Vodacom Group Limited

Preliminary results
for the year ended 31 March 2021

We connect for a better future

Further together

We invested
R13.3 billion
in network infrastructure during the year,

We serve
57.7 million
financial services customers,

Shameel Joosub

Vodacom Group CEO commented:

In a year unavoidably shaped by the devastating impacts of the global health crisis, Vodacom Group accelerated the delivery of our Social Contract with stakeholders to ensure we made meaningful contributions in markets where we operate.

Vodacom Group has been at the forefront of helping governments curb the spread of COVID-19 where we operate, having swiftly responded earlier this year through strategic partnerships with the likes of Discovery Health and Microsoft®, and a wide range of initiatives including free devices and airtime for healthcare workers, accelerating support to governments via donations of handsets, connectivity and medical equipment, and making contactless payments more accessible through zero-rated services and an expanded M-Pesa ecosystem to address social distancing challenges.

Alongside the Vodafone Foundation, we recently announced a R74 million financial pledge to support the roll-out of cold-chain technology and provide logistics support to ensure the safe delivery of COVID-19 vaccines to vulnerable and hard-to-reach communities in South Africa, DRC, Mozambique, Ghana and Tanzania. We also made a R13 million donation to Lesotho to assist with securing vaccines for the Basotho people. We have partnered with AUDA – NEPAD to build digital infrastructure to manage the distribution of COVID-19 vaccinations in up to 55 countries, following successful deployments in South Africa, leveraging our mVacciNation platform.

These latest initiatives are over and above the R2 billion service revenue impact of zero-rating peer-to-peer (P2P) M-Pesa transactions in our International markets, a R3 billion service revenue impact of lowering data pricing in South Africa and the R176 million cash and in-kind donations made by the Vodacom and Vodafone Group Foundations in response to the pandemic.

We are proud to be standing shoulder to shoulder with the African Union and national governments to provide practical support for what is an enormous logistical challenge for resource-limited African countries with significant rural populations.

Given the sudden shifts in customer behaviour patterns, we invested heavily in the resilience of our networks to cope with significant increases in mobile data traffic volumes to keep families connected, enable businesses to operate, facilitate online learning and assist governments in providing critical services. We invested R13.3 billion in network infrastructure during the year, including R10.1 billion in South Africa, and as a Group we have invested R62.4 billion into our networks over the past five years.

Customers in South Africa have also taken advantage of ConnectU, which provides zero-rated access to a wide range of websites, including job portals and online learning platforms and discounted offers for poor communities, as well as the significant data price cuts implemented on 1 April 2020 and the recently announced 14% decline in our headline monthly data price to R85 per Gigabyte as part of our ongoing commitment to reduce the cost to communicate.

Underpinned by the recovery in our International portfolio in the second half of the year and strong growth from our prepaid and Enterprise segments, Financial Services and other new services in South Africa, the Vodacom Group reported a 5.8% increase in service revenue and an 825 cents per share total ordinary dividend per share. This is particularly pleasing in a difficult trading environment and is testament to the rapid manner in which the company and its employees adapted to the crisis.

In South Africa, service revenue grew by 7.0% on the back of increased data usage, our highly successful summer campaign and demand for financial services – collectively helping to offset numerous initiatives aimed at delivering greater value to customers, including tariff reductions of up to 40% at the beginning of the financial year and the successful launch of Vodabucks, our behavioural loyalty programme.

Our International operations reported muted service revenue growth of 1.6% in the year, with a stronger second half helping offset the significant impacts of COVID-19 earlier in the year. This performance was characterised by disruption to our commercial activities as a result of the informal structure of the economies in which we operate, currency volatility, increased pressure on consumer spend, free M-Pesa P2P transactions and the impact of service barring in Tanzania due to biometric registration compliance.

Zero-rating P2P M-Pesa transactions for the majority of the financial year was the right thing to do for our customers and facilitated economic activity. This initiative introduced the M-Pesa ecosystem to a significantly broader base and continues to support accelerated platform growth and customer adoption of digital channels. Through M-Pesa, we now process US$24.5 billion (R366.4 billion) a month in transaction value across our International markets, including Safaricom, up 63.5%. We serve 57.7 million financial services customers, including Safaricom, generating revenue of R19.3 billion in the year. From January 2021, all our markets, including Safaricom, re-implemented P2P charging.

Our strategic investment in Safaricom comprised almost 13% of our operating profit in the year. Safaricom's local currency results reflected the impact of depressed economic activity and free M-Pesa P2P transfers, related to the COVID-19 pandemic. Positively, Safaricom's commitment to its strategic goals, supported strong platform growth for M-Pesa and higher connectivity usage. This supported a notable recovery in service revenue growth through the financial year, with fourth quarter growth at 6.4%.

Looking forward, while being cognisant that disposable income will remain under pressure, we are increasingly optimistic about improved growth prospects for our International operations. In South Africa, the allocation of temporary spectrum has supported network capacity and highlights the urgent need for high demand spectrum to be allocated through ICASA's ITA process. We continue to see the assignment of high demand spectrum as instrumental to data pricing.

We remain focused on entrenching Vodacom Group as a leading pan-African technology company through our investments into financial, digital and lifestyle services as these increasingly provide opportunities to enhance our relationship with the 123.7 million customers we serve across our footprint. In particular, we are excited about our partnership with Alipay and the imminent launch of our single lifestyle app, VodaPay, in South Africa. Our super-app will offer services ranging from loans and savings, seamless QR and person-to-person payments, to entertainment and personalised shopping experiences, promoting greater financial inclusion. We see this super-app as a precursor to M-Pesa's evolution, supporting accelerated growth across our financial services' businesses and assisting us in connecting the next 100 million African customers so that no one is left behind.

Highlights

Group revenue

up 8.3%

(7.4%*) to R98.3 billion, supported by service revenue growth of 5.8% (4.7%*).

South Africa service revenue grew

7.0%,

with consistent growth through the financial year.

Declared a final dividend of

410cps.

Added 8.2 million **customers,**

to serve a combined 123.7 million customers across the Group, including Safaricom.

Total financial services customers,

including Safaricom,

up 12.9%

or 6.6 million to 57.7 million.

Earnings per share

up 4.2%

and **headline earnings per share**

up 3.7%.

Medium-term **operating profit** growth target **upgraded** from mid-single digit to **mid-to-high-single digit**, on **improved growth prospects** for International and Safaricom.

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 46 to 51. The *pro-forma* financial information includes:

* Normalised growth presents performance on a comparable basis. This adjusts for trading foreign exchange, 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 year ended 31 March 2021 compared to the year ended 31 March 2020, unless stated otherwise.

