 31 March
		2022 Reviewed	2021 Reviewed	2022 Audited
Basic earnings per share	4	457	504	1 013
Diluted earnings per share	4	443	491	984

Condensed consolidated statement of comprehensive income

for the period ended 30 September

Rm	Six months ended 30 September	Year ended 31 March	
	2022 Reviewed	2021 Reviewed	2022 Audited
Net profit	8 072	8 873	17 734
Other comprehensive income			
Foreign currency translation differences, net of tax ¹	11 695	909	(3 368)
Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax ¹	73	149	271
Mark-to-market gains recognised through profit or loss on disposal of financial assets held at fair value through other comprehensive income, net of tax ¹	(105)	(123)	(271)
Total comprehensive income	19 735	9 808	14 366
Attributable to:			
Equity shareholders	18 740	9 427	14 167
Non-controlling interests	995	381	199
	19 735	9 808	14 366

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations or financial assets held at fair value through other comprehensive income.

Condensed consolidated statement of financial position

as at 30 September

Rm	Notes	Six months ended 30 September		Year ended 31 March
		2022 Reviewed	2021 Reviewed	2022 Audited
Assets				
Non-current assets				
Property, plant and equipment		144 596	128 122	127 448
Intangible assets	11.2	63 501	57 563	59 273
Financial assets		17 886	13 773	14 054
Investment in associates and joint ventures ¹		814	636	783
Trade and other receivables		55 509	50 973	47 429
Finance receivables		3 066	2 260	2 763
Tax receivable		2 763	2 410	2 374
Deferred tax		630	471	647
		427	36	125
Current assets		51 653	43 945	50 519
Financial assets ²		799	644	612
Mobile financial deposits ²		9 308	6 377	6 386
Inventory		2 272	1 369	1 787
Trade and other receivables		23 190	21 941	21 230
Finance receivables		2 795	2 758	2 554
Tax receivable		290	155	234
Bank and cash balances		12 999	10 701	17 716
Total assets		196 249	172 067	177 967
Equity and liabilities				
Fully paid share capital		57 073	57 073	57 073
Treasury shares		(17 086)	(16 943)	(17 019)
Retained earnings		40 290	38 435	39 885
Other reserves		10 089	3 154	(502)
Equity attributable to owners of the parent		90 366	81 719	79 437
Non-controlling interests		6 540	6 226	6 029
Total equity		96 906	87 945	85 466
Non-current liabilities				
Borrowings	8	35 648	37 408	29 347
Trade and other payables		506	279	541
Provisions		1 321	906	1 581
Deferred tax		3 502	3 583	3 365
Current liabilities		58 366	41 946	57 667
Borrowings	8	21 143	10 166	22 061
Trade and other payables ²		25 372	22 728	26 632
Mobile financial payables ²		9 308	6 377	6 386
Provisions		349	355	341
Tax payable		1 087	1 223	1 178
Dividends payable		8	17	11
Bank overdraft		1 099	1 080	1 058
Total equity and liabilities		196 249	172 067	177 967

1. Increase mainly relating to foreign exchange movements as a result of the weakening of the rand against the Kenyan shilling.
2. Restricted cash balances related to deposits received from M-Pesa customers that were previously reported in financial assets as at 30 September 2021 are now separately reported as mobile financial deposits. Amounts owing to M-Pesa customers that were previously reported in Trade and other payables as at 30 September 2021, are now separately reported as mobile financial payables. The reclassification has no impact on earnings or earnings per share, nor on any subtotals or totals in the statement of financial position.

Condensed consolidated statement of changes in equity

for the period ended 30 September

Rm	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2022 – Audited	79 437	6 029	85 466
Total comprehensive income	18 740	995	19 735
Dividends	(7 336)	(556)	(7 892)
Repurchase and sale of shares	(370)	–	(370)
Share-based payments	175	–	175
Changes in subsidiary holdings ¹	(280)	72	(208)
30 September 2022 – Reviewed	90 366	6 540	96 906
31 March 2021 – Audited	79 370	6 320	85 690
Total comprehensive income	9 427	381	9 808
Dividends	(6 995)	(487)	(7 482)
Repurchase and sale of shares	(327)	–	(327)
Share-based payments	244	–	244
Changes in subsidiary holdings	–	12	12
30 September 2021 – Reviewed	81 719	6 226	87 945
31 March 2021 – Audited	79 370	6 320	85 690
Total comprehensive income	14 167	199	14 366
Dividends	(14 162)	(502)	(14 664)
Repurchase and sale of shares	(433)	–	(433)
Share-based payments	495	–	495
Changes in subsidiary holdings	–	12	12
31 March 2022 – Audited	79 437	6 029	85 466

1. Changes in subsidiary holdings includes the acquisition of an additional 14% equity interest in each of IoT.nxt B.V and 10T Holdings (Pty) Limited, increasing the Group's effective shareholding in each of the subsidiary entities to 65%, as well as the unwinding of the broad based black economic empowerment (BBBEE) deal for Storage Technology Services (Pty) Limited trading as Nexio (Stortech), a subsidiary of the Group. The unwinding of the BBBEE deal led to the Group's effective interest in Stortech reducing from 95% to 51%.

Condensed consolidated statement of cash flows

for the period ended 30 September

Rm	Note	Six months ended 30 September		Year ended 31 March
		2022 Reviewed	2021 Reviewed	2022 Audited
Cash flows from operating activities				
Cash generated from operations	9	16 581	15 633	41 152
Tax paid		(3 645)	(3 389)	(7 124)
Net cash flows from operating activities		12 936	12 244	34 028
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		(11 261)	(6 433)	(13 843)
Proceeds from disposal of property, plant and equipment and intangible assets		38	9	61
Acquisition of associate		(91)	(779)	(874)
Loan to joint venture		–	–	(234)
Dividends received from associate		3 086	2 908	2 911
Finance income received		277	343	545
Net movement in mobile financial deposits ¹		(1 508)	(329)	(500)
Other investing activities ¹		75	(89)	(30)
Net cash flows utilised in investing activities		(9 384)	(4 370)	(11 964)
Cash flows from financing activities				
Borrowings incurred		5 891	4 363	8 570
Borrowings repaid		(4 416)	(8 197)	(9 717)
Finance costs paid		(2 616)	(1 990)	(4 312)
Dividends paid – equity shareholders		(7 353)	(6 996)	(14 170)
Dividends paid – non-controlling interests		(556)	(487)	(502)
Repurchase of shares		(467)	(367)	(517)
Proceeds on sale of shares		97	40	84
Changes in subsidiary holdings ²		(258)	–	–
Net cash flows utilised in financing activities		(9 678)	(13 634)	(20 564)
Net (decrease)/increase in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period		16 658	15 209	15 209
Effect of foreign exchange rate changes		1 368	172	(51)
Cash and cash equivalents at the end of the period		11 900	9 621	16 658

1. Net movements in restricted cash deposits from M-Pesa customers previously reported as part of other investing activities are now being reported separately. The reclassification had no impact on any reported totals, headline earnings per share or on any amounts presented in the statement of financial position.

2. Cash consideration for the acquisition of an additional 14% equity interest in two subsidiary entities, being IoT.nxt BV and 10T Holdings (Pty) Limited, increasing the Group's effective shareholding in each of the subsidiary entities to 65%.

Notes to the condensed consolidated interim financial statements

for the period 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 International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa, 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, RK Morathi (CA) SA, M.Phil., H.Dip Tax.

The financial information has been reviewed by Ernst & Young Inc., whose unmodified review report is presented on page 18.

2 Change 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 2022, none of which had any material impact on the Group's financial results for the year. The Group has not early adopted any new, revised or amended accounting pronouncements, that are not yet effective and the Group is not expecting these pronouncements to have a material impact on the financial results of the Group.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2023, which will be available online.

Notes to the condensed consolidated interim financial statements continued

Rm	Six months ended 30 September		Year ended 31 March
	2022 Reviewed	2021 Reviewed	2022 Audited
3			
Segment analysis			
External customer segment revenue	53 713	49 856	102 736
South Africa	40 985	39 068	80 429
International	12 722	10 756	22 296
Corporate and eliminations	6	32	11
Safaricom ¹	21 212	19 403	39 985
Inter-segment revenue	–	–	–
South Africa	203	204	399
International	301	302	592
Corporate and eliminations	(504)	(506)	(991)

Revenue is further disaggregated into product type below.

Rm	South Africa	International	Corporate and elimination	Total	Safaricom ¹
30 September 2022 – reviewed					
Mobile contract revenue	11 211	1 016	(5)	12 222	2 625
Mobile prepaid revenue	12 738	10 371	(1)	23 108	15 143
Customer service revenue	23 949	11 387	(6)	35 330	17 768
Mobile interconnect	832	601	(209)	1 224	609
Fixed service revenue	1 906	564	(147)	2 323	936
Other service revenue	2 798	78	(24)	2 852	717
Service revenue²	29 485	12 630	(386)	41 729	20 030
Equipment revenue	8 295	230	(7)	8 518	1 004
Non-service revenue	3 150	155	(104)	3 201	178
Revenue from contracts with customers	40 930	13 015	(497)	53 448	*
Interest income recognised as revenue	228	7	–	235	*
Other ³	30	–	–	30	*
Revenue	41 188	13 022	(497)	53 713	21 212

- The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. 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.
 - Includes financial services revenue of R1 406 million (30 September 2021: R1 301 million; 31 March 2022: R2 665 million) for South Africa; R3 008 million (30 September 2021: R2 403 million; 31 March 2022: R4 961 million) for International and R7 865 million (30 September 2021: R6 937 million; 31 March 2022: R14 452 million) for Safaricom.
 - Other revenue largely represents lease revenues recognised under IFRS 16 "Leases".
- * Not reviewed by the chief operating decision maker.

Notes to the condensed consolidated interim financial statements continued

3 Segment analysis continued

Rm	South Africa	International	Corporate and elimination	Total	Safaricom ¹
30 September 2021 – reviewed					
Mobile contract revenue	10 608	764	(3)	11 369	685
Mobile prepaid revenue	12 463	8 839	–	21 302	15 658
Customer service revenue					
Mobile interconnect	23 071	9 603	(3)	32 671	16 343
Fixed service revenue	861	564	(227)	1 198	658
Other service revenue	1 844	492	(169)	2 167	730
	2 839	54	(14)	2 879	620
Service revenue²					
Equipment revenue	28 615	10 713	(413)	38 915	18 351
Non-service revenue	7 553	168	(3)	7 718	898
	2 877	171	(58)	2 990	154
Revenue from contracts with customers					
	39 045	11 052	(474)	49 623	*
Interest income recognised as revenue	196	6	–	202	*
Other ³	31	–	–	31	*
Revenue	39 272	11 058	(474)	49 856	19 403

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. 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.

2. Includes financial services revenue of R1 301 million for South Africa; R2 403 million for International and R6 937 million for Safaricom.

3. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases".

* Not reviewed by the chief operating decision maker.

Notes to the condensed consolidated interim financial statements continued

3 Segment analysis continued

Rm	South Africa	International	Corporate and elimination	Total	Safaricom ¹
31 March 2022 – audited					
Mobile contract revenue	21 985	1 615	(8)	23 592	4 673
Mobile prepaid revenue	25 171	18 294	–	43 465	28 899
Customer service revenue					
Mobile interconnect	47 156	19 909	(8)	67 057	33 572
Fixed service revenue	1 703	1 175	(440)	2 438	1 321
Other service revenue	3 847	1 011	(325)	4 533	1 508
Other service revenue	5 820	118	(30)	5 908	1 314
Service revenue²					
Equipment revenue	58 526	22 213	(803)	79 936	37 715
Non-service revenue	15 838	373	(7)	16 204	1 925
Non-service revenue	5 990	291	(170)	6 111	346
Revenue from contracts with customers					
Interest income recognised as revenue	80 354	22 877	(980)	102 251	*
Other ³	410	11	–	421	*
Other ³	64	–	–	64	*
Revenue	80 828	22 888	(980)	102 736	39 985

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. 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.

2. Includes financial services revenue of R2 665 million for South Africa; R4 961 million for International and R14 452 million for Safaricom.

3. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases".

* Not reviewed by the chief operating decision maker.

Notes to the condensed consolidated interim financial statements continued

3 Segment analysis continued

Rm	Six months ended 30 September		Year ended 31 March
	2022 Reviewed	2021 Reviewed	2022 Audited
EBITDA	20 200	20 076	39 888
South Africa	15 766	15 860	31 747
International	4 762	4 350	8 504
Corporate and eliminations	(328)	(134)	(363)
Safaricom ¹	10 245	10 260	19 989
Operating profit	13 268	14 058	28 236
South Africa	9 947	10 464	21 133
International	2 114	2 073	4 352
Corporate and eliminations ²	1 207	1 521	2 751
Safaricom ¹	5 966	6 565	12 408

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. 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, including the depreciation and amortisation impact of net fair value adjustments on tangible and intangible assets.
2. Includes Net profit from associates and joint ventures.