Statutory performance measures

	Year ended 31 March		% change	
Rm	2021	2020	Reported	Normalised*
Revenue	**98 302**	90 746	**8.3**	**7.4**
Service revenue	**77 574**	73 354	**5.8**	**4.7**
EBITDA	**39 299**	37 610	**4.5**	**3.6**
Net profit from associate and joint ventures	**3 501**	4 149	**(15.6)**	**3.9**
Operating profit	**27 652**	27 711	**(0.2)**	**2.2**
Net profit	**17 071**	16 644	**2.6**	
Earnings per share (cents)	**978**	939	**4.2**	
Headline earnings per share (cents)	**980**	945	**3.7**	
Total dividend per share (cents)	**825**	845	**(2.4)**	
– special dividend per share (cents)	–	60	n/a	
– ordinary dividend per share (cents)	825	785	5.1	

Alternative performance measures

	Year ended 31 March		% change
Rm	2021	2020	Reported
EBITDA margin[1] (%)	**40.0**	41.4	**(1.4ppt)**
Capital expenditure[2]	**13 307**	13 218	**0.7**
Capital intensity[2] (%)	**13.5**	14.6	**(1.1ppt)**
Operating free cash flow[3]	**22 030**	21 782	**1.1**
Free cash flow[3]	**14 974**	16 284	**(8.0)**

Notes:
1. EBITDA margin is EBITDA as a percentage of revenue.
2. Detail relating to capital expenditure is on page 13. 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 51.

South Africa

Summary financial information

	Year ended 31 March		% change
Rm	2021	2020	Reported
Service revenue	56 405	52 712	7.0
EBITDA	30 745	29 094	5.7
Operating profit	20 515	19 684	4.2
Capital expenditure	10 076	9 860	2.2

We prioritised investing in network infrastructure, providing free devices and airtime to healthcare workers, implementing track-and-trace technology, accelerating support to the government and driving digital and financial inclusion to help South Africa navigate the COVID-19 pandemic. Our R10.1 billion capital investment facilitated network capacity and resilience to accommodate the increased data volumes stimulated by our 1 April 2020 data price cuts and changes in customer usage patterns, as work, entertainment and education shifted to the home. During the year, 15.5 million unique users visited our zero-rated ConnectU platform to access a wide range of websites – including job and e-learning portals and discounted offers for vulnerable communities. Looking ahead, our Mezzanine platform will provide critical support for the roll-out of COVID-19 vaccines.

From a financial perspective, South Africa reported strong service revenue growth of 7.0% to R56.4 billion. The growth was fuelled by increased demand for connectivity, particularly in prepaid and Vodacom Business and new services such as IoT and financial services. Furthermore, the performance was enabled by our industry leading investment into new services, networks and digital IT capabilities such as business and artificial intelligence (AI). Revenue increased by 10.3%, underpinned by service revenue growth, a recovery in equipment sales and growth in tower sharing revenue.

Mobile contract customer revenue increased by 5.0% to R20.8 billion, a resilient performance given the economic backdrop. Within the mobile contract segment, Vodacom Business continued to deliver growth in the fourth quarter while consumer contract revenue remained broadly unchanged year-on-year. We recorded positive contract customer net additions of 133 000 in the year while ARPU increased by 2.1% (adjusted growth 1.4%[1]) and 7.0% (adjusted growth 3.1%[1]) in the year and the fourth quarter, respectively.

In the prepaid segment, mobile customer revenue increased by 8.5%. Prepaid net additions for the year were a substantial 2.6 million, reflecting our summer campaign's success and new behavioural loyalty programme – which provided more reasons to consume and facilitate our active days' management initiative. ARPU increased 13.0% to R61 supported by increased usage of our connectivity and digital services and the accessibility of airtime via our Airtime Advance product. In the fourth quarter, Airtime Advanced amounted to 43.0% of total prepaid recharges in the quarter (4Q20: 35.9%).

Data traffic increased by 55.6%, as the growth trend normalised in the last two quarters of the financial year as lockdown restrictions eased. Data customer net losses were 0.2 million in the year, ending on 21.7 million customers, as we focused on optimising gross additions. Smart devices on our network were up by 9.5% to 23.2 million, while 4G devices on our network increased by 22.0% to 15.7 million. The average usage per smart device increased by 38.9% to 2.1GB per month. We accelerated our fibre roll-out during the year, more than doubling the total number of homes and businesses connected[2] to 126 765. Our own fibre passed 146 401 homes and businesses as at 31 March 2021.

Service revenue generated from Financial Services was up by 18.9% to R2.4 billion, while customers increased by 15.4% to 13.3 million. Our Financial Services' result reflects our execution capability in this space. Revenue growth was underpinned by our Airtime Advance product, where we advanced R12.0 billion in airtime during the year, an increase of 21.1%. The number of Airtime Advance customers increased 17.3% to 10.8 million. Insurance policies increased by 8.3% to 2.1 million.

1. Adjusted for a reclassification of IoT revenue from other service revenue to customer revenue. There was no impact on overall service revenue as a result of this reclassification.
2. Including Bitstream, which refers to where we act as an internet service provider (ISP) to fibre wholesalers.

Vodacom Business service revenue increased by 11.3% to R15.9 billion, supported by our innovative work-from-home solutions. Our Vodacom Business fixed service revenue grew by 6.5%, excluding wholesale transit, supported by strong growth in cloud as well as hosting and connectivity revenue. IoT connections increased by 6.4% to 5.6 million with revenue growth at 32.8% to R1.1 billion[1].

EBITDA grew 5.7%, while margins contracted 1.7ppts in the year. The EBITDA performance was supported by strong service revenue growth but was moderated by COVID-19 related bad debt provisions and investment into future growth areas such as a 5G roaming deal with Liquid Intelligent Technologies (Liquid). Excluding the impact of our roaming deals with Rain and Liquid, the EBITDA margin was broadly flat year-on-year. Operating profit growth at 4.2% was driven by EBITDA growth, although partially offset by higher depreciation. Depreciation and amortisation increased 10.2% as a result of capital expenditure phasing and asset mix.

In the forthcoming financial year, we expect South Africa to deliver service revenue growth in line with our medium-term Group target. We are particularly excited about the launch of our lifestyle companion app, VodaPay. We expect that the app and the ongoing expansion of our financial service offerings will promote digital and financial inclusion and provide a growth platform for consumers and merchants in South Africa.

International

Summary financial information

	Year ended 31 March		% change	
Rm	**2021**	2020	**Reported**	**Normalised***
Service revenue	**22 146**	21 799	**1.6**	**(1.9)**
EBITDA	**8 784**	8 679	**1.2**	**(2.2)**
Operating profit	**3 833**	4 582	**(16.3)**	**(5.0)**
Capital expenditure	**3 226**	3 358	**(3.9)**	

Our International Business, like that of South Africa, delivered on our purpose and Social Contract to support the markets in which we operate and to help us navigate the pandemic. Our interventions included free internet services to governments and healthcare workers, the dissemination of critical information on COVID-19, the provision of personal protection equipment for agents and zero-rating services that would support inclusion, such as peer-to-peer (P2P) payments for M-Pesa and online education and government sites. The impact of zero-rating P2P payments for our International markets, including Safaricom, was equivalent to R2.0 billion of service revenue. We also deployed R3.2 billion capital investment to expand our 4G network, enhance our IT infrastructure and maintain data availability at a time when many customers worked from home. Leveraging the Mezzanine platform helped deploy COVID-19 vaccines, and work with governments to support a resilient and just recovery for our markets.