Notes to the condensed consolidated interim financial statements continued

3 Segment analysis continued

Rm	2022 Reviewed	2021 Reviewed	2022 Audited
Reconciliation of segment results			
EBITDA	20 200	20 076	39 888
Depreciation and amortisation	(8 261)	(7 657)	(14 657)
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	–	(3)	1
Net profit from associates and joint ventures	1 466	1 644	3 056
Other	(137)	(2)	(52)
Operating profit¹	13 268	14 058	28 236
Total assets	196 249	172 067	177 967
South Africa	94 005	86 401	90 789
International	50 639	39 892	42 253
Corporate and eliminations	51 605	45 774	44 925
Safaricom ²	84 678	73 989	69 651
Total liabilities	(99 343)	(84 122)	(92 501)
South Africa	(73 053)	(65 272)	(68 934)
International	(32 075)	(25 758)	(26 477)
Corporate and eliminations	5 785	6 908	2 910
Safaricom ²	(37 126)	(30 043)	(29 237)

- For a reconciliation of operating profit to net profit for the year, refer to the condensed consolidated income statement on page 19.
- The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. 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, including the net fair value adjustments on tangible and intangible assets, excluding goodwill, that arose on acquisition.

Notes to the condensed consolidated interim financial statements continued

		Six months ended 30 September	Year ended 31 March	
Cents		2022 Reviewed	2021 Reviewed	2022 Audited
4	Per share calculations			
4.1	Earnings and dividends per share			
	Basic earnings per share	457	504	1 013
	Diluted earnings per share	443	491	984
	Headline earnings per share	457	505	1 013
	Diluted headline earnings per share	443	492	984
	Dividends per share	430	410	830
Million		2022 Reviewed	2021 Reviewed	2022 Audited
4.2	Weighted average number of ordinary shares outstanding for the purpose of calculating			
	Basic and headline earnings per share	1 693	1 694	1 694
	Diluted earnings and diluted headline earnings per share	1 745	1 739	1 744
4.3	Ordinary shares for the purpose of calculating dividends per share:			
	410 cents per share declared on 17 May 2021		1 836	1 836
	420 cents per share declared on 12 November 2021			1 836
	430 cents per share declared on 13 May 2022	1 836		

Vodacom Group Limited acquired 3 019 296 (30 September 2021: 2 915 788; 31 March 2022: 3 277 032) shares in the market during the period at an average price of R145.31 (30 September 2021: R131.44; 31 March 2022: R131.63) per share for the Group's forfeitable share plan. The Innovator Trust, a structured entity consolidated by the Group in terms of IFRS 10: Consolidated Financial Statements, also purchased 223 670 (30 September 2021: nil; 31 March 2022: 738 455) shares at an average price of R129.84 (30 September 2021: nil; 31 March 2022: R134.90). Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital.

Dividend per share calculations are based on a dividend paid of R7 894 million (30 September 2021: R7 527 million; 31 March 2022: R15 238 million) of which R39 million (30 September 2021: R36 million; 31 March 2022: R74 million) was offset against the forfeitable share plan reserve, R4 million (30 September 2021: R5 million; 31 March 2022: R11 million) expensed as staff expenses and R66 million (30 September 2021: R63 million; 31 March 2022: R128 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. An amount of R492 million (30 September 2021: R469 million; 31 March 2022: R950 million) was paid to YeboYethu Investment Company (RF) (Pty) Limited, a special purpose vehicle holding shares in Vodacom Group Limited on behalf of broad-based black economic empowerment participants, of which R55 million (30 September 2021: R50 million; 31 March 2022: R105 million) was paid out as a trickle dividend to participants. R12 million (30 September 2021: R9 million; 31 March 2022: R20 million) was paid to The Innovator Trust. The Group declared an interim dividend in respect of the period ended 30 September 2022 after the reporting period (refer to Note 12).

Notes to the condensed consolidated interim financial statements continued

Rm		Six months ended 30 September	Year ended 31 March	
		2022 Reviewed	2021 Reviewed	2022 Audited
4	Per share calculations continued			
4.4	Headline earnings reconciliation			
	Earnings attributable to equity shareholders for basic and diluted earnings per share	7 740	8 545	17 163
	Adjusted for:			
	Net (profit)/loss on disposal of property, plant and equipment and intangible assets ¹	(2)	3	(4)
		7 738	8 548	17 159
	Tax impact of adjustments	1	(1)	1
	Non-controlling interests' share in adjustments	1	–	2
	Headline earnings for headline- and diluted headline earnings per share ²	7 740	8 547	17 162

1. Includes attributable share of net profit on disposal of property, plant and equipment and intangible assets of associates and joint ventures of R2 million (30 September 2021: R1 million; 31 March 2022: R3 million).

2. This disclosure is a requirement of the JSE Limited. It has been calculated in accordance with Circular 1/2021 as issued by SAICA.

Notes to the condensed consolidated interim financial statements continued

5 Related parties

The amounts disclosed in Notes 5.1 and 5.2 include significant balances and transactions with the Group's parent, entities in its group as well as with its associates and joint ventures.

Rm	Six months ended 30 September		Year ended 31 March
	2022 Reviewed	2021 Reviewed	2022 Audited
5.1	Balances with related parties		
	29 162	22 729	25 928
	Borrowings (including accrued finance cost)		
	–	–	1 301
	Dividend receivable from associate included in trade and other receivables		
5.2	Transactions with related parties		
	(4 776)	(4 554)	(9 218)
	Dividends declared		
	1 709	1 979	3 350
	Dividends from associate		
	(958)	(845)	(1 574)
	Finance costs		

5.3 Directors and key management personnel

Compensation paid to the Group's Board and key management personnel will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2023, which will be available online.

Following the untimely passing of DH Brown, independent non-executive director, on 19 June 2022, KL Shuenyane assumed the role of lead independent director. CB Thomson assumed the role of chairman of the Audit, Risk and Compliance Committee and became a member of the Remuneration Committee.

NC Nqweni, having been appointed by the board as an alternate director in April 2020, was appointed a director of the board with effect from 19 July 2022. AM O'Leary resigned from the Board on 16 September 2022. AI Dimitrova was appointed to the Board on 17 September 2022.

SF Linford retired from her role as company secretary on 31 July 2022. KE Robinson was appointed as company secretary on 1 August 2022.

Rm	Six months ended 30 September		Year ended 31 March
	2022 Reviewed	2021 Reviewed	2022 Audited
6	Capital commitments		
	7 237	4 423	10 093
	Capital expenditure contracted for but not yet incurred		

Included in capital commitments is a commitment of R2 186 million (30 September 2021: Rnil; 31 March 2022: R5 382 million) relating to the spectrum acquisition. R3 196 million of this commitment was settled in the current period. Refer to Note 11.2.

Notes to the condensed consolidated interim financial statements continued

Rm	Six months ended 30 September	Year ended 31 March		
	2022 Reviewed	2021 Reviewed	2022 Audited	
7	Capital expenditure incurred			
	Capital expenditure additions including software ¹	7 599	6 920	14 642

1. Excludes acquisition of spectrum.

8 Borrowings

Two loans from Standard Bank of Congo with original loan facility amounts of US\$25 million and US\$75 million, bearing interest at 6 months Libor + 3.6% and 6 months Libor + 1.9% respectively, were repaid on the 5 August 2022. These loans were replaced with two new facilities of US\$35 million and US\$65 million, bearing interest at the secured overnight financing rate (SoFR) + 3.75% and SoFR + 2.15% respectively. Vodacom Group Limited has issued a guarantee for the US\$65 million loan in support of Vodacom Congo. Both these facilities were fully drawn down at 30 September 2022 and are repayable on 5 August 2025. The Group is in the process of reforming the interest rate settings on other Libor linked instruments.

Loans from Vodafone Investments Luxembourg s.a.r.l. to the value of R3 000 million and R1 500 million, bearing interest at 3 month Jibar + 1.50% and 3 month Jibar + 1.04% respectively were refinanced on 24 May 2022 for an additional 5 year term. The refinanced loans bear interest at 3 month Jibar +1.34% and have repayment dates of 24 May 2024 and 7 June 2027 respectively.

The loan from Standard Bank of South Africa for payment of the Group's proportionate share of the licence fee for a mobile telecommunications licence in the Federal Democratic Republic of Ethiopia, with a capital balance of R947 million outstanding as at 30 September 2022, which was repayable on 31 May 2022, was replaced with a 5 year term loan, with a repayment date of 31 May 2027, bearing interest at 3 month Jibar + 1.34%.

A R9 000 million loan facility from Vodafone Investments Luxembourg s.a.r.l. was converted from floating rate debt to a fixed rate of 9.36% during the period. R3 200 million of this facility was drawn down as at 30 September 2022 (30 September 2021: Rnil; 31 March 2022: R3 200 million).

A new 5 year term loan facility was obtained from Vodafone Investments Luxembourg s.a.r.l. for R5 400 million, bearing interest at 3 months Jibar + 1.34% and is repayable on 7 June 2027. R3 200 million of this facility was drawn down as at 30 September 2022.

Notes to the condensed consolidated interim financial statements continued

Rm	Six months ended 30 September		Year ended 31 March
	2022 Reviewed	2021 Reviewed	2022 Audited
9	Cash flows from operating activities		
	11 076	12 410	24 563
	Profit before tax		
	Adjusted for:		
	(334)	(314)	(554)
	Finance income		
	2 373	2 006	4 229
	Finance costs		
	153	(44)	(2)
	Net loss/(gain) on remeasurement and disposal of financial instruments		
	13 268	14 058	28 236
	Operating profit		
	Adjusted for:		
	8 261	7 657	14 657
	Depreciation and amortisation		
	–	3	(1)
	Net loss/(profit) on disposal of property, plant and equipment and intangible assets		
	452	345	704
	Net credit losses on financial assets		
	242	292	575
	Share-based payment		
	(1 466)	(1 644)	(3 056)
	Net profit from associates and joint ventures		
	(15)	–	–
	Other		
	20 742	20 711	41 115
	Cash flows from operations before working capital changes		
	(437)	(167)	(594)
	Increase in inventory		
	(3 495)	(3 018)	(1 486)
	Increase in trade and other receivables		
	(229)	(1 893)	2 117
	(Decrease)/increase in mobile financial payables, trade and other payables and provisions		
	16 581	15 633	41 152
	Cash generated from operations		

Notes to the condensed consolidated interim financial statements continued

10 Contingent liabilities

10.1 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings, the most significant of which are capital allowances, withholding taxes, customs duty and transfer pricing in certain jurisdictions. The consequence of such reviews is that disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. The tax laws are in some instances ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. All major tax positions taken are subject to review by executive management and are reported to the Board. The Group has support from external advisors with regards to the positions taken in respect of the significant tax matters which confirms the application and interpretation of the tax legislation. The Group has considered all matters in dispute with the relevant tax authorities and has accounted for any exposure identified, if required. The Group has not disclosed all the details in respect of the open tax disputes as these matters are still under the dispute resolution process. These disputes may not necessarily be resolved in a manner that is favourable to the Group.

10.2 Legal contingencies

The Group is currently involved in various legal disputes across its different jurisdictions and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 30 September 2022.

11 Other matters

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

Mr Makate rejected the CEO's determination of compensation in accordance with the 2016 Constitutional Court order and brought an application to the Gauteng Division of the High Court of South Africa (the High Court) to have the CEO's determination judicially reviewed and set aside. The High Court set aside the CEO's determination and ordered him to reassess the compensation amount.

The Group applied for leave to appeal against the whole of the judgement and order of the High Court. On 11 April 2022, the Group was granted leave to appeal the judgement and order of the High Court to the Supreme Court of Appeal. The appeal is yet to be heard.

11.2 Independent Communications Authority of South Africa (ICASA) assignment of high demand spectrum (HDS)

On 17 March 2022, the Group secured spectrum for an amount of R5 382 million. The spectrum licence was effective from 1 July 2022 and the Group paid R3 196 million in the current period for this spectrum. The balance of the spectrum amount will become payable once the remainder of the spectrum becomes available for use.

In a legal matter related to the availability of 700 MHz and 800 MHz spectrum, eMedia Holdings (eTV) challenged the timing of the analogue switch-off and digital migration in South Africa. Following various court case rulings the Minister gazetted a new deadline of 30 September 2022 for qualifying South Africans to register for government-subsidised set-top boxes ahead of the conclusion of the country's analogue to digital migration.

Notes to the condensed consolidated interim financial statements continued

11 Other matters continued

11.3 Commercial launch in Ethiopia

During the prior year, the Group participated as a minority investor in a consortium, controlled by Safaricom PLC, which was awarded a unified telecommunications service licence in the Federal Democratic Republic of Ethiopia. Subsequent to the award, the Group has paid its proportionate share of the licence fee in the prior year (refer to Note 8). In October 2022, Safaricom Telecommunications Ethiopia PLC (Safaricom Ethiopia) commercially launched mobile operations in the country. Further, Safaricom Ethiopia will be awarded a mobile financial services licence. The Group, excluding its indirect interest via its shareholding in Safaricom PLC, has an effective interest of 6.19% in the consortium. In addition, the Group has indirect exposure through Safaricom PLC's 55.7% effective interest in the consortium.

11.4 Vodafone Egypt Telecommunications SAE (Vodafone Egypt)

On 10 November 2021, the Group announced that it had entered into a binding agreement to acquire a 55% shareholding in Vodafone Egypt from Vodafone Group Plc (Vodafone). During October 2022 the Group received regulatory approval from the National Telecom Regulatory Authority of Egypt for the transaction to proceed. This approval remains subject to key suspensive conditions as set out in the circular to shareholders published by the Group on 10 December 2021.