Our International operations reported muted service revenue growth of 1.6% in the year. This performance reflects disruption to our commercial activities due to the informal structure of the economies in which we operate, increased pressure on consumer spend, free M-Pesa P2P transactions and the impact of service barring in Tanzania due to biometric registration compliance. On a normalised basis, service revenue declined by 1.9%* during the year. Positively, normalised service revenue improved in the second half of the year, and we delivered normalised service revenue growth of 4.3%* in the fourth quarter. The growth inflection in the quarter was supported by double digit M-Pesa and data revenue growth.

Our customer base increased by 3.0% to 39.8 million, with net additions of 1.2 million in the year. In addition to subdued commercial activities resulting from COVID-19, the customer base growth rate was negatively impacted by the barring of service to 2.9 million SIM cards in Tanzania in the previous financial year. The latter impact, relating to the barring of service, was largely reflected in our first quarter customer base, in line with our 90-day churn policy. Customer growth across our International operations is critical for us to achieve our 2025 ambition of improving the lives of the next 100 million customers.

1. Adjusted for a reclassification of IoT revenue from other service revenue to customer revenue. There was no impact on overall service revenue as a result of this reclassification.

Data services remain a key lever of growth and central to our commitment to connecting for a better future. We added 661 000 new customers during the year to end the period at 20.6 million data customers. Of these customers, only 11 million were on smartphones – highlighting the potential for further smartphone penetration. We continue to drive the adoption of affordable smartphone devices, and support digital inclusion, by leveraging partnerships with global technology firms and innovative financing options. Data revenue grew 6.5% in constant currency during the year, with data revenue growth in constant currency improving to 11.0% in the fourth quarter. Overall data traffic growth for the year was buoyant at 51.6%, due to network investments and affordable commercial propositions.

M-Pesa revenue was up 13.0% (5.8%*) to R4.5 billion in the year, contributing 20.4% of International service revenue. Pleasingly, platform growth and the reintroduction of P2P charging across all our markets from 1 January 2021 supported a meaningful acceleration of normalised M-Pesa revenue growth to 21.0%, in the fourth quarter. Accelerating platform adoption, measured by customer and transaction growth, and product expansion provide a robust growth outlook for M-Pesa. International M-Pesa customers were up 9.6% to 16.1 million, representing 47.4% of our total International customer base. The M-Pesa ecosystem in all our International markets, including Safaricom, processed US$24.5 billion a month in transactions in the fourth quarter, up 63.5%.

International EBITDA was up 1.2%, in line with revenue growth of 1.1%. Consistent with the service revenue and revenue profile, EBITDA margins recovered during the second half and offset the margin decline of 2.7ppts reported in the first half. The full year margin performance reflected disciplined cost containment, despite inflationary cost pressures.

Operating profit declined 16.3%, with the prior year period boosted by a purchase gain of R532 million. This gain was as a result of the acquisition of the M-Pesa brand, product development and support services from Vodafone Group Plc through a newly-created joint venture, M-Pesa Africa. M-Pesa Africa, co-ordinates and implements our M-Pesa strategy, driving product expansion and leveraging best practices across the portfolio. On a normalised basis, operating profit declined 5.0%. This reflects the pressure on normalised EBITDA, which declined 2.2%.

Our capital investment of R3.2 billion was focused mainly on expanding our 4G network. Our network reach improved by 322 3G and 1 072 4G base stations, and we continued to invest in our transmission networks to enhance our network leadership in all our markets.

Looking ahead, we are optimistic about improved growth prospects for our International operations. We expect operating profit growth in the forthcoming financial year to track ahead of the medium-term Group target.

Safaricom

Safaricom's results reflect a challenging year and were impacted by depressed economic activity and free M-Pesa P2P related to the COVID-19 pandemic. Service revenue and EBITDA declined 0.3% and 2.8% respectively in the financial year. Despite growth pressures, Safaricom ensured that its network, operations and maintenance and financial services were prioritised to limit disruptions. Capital expenditure was KShs35.0 billion (R5.2 billion) for the year, representing an intensity ratio of 13.2%, supporting its digital technology journey and the evolving consumption patterns of its customer base.

Safaricom's commitment to its strategic goals, supported platform growth for M-Pesa and higher connectivity usage. Safaricom added 3.4 million M-Pesa customers and 4.3 million total customers for the year ended 31 March 2021. Mobile data grew 11.5% sustaining the recovery from the prior year, with 4G devices using more than 1GB per month up to 4.7 million. Fibre-to-the-home customers grew 31.5% as Safaricom supported work and learn-from-home with higher bandwidth.

M-Pesa revenues declined 2.1% in the year, impacted by free fees for P2P transaction values of less than KShs1 000 until 31 December 2020. M-Pesa service revenue growth recovered to 21.2% in the fourth quarter, supported by platform growth, product adoption and updated P2P pricing from 1 January 2021. M-Pesa customers grew 13.6% and the total annual value of M-Pesa transactions were up 58.2% to KShs22.0 trillion (R3.3 trillion). Safaricom's updated P2P pricing promoted affordability, with low value transaction charges reduced by up to 45.0% from pre COVID-19 levels. Safaricom's overall service revenue profile improved through the year, and in the fourth quarter was up 6.4%.

On a rand reported basis, Safaricom contributed R3.5 billion to the Group's operating profit, declined 2.1% year-on-year but increased 2.5% on a normalised basis. Safaricom accounted for 12.8% of the Group's operating profit, in the year.

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 – Invitation to Apply

ICASA issued two separate Invitations to Apply (ITA) on 2 October 2020 regarding the assignment of High Demand Spectrum (HDS) in South Africa, in respect of the provision of mobile broadband wireless access services for urban and rural areas using the complimentary International Mobile Telecommunications (IMT) spectrum bands i.e. IMT700, IMT800, IMT2600 and IMT3500 ranges. The first ITA set out ICASA's licensing process for a new individual electronic communications network services (I-ECNS) and Radio Frequency Spectrum Licences for the purpose of operating a wireless open access network (WOAN). The second ITA set out the licensing process for assignment of HDS spectrum to the existing I-ECNS licensees for the purposes of providing national broadband wireless access services. Subsequent to the invitations, on 22 December 2020, Telkom filed a court application in respect of the ITAs. The filing *inter alia* sought to suspend the closing date for submission of applications for the licence to operate a WOAN, and interdict ICASA from assessing or adjudicating any applications received in respect of the ITAs, pending a full review of the ITAs processes. Separately, in January 2021, MTN petitioned the court to review the opt-in part of the second ITA. In March 2021, the High Court in Pretoria issued an order, interdicting ICASA from proceeding with the ITA processes pending the final determination of Telkom's application to review ICASA's ITAs. We expect the High Court to jointly hear the Telkom and MTN reviews in July 2021.

We remain supportive of the HDS spectrum auction proceeding as soon as possible. We believe that the award of HDS spectrum is critical to reducing input costs and, by extension, the cost of data. Also, the assignment of additional spectrum is vital to expanding broadband services and promoting digital inclusion in South Africa. As such, further delays to the auction process will likely have a negative impact on South Africa consumers.