11.5 Community Investment Ventures Holdings (Pty) Limited (CIVH)

On 10 November 2021, the Group announced an investment into a joint venture that will house the material fibre network assets of both the Group and CIVH. The operating companies of CIVH managing its material fibre network are Dark Fibre Africa (Pty) Limited (DFA) and Vumatel (Pty) Limited. The transaction is subject to the fulfilment of certain conditions precedent, including obtaining the necessary substantive regulatory approvals from the South African competition authorities and ICASA. During October 2022, ICASA approved the transaction subject to the incorporation of conditions relating to the provision of open-access network services, along with limitations on ownership and control, into DFA's licences. The Competition Commission approval process is ongoing. The investment will be equity accounted as a joint venture.

Notes to the condensed consolidated interim financial statements continued

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 year, other than the following:

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

An interim dividend of R6 242 million (340 cents per ordinary share) for the year ended 31 March 2023, was declared on 11 November 2022, payable on 5 December 2022 to shareholders recorded in the register at the close of business on 2 December 2022. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 272.00000 cents per share. This is in line with the Group's revised dividend policy to pay dividends of at least 75% of the Group's headline earnings.

12.2 Vodacom Tanzania PLC spectrum auction

Following a public notice by the Tanzania Communications Regulatory Authority inviting bids for licensing spectrum blocks on 15 August 2022, an auction was held on 11 October 2022.

The Group participated and secured winning bids for one block of 700MHz, two blocks of 2300MHz and one block of 2600MHz (TDD) for a total bid price of US\$63 million. The spectrum acquired is a critical strategic resource for delivering value to shareholders and fulfilling our purpose through network expansion and widened product portfolio.

12.3 Vodacom Lesotho (Pty) Limited (Vodacom Lesotho) enforcement proceedings

On 1 November 2022, subsequent to the period end, the Lesotho High Court issued an order setting aside a number of decisions of the Lesotho Communications Authority (LCA) including its decision to revoke the operating licence of Vodacom Lesotho, following an amicable and negotiated settlement agreement between the parties. In the same order Vodacom Lesotho was directed to make a payment of R4 million to the LCA.

Notes to the condensed consolidated interim financial statements continued

13 Fair value

The carrying amounts of financial assets at amortised cost, mobile financial deposits, trade receivables, bank and cash balances, bank overdraft, mobile financial payables and trade and other payables approximate their fair value due to short-term maturity.

The aggregate fair value, if determinable, of interest bearing borrowings (excluding leases) with a carrying amount of R42 421 million (30 September 2021: R35 108 million; 31 March 2022: R38 752 million) amounts to R42 454 million (30 September 2021: R35 429 million; 31 March 2022: R38 881 million). Fair value is based on level two of the fair value hierarchy². Estimated interest rates for fixed interest rate financial liabilities are calculated with reference to the applicable zero coupon yield curves at the reporting date, as published by Bloomberg. Where the fair value could be determined by using the discounted cash flow method (with a discount rate based on market-related interest rates) the discount rate varied between 5.73% and 8.01% (30 September 2021: 5.44% and 6.45%; 31 March 2022: 6.02% and 7.21%) for rand-denominated borrowings.

13.1 Fair value hierarchy

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

Rm	Six months ended 30 September		Year ended 31 March
	2022 Reviewed	2021 Reviewed	2022 Audited
Level one ¹			
Financial assets at fair value through profit or loss			
Unit trust investments	388	369	378
Level two ²			
Financial assets at fair value through other comprehensive income			
Finance receivables ³	5 558	5 168	4 928
Financial assets and liabilities at fair value through profit or loss			
Derivative financial assets ⁴	339	116	259
Derivative financial liabilities ⁴	(61)	(127)	(689)
	6 224	5 526	4 876

- Level one classification is used when the valuation is determined using quoted prices in an active market for identical assets or liabilities that the entity can access at the valuation date.
- 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.
- The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". Finance receivables are valued using a market approach, with cash flows discounted at the 24-month weighted average credit risk adjusted risk free rate at which finance receivables are sold across multiple financial institutions.
- The fair value of foreign exchange forward contracts and firm commitment assets and liabilities are determined with reference to quoted market prices for similar instruments, being the mid forward rates and spot rates respectively, as at the reporting date.

Supplementary information

Operating results for the six months ended 30 September 2022

Rm	South Africa	% 21/22	International	% 21/22	Corporate/ Eliminations	Group	% 21/22	Safaricom ¹	% 21/22
Mobile contract revenue	11 211	5.7	1 016	33.0	(5)	12 222	7.5	2 625	>200
Mobile prepaid revenue	12 738	2.2	10 371	17.3	(1)	23 108	8.5	15 143	(3.3)
Customer service revenue	23 949	3.8	11 387	18.6	(6)	35 330	8.1	17 768	8.7
Mobile interconnect	832	(3.4)	601	6.6	(209)	1 224	2.2	609	(7.4)
Fixed service revenue	1 906	3.4	564	14.6	(147)	2 323	7.2	936	28.2
Other service revenue	2 798	(1.4)	78	44.4	(24)	2 852	(0.9)	717	15.6
Service revenue	29 485	3.0	12 630	17.9	(386)	41 729	7.2	20 030	9.1
Equipment revenue	8 344	9.8	237	36.2	(7)	8 574	10.4	1 004	11.8
Non-service revenue	3 359	9.7	155	(9.4)	(104)	3 410	7.4	178	15.6
Revenue	41 188	4.9	13 022	17.8	(497)	53 713	7.7	21 212	9.3
Direct expenses	(17 100)	7.8	(3 750)	26.3	397	(20 453)	11.1	(6 458)	9.3
Staff expenses	(2 584)	8.5	(1 093)	18.7	(401)	(4 078)	11.8	(1 587)	29.3
Publicity expenses	(529)	7.5	(328)	22.4	(5)	(862)	13.6	(277)	18.4
Net credit losses on financial instruments	(443)	32.2	(8)	(20.0)	(1)	(452)	31.0	(224)	67.2
Other operating expenses	(4 808)	10.6	(3 174)	24.7	177	(7 805)	17.8	(2 415)	47.1
Depreciation and amortisation	(5 777)	7.1	(2 483)	10.0	(1)	(8 261)	7.9	(3 159)	(13.8)
Net profit/(loss) from associates and joint ventures	–	–	(72)	>200	1 538	1 466	(10.8)	(8)	(75.0)
Operating profit	9 947	(4.9)	2 114	2.0	1 207	13 268	(5.6)	7 084	7.9
EBITDA	15 766	(0.6)	4 762	9.5	(328)	20 200	0.6	10 245	(0.1)
EBITDA margin (%)	38.3	(2.1ppt)	36.6	(2.7ppt)		37.6	(2.7ppt)	48.3	(4.6ppt)
Included in service revenue:									
Financial services revenue	1 406	8.1	3 008	25.2		4 414	19.2	7 865	13.4

Note:

1. The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only. The above results represent 100% of the results of Safaricom, excluding the depreciation and amortisation impact of net fair value adjustments on tangible and intangible assets.

Supplementary information continued

Operating results for the six months ended 30 September 2021

Rm	South Africa	International	Corporate/ Eliminations	Group	Safaricom ¹
Mobile contract revenue	10 608	764	(3)	11 369	685
Mobile prepaid revenue	12 463	8 839	–	21 302	15 658
Customer service revenue	23 071	9 603	(3)	32 671	16 343
Mobile interconnect	861	564	(227)	1 198	658
Fixed service revenue	1 844	492	(169)	2 167	730
Other service revenue	2 839	54	(14)	2 879	620
Service revenue	28 615	10 713	(413)	38 915	18 351
Equipment revenue	7 596	174	(5)	7 765	898
Non-service revenue	3 061	171	(56)	3 176	154
Revenue	39 272	11 058	(474)	49 856	19 403
Direct expenses	(15 857)	(2 968)	421	(18 404)	(5 906)
Staff expenses	(2 381)	(921)	(347)	(3 649)	(1 227)
Publicity expenses	(492)	(268)	1	(759)	(234)
Net credit losses on financial instruments	(335)	(10)	–	(345)	(134)
Other operating expenses	(4 348)	(2 545)	265	(6 628)	(1 642)
Depreciation and amortisation	(5 395)	(2 258)	(4)	(7 657)	(3 663)
Net profit/(loss) from associates and joint ventures	–	(15)	1 659	1 644	(32)
Operating profit	10 464	2 073	1 521	14 058	6 565
EBITDA	15 860	4 350	(134)	20 076	10 260
EBITDA margin (%)	40.4	39.3		40.3	52.9
Included in service revenue:					
Financial services revenue	1 301	2 403	–	3 704	6 937

Note:

1. The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Supplementary information continued

South Africa key telecom indicators for the quarter ended

	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	% Change 21/22
Customers¹ (thousand)	45 512	45 086	45 459	45 772	45 428	0.2
Prepaid	38 913	38 549	38 974	39 337	39 074	(0.4)
Contract	6 599	6 537	6 485	6 435	6 354	3.9
Data customers² (thousand)	23 774	22 971	23 475	23 383	22 840	4.1
Internet of Things connections³ (thousand)	7 084	6 736	6 596	6 183	5 751	23.2
Traffic⁴ (millions of minutes)	17 360	16 505	16 609	16 724	17 675	(1.8)
Outgoing	14 424	13 674	13 760	14 288	14 849	(2.9)
Incoming	2 936	2 831	2 849	2 436	2 826	3.9
MOU per month⁵	127	121	121	121	131	(3.1)
Prepaid	119	112	111	111	119	–
Contract	178	179	183	183	207	(14.0)
Total ARPU⁶ (rand per month)	93	89	91	91	90	3.3
Prepaid	58	55	54	57	56	3.6
Contract	301	294	312	302	299	0.7

South Africa key telecom indicators

	Six months ended 30 September		% Change
	2022	2021	21/22
Traffic⁴ (millions of minutes)	33 866	34 560	(2.0)
Outgoing	28 098	29 009	(3.1)
Incoming	5 768	5 551	3.9
MOU per month⁵	124	129	(3.9)
Prepaid	115	117	(1.7)
Contract	178	204	(12.7)
Total ARPU⁶ (rand per month)	91	89	2.2
Prepaid	56	56	–
Contract	297	296	0.3

Notes:

- Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
- Internet of Things (IoT) connections 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.
- 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.
- Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
- Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period. Prepaid and contract ARPU only include the revenue generated from Vodacom mobile customers.

Supplementary information continued

International key telecom indicators for the quarter ended

	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	% Change 21/22
Customers¹						
(thousand)	43 886	42 662	41 716	42 122	42 493	3.3
Tanzania	16 008	15 595	15 368	15 365	15 237	5.1
DRC	16 109	16 019	15 512	15 873	16 780	(4.0)
Mozambique	10 016	9 184	8 954	8 973	8 675	15.5
Lesotho	1 753	1 864	1 882	1 911	1 801	(2.7)
Data customers²						
(thousand)	21 141	19 822	21 175	21 493	21 367	(1.1)
Tanzania	7 971	7 460	7 603	7 641	7 875	1.2
DRC	6 713	6 150	7 326	7 310	7 350	(8.7)
Mozambique	5 626	5 333	5 372	5 549	5 279	6.6
Lesotho	831	879	874	993	863	(3.7)
MOU per month³						
Tanzania	288	260	237	246	236	22.0
DRC	32	33	31	31	32	–
Mozambique	111	109	109	121	124	(10.5)
Lesotho	65	58	60	63	60	8.3
Total ARPU⁴						
(rand per month)						
Tanzania	40	34	32	35	32	25.0
DRC	54	48	44	43	40	35.0
Mozambique	57	55	55	61	59	(3.4)
Lesotho	49	48	51	54	52	(5.8)
Total ARPU⁴						
(local currency per month)						
Tanzania (TZS)	5 466	5 044	4 797	5 154	5 037	8.5
DRC (US\$)	3.2	3.0	2.9	2.8	2.7	18.5
Mozambique (MZN)	215	223	230	254	259	(17.0)

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 sum of the customer and incoming revenue for the period by the average monthly active customers during the period.

Supplementary information continued

International key telecom indicators

	Six months ended 30 September		% Change
	2022	2021	21/22
MOU per month¹			
Tanzania	274	221	24.0
DRC	32	32	–
Mozambique	110	127	(13.4)
Lesotho	61	62	(1.6)
Total ARPU² (rand per month)			
Tanzania	37	33	12.1
DRC	51	40	27.5
Mozambique	56	60	(6.7)
Lesotho	49	52	(5.8)
Total ARPU² (local currency per month)			
Tanzania (TZS)	5 257	5 294	(0.7)
DRC (US\$)	3.1	2.8	10.7
Mozambique (MZN)	219	256	(14.5)

Notes:

- Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
- Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period.

Safaricom key telecom indicators

	Six months ended 30 September		% Change
	2022	2021	21/22
Customers ¹ (thousand)	43 173	41 946	2.9
Data customers ² (thousand)	25 202	24 048	4.8
ARPU ³ (local currency per month)	565.5	557.4	1.5

Notes:

- 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.
- Data customers are based on the number of unique active users who have generated data traffic.
- ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.

Supplementary information continued

Financial services key indicators

Active customers¹ for the quarter ended

Thousand	30 September 2022	31 March 2022	30 September 2021	% Change 21/22
South Africa	13 670	13 541	12 841	6.5
International M-Pesa	18 291	16 523	15 731	16.3
Tanzania	7 726	6 833	6 463	19.5
DRC	3 781	3 452	3 220	17.4
Mozambique	5 790	5 246	5 112	13.3
Lesotho	994	992	936	6.2
Consolidated Group	31 961	30 064	28 572	11.9
Safaricom M-Pesa	31 168	28 162	28 689	8.6
Total (100% basis)	63 129	58 226	57 261	10.2

Monthly average M-Pesa value of transactions for the quarter ended

US\$m	30 September 2022	31 March 2022	30 September 2021	% Change 21/22
International	5 834	4 745	4 639	25.8
Safaricom	25 746	23 417	22 206	15.9
Total (100% basis)	31 580	28 162	26 845	17.6

Merchants & agents

Six months ended 30 September

Thousand	2022	2021	% Change
Merchants			
International	137	27	>200.0
Safaricom	539	387	39.3
Agents			
International	272	250	8.8
Safaricom	263	258	1.9

Note:

- Financial services customers are based on the number of unique customers who have generated revenue to Financial Services during the last month.