ICASA – Inquiry into mobile broadband services

On 16 November 2018, ICASA gave notice of its intention to conduct an inquiry into mobile broadband services. The purpose of the inquiry was to assess the state of competition, and to determine whether there were markets or market segments within the mobile broadband services value chain that may require regulatory intervention in terms of Chapter 10 of the Electronic Communications Act, 2005.

Following a November 2019 discussion document and October 2020 public hearings, ICASA issued a findings document and Draft Mobile Broadband Services Regulations on 26 March 2021. ICASA concluded that Vodacom and MTN have significant market power in certain retail and wholesale mobile service markets. Further, ICASA proposed several pro-competitive terms and intends to monitor retail prices and wholesale prices, particularly in relation to margin squeeze. As noted above, we believe that the assignment of HDS spectrum is vital to reducing input costs, expanding broadband services and promoting digital inclusion in South Africa.

Lesotho licence update

In December 2019, the Lesotho Communications Authority (LCA) issued a notice of enforcement proceedings against Vodacom Lesotho on the basis of its opinion of non-independence of the company's previous external auditors. In February 2020, the LCA directed Vodacom Lesotho to show cause on why Vodacom Lesotho's communications licence should not be withdrawn. In May 2020, following several engagements with the LCA, Vodacom Lesotho made written representations against the revocation of its licence. In September 2020, the LCA notified Vodacom Lesotho that it was to be fined M134 million (R134 million), of which 70% was suspended for five years. On 8 October 2020, the LCA issued a notice of revocation of the operating licence of Vodacom Lesotho. On 9 October 2020, Vodacom Lesotho launched an application in the Lesotho High Court to have both determinations of the LCA imposing the fine of M134 million and revoking its operating licence, respectively, reviewed and set aside. The Lesotho High Court has, in the meantime, issued an interim order interdicting the LCA from, inter alia, enforcing the payment of the said fine and revoking Vodacom Lesotho's operating licence. The matter was heard in the High Court in December 2020, and judgement is pending.

Subsequent event

The Government of Federal Democratic Republic of Ethiopia, through the Ethiopian Communications Authority (ECA), issued a final request for proposals on 5 March 2021 for the award of two full service mobile telecommunication licences in Ethiopia. On 26 April 2021, the Group participated as a minority in a consortium, controlled by Safaricom Plc, bidding for a mobile telecommunication licence in the Federal Democratic Republic of Ethiopia. The ECA has indicated that successful bidders will be announced within thirty days of the bid submission (subject to timings subsequently advised by the ECA).

Environmental, social and governance (ESG) recognition

Our purpose-led model is premised on the three pillars of digital society, inclusion for all and planet. During the year, we accelerated the delivery of our Social Contract with stakeholders to ensure we made meaningful contributions to inclusion and the recovery in markets where we operate.

The outcomes of our purpose-led model and strong governance were recognised by leading environmental, social and governance (ESG) rating agencies, including Sustainalytics and Morgan Stanley Capital International (MSCI), during the financial year. In September 2020, Sustainalytics ranked Vodacom 2nd out of almost 200 companies in its Telecommunications Service industry grouping and in the top 5% of its Global Universe of 13 000 companies. Separately, in March 2021, MSCI rated Vodacom as AAA – its highest ESG rating. MSCI highlighted Vodacom's scores in governance, labour management and cybersecurity policies as key drivers of the ESG rating.

Outlook and medium-term targets

Vodacom is a purpose-led company and we connect for a better future. The COVID-19 pandemic reinforced the importance of our purpose-led approach, as we were able to accelerate the adoption of data, smartphones, digital and financial services despite pandemic related challenges. Looking ahead, we will remain focused on strong governance and our three purpose pillars of 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 just economic progress across the countries in which we operate and provide us with compelling growth opportunities.

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, will deliver diversified, differentiated offerings to our customers, further strengthening and growing our relationships with them. In the connectivity space, our dedicated Consumer and Vodacom Business segments remain focused on delivering great value and an exceptional experience to our customers. Our System of Advantage extends our personalised connectivity offering into digital and financial services, to deliver a 360-degree customer experience. We already provide financial services to 57.7 million customers, including Safaricom, with our 'nano' payments, lending and savings solutions supporting financial inclusion. We see significant opportunities ahead, in both our Consumer and Vodacom Business segments, across digital and financial services, as we enhance our existing AI capabilities and real-time management information systems with our landmark Alipay agreement.

Our low gearing, relative to telecommunication peers, of 0.9 times net debt to EBITDA (including leases) positions us to manage the risk of a still uncertain economic outlook, whilst also supporting investment into our System of Advantage. We have limited debt repayments in the short-term, with enough facilities to maintain liquidity. 83% of our debt is rand denominated, limiting foreign currency exposure. Our debt structure, excluding leases, is split 47% fixed and 53% floating debt, with our fixed component of debt protecting against significant adverse interest rate movements.

Our 'Fit for growth' cost initiatives are well embedded in our operations, and to a large extent are structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business, where required.

As the effects of the COVID-19 pandemic persist, the economic outlook for our markets remain uncertain. We do however expect this outlook to improve into the forthcoming financial year. This view is informed by global research providers and financial institutions such as the International Monetary Fund (IMF). This assumption of economic improvement, combined with the growth potential of our System of Advantage strategy, supports our mid-single digit medium-term growth target for service revenue. For operating profit growth, which includes the profit contribution from our associates, we upgrade our medium-term target growth from mid-single digit to mid-to-high single digit. The upgrade reflects operational leverage, and improved prospects for International and Safaricom, in particular. In summary, our medium-term targets are as follows:

1. Mid-single digit Group service revenue growth;
2. Mid-to-high-single digit Group operating profit growth (including profit from associate – Safaricom); and
3. 13.0% – 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, excluding spectrum purchases, exceptional items and any merger and acquisition activity.

Summary financial information

Rm	Year ended 31 March 2021	2020	% change Reported	% change Normalised*
Revenue	**98 302**	90 746	**8.3**	**7.4**
Service revenue	**77 574**	73 354	**5.8**	**4.7**
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Operating profit	**27 652**	27 711	**(0.2)**	**2.2**
Net profit	**17 071**	16 644	**2.6**	
Capital expenditure	**13 307**	13 218	**0.7**	
Operating free cash flow[1]	**22 030**	21 782	**1.1**	
Free cash flow[1]	**14 974**	16 284	**(8.0)**	
Net debt	**34 249**	35 180	**(2.6)**	
Earnings per share (cents)	**978**	939	**4.2**	
Headline earnings per share (cents)	**980**	945	**3.7**	
Contribution margin[2] (%)	**62.0**	63.8	**(1.8ppt)**	
EBITDA margin (%)	**40.0**	41.4	**(1.4ppt)**	
Operating profit margin (%)	**28.1**	30.5	**(2.4ppt)**	
Effective tax rate (%)	**28.2**	27.8	**0.4ppt**	
Net profit margin (%)	**17.4**	18.3	**(0.9ppt)**	
Capital intensity (%)	**13.5**	14.6	**(1.1ppt)**	
Net debt/EBITDA (times)	**0.9**	0.9	**–**	