Supplementary information continued

International financial review per country

	Six months ended 30 September		% Change
	2022	2021	21/22
Revenue (local currency)			
Tanzania (TZSm)	518 347	492 854	5.2
DRC (US\$000)	311 351	277 015	12.4
Mozambique (MZNm)	13 472	13 784	(2.3)
Lesotho (LSLm)	590	595	(0.8)
EBITDA (local currency)			
Tanzania (TZSm)	153 999	159 346	(3.4)
DRC (US\$000)	118 249	108 665	8.8
Mozambique (MZNm)	5 892	6 685	(11.9)
Lesotho (LSLm)	205	224	(8.5)

Historical financial review

Revenue for the quarter ended

Rm	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2021
South Africa	20 920	20 268	20 680	20 875	19 737	19 535	20 294
International	6 984	6 038	5 720	6 110	5 563	5 495	5 315
Corporate and eliminations	(247)	(250)	(265)	(240)	(223)	(251)	(285)
Group revenue	27 657	26 056	26 135	26 745	25 077	24 779	25 324

Revenue YoY % change for the quarter ended

%	Reported				Normalised*
	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2022
South Africa	6.0	3.8	1.9	5.8	6.0
International	25.5	9.9	7.6	7.5	8.9
Group revenue	10.3	5.2	3.2	6.4	6.7

Supplementary information continued

Service revenue for the quarter ended

Rm	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2021
South Africa	14 989	14 496	14 961	14 950	14 545	14 070	14 481
International	6 778	5 854	5 586	5 913	5 412	5 301	5 194
Corporate and eliminations	(192)	(196)	(189)	(199)	(207)	(206)	(243)
Group service revenue	21 575	20 154	20 358	20 664	19 750	19 165	19 432

Service revenue YoY % change for the quarter ended

%	Reported				Normalised*
	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2022
South Africa	3.1	3.0	3.3	4.5	3.1
International	25.2	10.4	7.5	6.7	8.7
Group service revenue	9.2	5.2	4.8	5.3	4.9

Financial services revenue

Rm	Six months ended September		% Change	
	2022	2021	Reported	Normalised*
South Africa	1 406	1 301	8.1	–
International	3 008	2 403	25.2	12.0
Tanzania	1 189	1 080	10.1	(2.9)
DRC	797	537	48.4	30.6
Mozambique	941	718	31.1	18.8
Lesotho	81	68	19.1	19.1
Consolidated Group	4 414	3 704	19.2	10.7
Safaricom ¹	7 865	6 937	13.4	8.7

Note:

1. The Group's effective interest of 34.94% in Safaricom Group PLC (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Supplementary information continued

Exchange rates

	Average YTD			Closing YTD		
	30 September		% Change	30 September		% Change
	2022	2021	21/22	2022	2021	21/22
US\$/ZAR	16.31	14.38	13.4	17.97	15.04	19.5
ZAR/MZN	3.93	4.31	(8.8)	3.56	4.24	(16.0)
ZAR/TZS	143.12	161.35	(11.3)	129.75	153.27	(15.3)
EUR/ZAR	16.88	17.13	(1.5)	17.61	17.44	1.0
ZAR/KES	7.24	7.55	(4.1)	6.72	7.34	(8.4)

	Average QTD				Closing QTD			
	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2022	30 June 2022	31 March 2022	31 December 2021
US\$/ZAR	17.04	15.59	15.22	15.42	17.97	16.38	14.61	15.96
ZAR/MZN	3.75	4.10	4.20	4.14	3.56	3.90	4.37	4.00
ZAR/TZS	136.93	149.32	151.98	149.49	129.75	142.35	158.77	144.36
EUR/ZAR	17.16	16.60	17.09	17.64	17.61	17.13	16.26	18.15
ZAR/KES	7.01	7.47	7.48	7.26	6.72	7.20	7.87	7.09

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 47 – 52, is the responsibility of the directors of the Group.

- 'Normalised' results have been presented to assist the user in understanding the underlying growth trends and adjusts for:
 - the impact of foreign currency translation on a constant currency basis; and
 - the merger, acquisition and disposal activities during the current year and on a constant currency basis in the prior year, where applicable.
- 'Operating free cash flow' and 'free cash flow' has been presented to provide users with relevant information and measures used by the Group to assess performance.

Collectively, the '*pro-forma* financial information'.

The *pro-forma* financial information 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. The *pro-forma* financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on *Pro-Forma* Financial Information. This *pro-forma* financial information for the six months ended 30 September 2022 as presented in Table A as well as the constant currency information, along with the respective notes, has not been reported/reviewed on by the Group's auditors.

Supplementary information continued

TABLE A: Reconciliation of normalised values for the six months ended 30 September 2022

Rm	Reported results ¹	Translation FX ²	Mergers, Acquisitions & Disposals ³	Normalised*
Revenue				
Group	53 713	–	–	53 713
International	13 022	–	–	13 022
Service revenue				
Group	41 729	–	–	41 729
International	12 630	–	–	12 630
Financial services revenue				
Group	4 414	–	–	4 414
International (M-Pesa)	3 008	–	–	3 008
Total expenses				
Group	33 652	–	–	33 652
International	8 357	–	–	8 357
EBITDA				
Group	20 200	–	–	20 200
International	4 762	–	–	4 762
Net profit from associates and joint ventures				
Group	1 466	–	458	1 924
Safaricom	1 538	–	395	1 933
Operating profit				
Group	13 268	–	458	13 726
International	2 114	–	63	2 177

Supplementary information continued

TABLE B: Reconciliation of normalised values for the six months ended 30 September 2021

Rm	Reported ¹	Translation FX ²	Mergers, Acquisitions & Disposals ³	Normalised*
Revenue				
Group	49 856	1 286	–	51 142
International	11 058	1 286	–	12 344
Service revenue				
Group	38 915	1 242	–	40 157
International	10 713	1 242	–	11 955
Financial services revenue				
Group	3 704	283	–	3 987
International (M-Pesa)	2 403	283	–	2 686
Total expenses				
Group	29 785	804	–	30 589
International	6 712	794	–	7 506
EBITDA				
Group	20 076	494	–	20 570
International	4 350	495	–	4 845
Net profit from associates and joint ventures				
Group	1 644	74	112	1 830
Safaricom	1 659	75	109	1 843
Operating profit				
Group	14 058	299	112	14 469
International	2 073	227	3	2 303

Supplementary information continued

TABLE C: Reconciliation of normalised growth for the six months ended 30 September 2022

The reconciliation below presents the normalised growth which has been adjusted for foreign exchange translations, mergers, acquisitions and disposals where applicable, tax related adjustments where applicable, all at a constant currency rate to show a like-for-like comparison of results.