Service revenue

Rm	Year ended 31 March 2021	2020	% change Reported	% change Normalised*
South Africa	56 405	52 712	7.0	7.0
International	22 146	21 799	1.6	(1.9)
Corporate and eliminations	(977)	(1 157)	15.6	15.6
Group service revenue	**77 574**	**73 354**	**5.8**	**4.7**
Safaricom[3]	37 600	36 319	3.5	

Group service revenue grew 5.8% (4.7%*) to R77.6 billion, supported by a strong performance in South Africa and an improvement in normalised service revenue growth for International during the second half of the financial year. At a product level, growth was supported by new services such as digital and financial, fixed and IoT. South Africa's Financial Services' business and M-Pesa delivered service revenue of R6.9 billion, up 15.0%, and contributed 8.9% of consolidated service revenue. Our digital, fixed (ex transit[4]) and IoT businesses delivered service revenue of R1.7 billion, R3.7 billion and R1.1 billion respectively. In aggregate, these 'beyond mobile' services amounted to R13.4 billion and contributed 17.2% of Group service revenue.

Notes:
1. A reconciliation of operating free cash flow and free cash flow is on page 51.
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 Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.
4. Wholesale transit revenue of R844 million (FY20: R884 million).

In South Africa, service revenue increased 7.0% to R56.4 billion, supported by growth in customer revenue and new services. Pleasingly, the growth profile was consistently strong through the financial year. Financial services revenue amounted to R2.4 billion, or 4.2% of South Africa's service revenue.

Our International operations reported muted service revenue growth at 1.6%. Normalised service revenue declined 1.9%* to R22.1 billion with a notable recovery in the second half of the year, and especially the fourth quarter. The recovery was supported by M-Pesa and data growth, with all our markets charging for P2P M-Pesa transactions from 1 January 2021. M-Pesa and data revenue comprised 20.4% and 18.8% of International service revenue for the year ended 31 March 2021. Safaricom service revenue, which we do not consolidate, increased 3.5% in rands but declined 0.3% in local currency.

Total expenses[1]

	Year ended 31 March		% change	
Rm	**2021**	2020	**Reported**	**Normalised***
South Africa	45 949	40 589	13.2	13.3
International	14 030	13 818	1.5	(2.3)
Corporate and eliminations	(951)	(1 178)	19.3	19.3
Group total expenses	**59 028**	**53 229**	**10.9**	**9.9**

Group total expenses increased 10.9% (9.9%*) to R59.0 billion.

In South Africa, expenses increased 13.2% (13.3%*) to R46.0 billion as a result of higher costs related to our roaming agreements with Rain and Liquid, and higher COVID-19 related bad debt provisions. The increase in bad debt encompassed both specific provisions and higher expected credit losses as a result of COVID-19 relief measures implemented, in accordance with IFRS 9. Excluding the impact of Rain and Liquid roaming costs and the higher COVID-19 related bad debts, total expenses grew 7.3%. International expenses increased 1.5% (-2.3%*) to R14.0 billion reflecting disciplined cost containment, despite inflationary cost pressures.

EBITDA

	Year ended 31 March		% change	
Rm	**2021**	2020	**Reported**	**Normalised***
South Africa	30 745	29 094	5.7	5.6
International	8 784	8 679	1.2	(2.2)
Corporate and eliminations	(230)	(163)	41.1	41.1
Group EBITDA	**39 299**	**37 610**	**4.5**	**3.6**
Safaricom[2]	20 125	19 950	0.9	

Group EBITDA increased 4.5% (3.6%*) to R39.3 billion at a margin of 40.0%. South Africa EBITDA grew 5.7% (5.6%*) to R30.7 billion. Growth was underpinned by strong service revenue growth in South Africa. EBITDA in our International operations increased 1.2% (-2.2%*) to R8.8 billion, with flat margins reflecting a strong recovery in the second half of the financial year.

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

Operating profit

Rm	Year ended 31 March 2021	2020	% change Reported	Normalised*
South Africa	20 515	19 684	4.2	4.1
International	3 833	4 582	(16.3)	(5.0)
Safaricom	3 542	3 617	(2.1)	2.5
Corporate and eliminations	(238)	(172)	38.4	38.4
Group operating profit	**27 652**	**27 711**	**(0.2)**	**2.2**

Group operating profit decreased 0.2% (2.2%*) to R27.7 billion, impacted by a R745 million prior year one off related to a purchase gain in terms of IFRS 3 for the M-Pesa Africa joint venture acquisition. In South Africa, operating profit was up 4.2% (4.1%*) to R20.5 billion. International operating profit declined 16.3% (-5.0%*) to R3.8 billion. The reported growth rate for International was negatively impacted by its apportionment (R532 million) of the purchase gain for the M-Pesa Africa joint venture, in the prior financial year.

Net finance charges

Rm	Year ended 31 March 2021	2020	% change 20/21
Finance income	767	884	(13.2)
Finance costs	(4 190)	(4 702)	(10.9)
Net finance costs	**(3 423)**	**(3 818)**	**(10.3)**
Net (loss) on remeasurement and disposal of financial instruments	(378)	(16)	>200.0
Net finance charges	**(3 801)**	**(3 834)**	**(0.9)**

Net finance charges decreased 0.9% to R3.8 billion, supported by lower net finance costs as the average cost of debt (including leases) decreased from 8.9% in the prior year to 7.8% in the current year. Excluding leases, the average cost of debt decreased from 7.7% to 6.4%. The increase in the net loss on remeasurement and disposal of financial instruments largely related to conversion of net debt balances to functional currencies.

Taxation

The tax expense of R6.7 billion was 4.6% higher than the prior year (FY20: R6.4 billion) due to the increased profit before tax of the Group and its subsidiaries.

The effective tax rate remained broadly stable at 28.2% in the current year, despite a higher effective tax rate in Tanzania as a result of the split of Vodacom Tanzania's GSM and M-Pesa businesses, in compliance with the National Payment System Act.

In the interim period ended 30 September 2020, we recorded a positive one-off deferred tax rate adjustment. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. Subsequently, on 1 January 2021, the Kenya tax rate reverted from 25% to 30%. As a result, in the second half of the current financial year we reversed this adjustment, net of foreign exchange.

Earnings

	Year ended 31 March		% change
	2021	2020	**20/21**
Earnings per share (EPS) (cents)	**978**	939	**4.2**
Headline earnings per share (HEPS) (cents)	**980**	945	**3.7**
Weighted average number of ordinary shares outstanding for the purpose of calculating EPS and HEPS (million)	**1 695**	1 697	**(0.1)**

EPS and HEPS grew at 4.2% and 3.7% respectively. EPS and HEPS growth was supported by operating profit growth in South Africa, while International and Safaricom operating profit and the remeasurement and disposal of financial instruments, detracted from reported growth.

Dividend

	Year ended 31 March		% change
Rm	**2021**	2020	**20/21**
Headline earnings	16 609	16 034	3.6
Adjusted for:			
Net profit from Safaricom	(3 540)	(3 428)	3.3
Attributable profits from Safaricom	(4 123)	(4 275)	(3.6)
Amortisation on assets, net of tax	580	659	(12.0)
Adjustment relating to Safaricom	3	188	(98.4)
Withholding tax	273	427	(36.1)
Non-controlling interest and other	444	452	(2.0)
Headline earnings available for dividend distribution	**13 784**	**13 485**	**2.2**
Total dividend declared per share (cents)	**825**	**845**	**(2.4)**
Interim dividend declared per share (cents)	415	380	9.2
Special dividend declared per share (cents)	–	60	n/a
Final dividend declared per share (cents)	410	405	1.2

Owned capital expenditure[1]

Rm	Year ended 31 March 2021	2020	% change 20/21
South Africa	10 076	9 860	2.2
International	3 226	3 358	(3.9)
Corporate and eliminations	5	–	–
Group capital expenditure	**13 307**	**13 218**	**0.7**
Group capital intensity[2] (%)	**13.5**	**14.6**	**(1.1ppt)**
Safaricom	5 367	5 213	3.0
Safaricom capital intensity[2] (%)	13.5	13.7	(0.2ppt)

The Group's capital expenditure was R13.3 billion, representing 13.5% of revenue. In South Africa, capital expenditure was directed at improving capacity and resilience of the network. We now have 97.3% (FY20: 95.4%) 4G population coverage. In our International operations, the focus remained on increasing both coverage and capacity as well as continuing the 4G roll-out. We added 262 2G sites, 322 3G sites and 1 072 4G sites across our International operations since 1 April 2020.

Statement of financial position

Property, plant and equipment decreased 4.7% to R56.5 billion and intangible assets decreased 1.3% to R13.2 billion when compared to 31 March 2020. The combined decrease is as a result of net additions of R16.3 billion, offset by net foreign currency translation movements of R4.1 billion, and depreciation and amortisation of R15.1 billion.

Rm	As at 31 March 2021	2020	Movement
Bank and cash balances	15 751	17 057	(1 306)
Bank overdrafts	(542)	(866)	324
Current borrowings	(9 634)	(3 707)	(5 927)
Non-current borrowings	(39 741)	(47 988)	8 247
Other financial instruments	(83)	324	(407)
Net debt[3]	**(34 249)**	**(35 180)**	**(931)**
Net debt/EBITDA (times)	**0.9**	**0.9**	**–**

Net debt decreased by R0.9 billion to R34.2 billion from March 2020. The year-on-year movement was supported by free cash flow exceeding cash dividend payments in the year. Total borrowings decreased by R1.1 billion to R50.6 billion from March 2020.

Notes:
1. Owned capital expenditure, excluding spectrum, licences and capitalised right of use assets. Right of use asset additions include R3 282 million (2020: R2 770 million) for the Group of which R2 584 million (2020: R2 055 million) in South Africa and R698 million (2020: R715 million) in International.
2. Capital expenditure as a percentage of revenue.
3. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.

Cash flows[1]

Free cash flow

	Year ended 31 March		% change
Rm	2021	2020	20/21
EBITDA	39 299	37 610	4.5
Working capital	(411)	845	(149.0)
Capital expenditure[2]	(13 307)	(13 218)	0.7
Disposal of property, plant and equipment	51	68	(25.0)
Lease liability payments	(4 266)	(4 046)	5.4
Other	664	523	27.0
Operating free cash flow	**22 030**	**21 782**	**1.1**
Tax paid	(7 428)	(6 417)	15.8
Dividends received from associate	3 576	4 394	(18.6)
Finance income received	723	763	(5.2)
Finance costs paid	(2 609)	(3 506)	(25.6)
Dividends paid to non-controlling shareholders	(1 318)	(732)	80.1
Free cash flow	**14 974**	**16 284**	**(8.0)**

Operating free cash flow increased 1.1%, with EBITDA growth of 4.5% offset by a working capital outflow. The working capital movement largely relates to South Africa, which posted a broadly neutral working capital movement in the current year compared with a R0.8 billion inflow in the prior year. Free cash flow declined 8.0%, with the year-on-year growth impacted by a R1.1 billion special dividend receipt from our associate investment in Safaricom during the prior year. Excluding the impact of the special dividend from Safaricom, free cash flow declined 1.2%.

Dividends

Declaration of final dividend number 24 – payable from income reserves

Notice is hereby given that a gross final dividend number 24 of 410 cents per ordinary share in respect of the financial year ended 31 March 2021 has been declared payable on Monday, 28 June 2021 to shareholders recorded in the register at the close of business on Friday, 25 June 2021. 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 328.00000 cents per ordinary share.

Last day to trade shares *cum* dividend	Tuesday 22 June 2021
Shares commence trading *ex*-dividend	Wednesday 23 June 2021
Record date	Friday 25 June 2021
Payment date	Monday 28 June 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 June 2021 and Friday, 25 June 2021, both days inclusive.

Notes:

1. A reconciliation of cash generated from operations to free cash flow, is on page 51.
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.

On Monday, 28 June 2021, 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, 28 June 2021.

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

Dividend policy

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

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

For and on behalf of the Board

Sakumzi Justice Macozoma
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Raisibe Morathi
Chief Financial Officer

Midrand
17 May 2021

Independent auditor's review report

To the shareholders of Vodacom Group Limited

We have reviewed the preliminary condensed consolidated financial statements of Vodacom Group Limited set out on pages 17 to 35, contained in the accompanying preliminary report, which comprises the condensed consolidated statement of financial position as at 31 March 2021, 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 year then ended, and selected explanatory notes.

Directors' responsibility for the preliminary condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these preliminary condensed consolidated financial statements in accordance with the 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 preliminary condensed consolidated 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 preliminary condensed consolidated 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 preliminary condensed consolidated 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 preliminary condensed consolidated 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 preliminary condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying preliminary condensed consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2021 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)
17 May 2021

Condensed consolidated income statement

for the year ended 31 March

Rm	Notes	2021 Reviewed	2020 Audited
Revenue	3	**98 302**	90 746
Direct expenses[1]		**(36 269)**	(32 075)
Staff expenses		**(6 990)**	(6 421)
Publicity expenses		**(1 718)**	(1 907)
Net credit losses on financial assets[1]		**(1 078)**	(802)
Other operating expenses		**(12 973)**	(12 024)
Depreciation and amortisation		**(15 117)**	(13 955)
Impairment losses		**(6)**	–
Net profit from associate and joint ventures		**3 501**	4 149
Operating profit		**27 652**	27 711
Net loss on disposal of subsidiaries	4.4	**(70)**	(819)
Finance income		**767**	884
Finance costs		**(4 190)**	(4 702)
Net loss on remeasurement and disposal of financial instruments		**(378)**	(16)
Profit before tax		**23 781**	23 058
Taxation		**(6 710)**	(6 414)
Net profit		**17 071**	16 644
Attributable to:			
Equity shareholders		**16 581**	15 944
Non-controlling interests		**490**	700
		17 071	16 644

1. Net credit losses on financial assets were included in direct expenditure in prior periods. The reclassification had no impact on any reported totals, headline earnings per share or on any amounts presented in the statement of financial position.