%	% Change ⁴	Translation FX ² ppts	Mergers, Acquisitions & Disposals ³	Normalised* % Change
Revenue				
Group	7.7	(2.7)	–	5.0
International	17.8	(12.3)	–	5.5
Service revenue				
Group	7.2	(3.3)	–	3.9
International	17.9	(12.3)	–	5.6
Financial services revenue				
Group	19.2	(8.5)	–	10.7
International (M-Pesa)	25.2	(13.2)	–	12.0
Total expenses				
Group	13.0	(3.0)	–	10.0
International	24.5	(13.2)	–	11.3
EBITDA				
Group	0.6	(2.4)	–	(1.8)
International	9.5	(11.2)	–	(1.7)
Net profit from associates and joint ventures				
Group	(10.8)	(4.3)	20.2	5.1
Safaricom	(7.3)	(4.3)	16.5	4.9
Operating profit				
Group	(5.6)	(3.1)	3.6	(5.1)
International	2.0	(10.2)	2.7	(5.5)

Supplementary information continued

TABLE D: Reconciliation of normalised growth for the quarter ended

30 September 2022 Rm	Reported¹	Translation FX²	Normalised*
Revenue			
Group	27 657	–	27 657
International	6 984	–	6 984
Service revenue			
Group	21 575	–	21 575
International	6 778	–	6 778

30 September 2021 Rm	Reported¹	Translation FX²	Normalised*
Revenue			
Group	25 077	851	25 928
International	5 563	852	6 415
Service revenue			
Group	19 750	824	20 574
International	5 412	825	6 237

30 September 2022 %	% Change³	Translation FX² ppts	Normalised* % Change
Revenue			
Group	10.3	(3.6)	6.7
International	25.6	(16.7)	8.9
Service revenue			
Group	9.2	(4.3)	4.9
International	25.2	(16.5)	8.7

Notes:

- The financial information relating to revenue, service revenue, financial services revenue, total expenses, EBITDA, operating profit and net profit from associates and joint ventures are extracted without adjustment from the condensed consolidated interim financial statements for the six months ended 30 September 2022.
 - 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, and Mozambican metical. 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. For year-end purposes, IFRS monthly results are translated at the prevailing average monthly exchange rate and the translated value is accumulated for the twelve-month period. For the *pro-forma* financial information for the six months ended 30 September 2021, these exchange variances are eliminated by applying the average rate for the six months ended 30 September 2022 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period as applicable to each specified line item) to the 30 September 2021 numbers, thereby giving a user a view of the performance, which excludes exchange variances. The effective translation rates for *pro-forma* financial information is similar to those used for IFRS purposes. The prevailing exchange rates for the current and comparative periods are disclosed on page 47.
 - On 26 April 2021, the Group participated as a minority investor in a consortium, controlled by Safaricom, bidding for a mobile telecommunication licence in Ethiopia. In May 2021, the Ethiopian Communications Authority (the ECA) confirmed that our consortium's proposal was successful with an effective licence date of 9 July 2021. The Group, excluding its indirect interest via its shareholding in Safaricom, has an effective interest of 6.2% in the consortium. In addition, the Group has indirect exposure through Safaricom's 55.7% effective interest in the consortium. The start-up operating and finance costs associated with the Group's direct and indirect exposure are included in mergers and acquisitions.
 - The percentage change relates to the year-on-year percentage growth calculated as the percentage change between the year-to-date ended 30 September 2022 and year-to-date 30 September 2021 value.
 - The percentage change relates to the quarter to date year-on-year percentage growth calculated as the percentage change between the quarter-to-date 30 September 2022 and the quarter-to-date 30 September 2021 values.
- * Normalised growth presents performance on a comparable basis. This adjusts for foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results.

Supplementary information continued

TABLE E: Reconciliation of operating free cash flow and free cash flow

Rm	Six months ended 30 September	
	2022	2021
Cash generated from operations ¹	16 581	15 633
Cash capital expenditure ²	(8 026)	(6 424)
Lease liability payments ³	(2 359)	(2 328)
Movement in amounts due to M-Pesa account holders ⁴	(1 390)	(423)
Operating free cash flow	4 806	6 458
Tax paid ¹	(3 645)	(3 389)
Finance income received	277	343
Finance costs paid ⁵	(1 941)	(1 378)
Net dividends received from associates and paid non-controlling shareholders	2 531	2 422
Free cash flow	2 028	4 456
Spectrum payments	(3 196)	–
Free cash flow (after spectrum payments)	(1 168)	4 456

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. Extracted without adjustment from the condensed consolidated interim statement of cash flows for the six months ended 30 September 2022.
2. Cash capital expenditure as per the condensed consolidated interim statement of cash flows, excluding net capital expenditure of licence and spectrum fees of R3 196 million (1H22: R0).
3. Lease liability payments includes interest on lease liabilities of R675 million (1H22: R612 million).
4. Movements included in cash generated from operations relate to money held on behalf of M-Pesa customers, which is not available for use by the Group.
5. This represents the finance costs paid of R2 616 million (1H22: R1 990 million), as extracted from the condensed consolidated interim statement of cash flows for the six months ended 30 September 2022, net of interest on lease liabilities of R675 million (1H22: R612 million).

Supplementary information continued

Additional financial and operational measures

This announcement contains certain financial (i.e., Vodacom Business service revenue and EBITDA) and operational (i.e., customers, ARPU and number of employees) measures which are presented in addition to the financial information disclosed in the condensed consolidated interim financial statements for the six months ended 30 September 2022 which have been prepared in terms of IFRS. 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 condensed consolidated interim financial statements for the six months ended 30 September 2022. The financial measures have been extracted from the management accounts upon which the condensed consolidated financial statements for the period ended 30 September 2022 are based. Refer to page 16 for details relating to capital expenditure and the supplementary information on pages 39 to 54 for a reconciliation thereof to the reported results included in this announcement.

Trademarks

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Forward-looking statements

This announcement which sets out the condensed consolidated interim financial results for Vodacom Group Limited for the six months ended 30 September 2022 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 several 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, Vodacom Business 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 or non-tax legal 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.

Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 1993/005461/06

(ISIN: ZAE000132577 Share Code: VOD)

(ISIN: US92858D2009 ADR code: VDMCY)

(Vodacom)

Directors

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KL Shuenyane, S Sood⁴, CB Thomson, LS Wood⁵ (Alternate F Bianco⁵)

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