Cents	Notes	2021 Reviewed	2020 Audited
Basic earnings per share	4	**978**	939
Diluted earnings per share	4	**956**	923

Condensed consolidated statement of other comprehensive income

for the year ended 31 March

Rm	2021 Reviewed	2020 Audited
Net profit	**17 071**	16 644
Other comprehensive income		
Foreign currency translation differences, net of tax[1]	**(16 361)**	13 770
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations[1]	**15**	327
Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax[1]	**52**	13
Total comprehensive income	**777**	30 754
Attributable to:		
Equity shareholders	**1 642**	28 953
Non-controlling interests	**(865)**	1 801
	777	30 754

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. During the year, a net amount of R15 million (31 March 2020: R327 million) of previously recorded foreign currency translation differences were recognised in profit or loss on the sale of certain subsidiaries within the Vodacom Business Africa group.

Condensed consolidated statement of financial position

as at 31 March

Rm	Note	2021 Reviewed	2020 Audited
Assets			
Non-current assets		**125 670**	142 395
Property, plant and equipment		**56 480**	59 277
Intangible assets		**13 186**	13 363
Financial assets		**605**	741
Investment in associate and joint ventures		**50 173**	64 429
Trade and other receivables		**2 536**	2 447
Finance receivables		**2 275**	1 867
Tax receivable		**356**	260
Deferred tax		**59**	11
Current assets		**46 309**	47 828
Financial assets		**6 449**	7 763
Inventory		**1 198**	1 382
Trade and other receivables		**20 129**	19 197
Non-current assets held for sale		**–**	86
Finance receivables		**2 431**	2 288
Tax receivable		**351**	55
Bank and cash balances		**15 751**	17 057
Total assets		**171 979**	190 223
Equity and liabilities			
Fully paid share capital		**57 073**	57 073
Treasury shares		**(16 861)**	(16 620)
Retained earnings		**36 884**	34 294
Other reserves		**2 274**	16 909
Equity attributable to owners of the parent		**79 370**	91 656
Non-controlling interests		**6 320**	8 414
Total equity		**85 690**	100 070
Non-current liabilities		**44 219**	53 403
Borrowings	8	**39 741**	47 988
Trade and other payables		**210**	359
Provisions		**833**	1 055
Deferred tax		**3 435**	4 001
Current liabilities		**42 070**	36 750
Borrowings	8	**9 634**	3 707
Trade and other payables		**31 132**	31 437
Liabilities directly associated with non-current assets held for sale		**–**	30
Provisions		**390**	228
Tax payable		**355**	468
Dividends payable		**17**	14
Bank overdraft		**542**	866
Total equity and liabilities		**171 979**	190 223

Condensed consolidated statement of changes in equity

as at 31 March

Rm	Equity attributable to the owners of the parent	Non-controlling interests	Total equity
31 March 2020 – Audited	**91 656**	**8 414**	**100 070**
Total comprehensive income	**1 642**	**(865)**	**777**
Dividends	**(13 991)**	**(1 318)**	**(15 309)**
Repurchase and sale of shares	**(485)**	**–**	**(485)**
Share-based payments	**557**	**–**	**557**
Changes in subsidiary holdings	**(9)**	**89**	**80**
31 March 2021 – Reviewed	**79 370**	**6 320**	**85 690**
31 March 2019 – Audited	77 992	8 396	86 388
Adoption of IFRS 16	23	1	24
1 April 2019	78 015	8 397	86 412
Total comprehensive income	28 953	1 801	30 754
Dividends	(14 348)	(732)	(15 080)
Repurchase and sale of shares	(443)	–	(443)
Share-based payments	571	–	571
Business combinations	–	46	46
Changes in subsidiary holdings	(1 092)	(1 098)	(2 190)
31 March 2020 – Audited	91 656	8 414	100 070

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	Note	2021 Reviewed	2020 Audited
Cash flows from operating activities			
Cash generated from operations	9	**40 789**	39 251
Tax paid		**(7 428)**	(6 417)
Net cash flows from operating activities		**33 361**	32 834
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		**(13 443)**	(13 890)
Proceeds from disposal of property, plant and equipment and intangible assets		**69**	68
Acquisition of subsidiary (net of cash and cash equivalents acquired)		**–**	(266)
Acquisition of joint venture		**–**	(180)
Disposal of subsidiaries (net of cash and cash equivalents disposed)		**15**	89
Dividends received from associate		**3 576**	4 394
Finance income received		**723**	763
Other investing activities[1]		**63**	(142)
Net cash flows utilised in investing activities		**(8 997)**	(9 164)
Cash flows from financing activities			
Borrowings incurred		**180**	9 630
Borrowings repaid		**(4 052)**	(7 086)
Finance costs paid		**(3 945)**	(4 810)
Dividends paid – equity shareholders		**(13 944)**	(14 358)
Dividends paid – non-controlling interests		**(1 318)**	(732)
Repurchase of shares[2]		**(563)**	(502)
Proceeds on sale of shares[2]		**78**	59
Changes in subsidiary holdings		**(24)**	(2 048)
Net cash flows utilised in financing activities		**(23 588)**	(19 847)
Net increase in cash and cash equivalents		**776**	3 823
Cash and cash equivalents at the beginning of the period		**16 191**	11 066
Effect of foreign exchange rate changes		**(1 758)**	1 302
Cash and cash equivalents at the end of the period		**15 209**	16 191

1. Consists mainly of an increase in restricted cash deposits of R1 201 million (31 March 2020: R445 million increase) from M-Pesa related activities, and decreased investment in treasury bills in Tanzania of R1 262 million (31 March 2020: R352 million decrease).
2. During the current year, cash flows relating to the repurchase and sale of shares that have previously been reported on a net basis, have been disclosed on a gross basis. The reclassification had no impact on any reported totals, headline earnings per share or on any amounts presented in the statement of financial position.

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March

1. Basis of preparation

These preliminary condensed consolidated financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accounts' (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited (JSE) Listings Requirements and the requirements of the Companies Act of 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 preliminary condensed consolidated 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 16.

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 2020, none of which had any material impact on the Group's financial results for the period. 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.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, issued by the IASB, is effective for periods commencing on or after 1 January 2021. The Group is keeping abreast of developments relating to interest rate benchmark reform, as and when communicated by the relevant financial authorities. As at 31 March 2021, there were no changes to any of the interest rate benchmarks that the Group is exposed to. The Group will continue to assess the impact of interest rate benchmark reform as the revised benchmark rates are published.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2021, which will be available online.

Rm	2021 Reviewed	2020 Audited

3. Segment analysis

Rm	2021 Reviewed	2020 Audited
External customer segment revenue	**98 302**	90 746
South Africa	**76 303**	69 045
International	**21 999**	21 681
Corporate and eliminations	**–**	20
Safaricom[1]	**39 627**	37 951
Inter-segment revenue	**–**	–
South Africa	**434**	548
International	**747**	811
Corporate and eliminations	**(1 181)**	(1 359)

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.

3. Segment analysis continued

Revenue is further disaggregated into product type below.

Rm	South Africa	International	Corporate and elimination	Total	Safaricom[1]
31 March 2021 – reviewed					
Mobile contract revenue	20 829	1 469	(6)	22 292	3 420
Mobile prepaid revenue	25 359	18 009	(2)	43 366	30 153
Customer service revenue	46 188	19 478	(8)	65 658	33 573
Mobile interconnect	1 742	1 330	(544)	2 528	1 426
Fixed service revenue	3 556	1 233	(390)	4 399	1 429
Other service revenue	4 919	105	(35)	4 989	1 172
Service revenue	56 405	22 146	(977)	77 574	37 600
Equipment revenue	14 672	285	(21)	14 936	1 527
Non-service revenue	5 299	303	(183)	5 419	500
Revenue from contracts with customers	76 376	22 734	(1 181)	97 929	*
Interest income recognised as revenue	296	12	–	308	*
Other[2]	65	–	–	65	*
Revenue	76 737	22 746	(1 181)	98 302	39 627

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

* Not reviewed by the chief operating decision maker.

3. **Segment analysis** continued

Rm	South Africa	International	Corporate and elimination	Total	Safaricom[1]
31 March 2020 – audited					
Mobile contract revenue	19 841	1 344	(6)	21 179	3 510
Mobile prepaid revenue	23 372	17 327	–	40 699	29 230
Customer service revenue	43 213	18 671	(6)	61 878	32 740
Mobile interconnect	1 893	1 328	(644)	2 577	1 227
Fixed service revenue	3 189	1 709	(471)	4 427	1 296
Other service revenue	4 417	91	(36)	4 472	1 056
Service revenue	52 712	21 799	(1 157)	73 354	36 319
Equipment revenue	13 543	411	(17)	13 937	1 247
Non-service revenue	3 164	274	(165)	3 273	385
Revenue from contracts with customers	69 419	22 484	(1 339)	90 564	*
Interest income recognised as revenue	114	8	–	122	*
Other[2]	60	–	–	60	*
Revenue	69 593	22 492	(1 339)	90 746	37 951

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

* Not reviewed by the chief operating decision maker.

Rm	**2021 Reviewed**	2020 Audited
EBITDA	**39 299**	37 610
South Africa	**30 745**	29 094
International	**8 784**	8 679
Corporate and eliminations	**(230)**	(163)
Safaricom[1]	**20 125**	19 950
Operating profit	**27 652**	27 711
South Africa	**20 515**	19 684
International	**3 833**	4 582
Corporate and eliminations	**3 304**	3 445
Safaricom[1]	**11 886**	12 856

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 impact of net fair value adjustments on tangible and intangible assets.

3. Segment analysis continued

Rm	2021 Reviewed	2020 Audited
Reconciliation of segment results		
EBITDA	**39 299**	37 610
Depreciation and amortisation excluding acquired brands and customer bases	**(15 117)**	(13 955)
Net profit on disposal of property, plant and equipment and intangible assets	**68**	23
Impairment losses	**(6)**	–
Net profit from associate and joint ventures	**3 501**	4 149
Other	**(93)**	(116)
Operating profit[1]	**27 652**	27 711
Total assets	**171 979**	190 223
South Africa	**83 212**	77 787
International	**38 415**	46 829
Corporate and eliminations	**50 352**	65 607
Safaricom[2]	**60 587**	76 079
Total liabilities	**(86 289)**	(90 153)
South Africa	**(62 644)**	(58 269)
International	**(24 612)**	(29 497)
Corporate and eliminations	**967**	(2 387)
Safaricom[2]	**(21 790)**	(24 153)

1. For a reconciliation of operating profit to net profit for the year, refer to the condensed consolidated income statement on page 17.
2. 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 impact of net fair value adjustments on tangible and intangible assets, excluding goodwill that arose on acquisition.

Cents	2021 Reviewed	2020 Audited

4. Per share calculations

4.1 Earnings and dividends per share

Basic earnings per share	**978**	939
Diluted earnings per share	**956**	923
Headline earnings per share	**980**	945
Diluted headline earnings per share	**957**	928
Dividends per share	**820**	840

Million	2021 Reviewed	2020 Audited

4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating

Basic and headline earnings per share	**1 695**	1 697
Diluted earnings and diluted headline earnings per share	**1 735**	1 728

4.3 Ordinary shares for the purpose of calculating dividends per share:

400 cents per share declared on 10 May 2019		1 836
440 cents per share declared on 8 November 2019		1 836
405 cents per share declared on 7 May 2020	**1 836**	
415 cents per share declared on 13 November 2020	**1 836**	

Vodacom Group Limited acquired 3 589 285 shares in the market during the period at an average price of R129.24 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 794 068 shares at an average price of R124.37. 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 R15 054 million (31 March 2020: R15 421 million) of which R74 million (31 March 2020: R60 million) was offset against the forfeitable share plan reserve, R11 million (31 March 2020: R9 million) expensed as staff expenses and R126 million (31 March 2020: R130 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. An amount of R939 million (31 March 2020: R961 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 R96 million was paid out as a trickle dividend to participants. R11 million (31 March 2020: R6 million) was paid to The Innovator Trust. The Group declared a final dividend in respect of the year ended 31 March 2021 after the reporting period (Note 13).

4. Per share calculations continued

Rm	2021 Reviewed	2020 Audited
4.4 Headline earnings reconciliation		
Earnings attributable to equity shareholders for basic and diluted earnings per share	**16 581**	15 944
Adjusted for:		
Net profit on disposal of property, plant and equipment and intangible assets[1]	**(73)**	(25)
Impairment losses	**6**	–
Bargain purchase gain on acquisition by joint venture[2]	**–**	(745)
Loss on disposal of subsidiaries	**70**	819
Net loss on disposal, before foreign currency translation of the operations	**55**	492
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations	**15**	327
	16 584	15 993
Tax impact of adjustments	**22**	10
Non-controlling interests' share in adjustments	**3**	31
Headline earnings for headline- and diluted headline earnings per share[3]	**16 609**	16 034

1. Includes attributable share of net profit on disposal of property, plant and equipment and intangible assets of associate and joint ventures of R5 million (31 March 2020: R 2 million).
2. Includes attributable share of bargain purchase gain recognised by Safaricom, our joint venture partner, of R213 million for the year ended 31 March 2020.
3. This disclosure is a requirement of the JSE Limited. It has been calculated in accordance with Circular 1/2019 as issued by SAICA.

5. Related parties

The amounts disclosed in Notes 5.1 and 5.2 include significant balances and transactions with the Group's parent, entities in its group as well as an associate and joint ventures. Full details of related party transactions will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2021, which will be available online.

Rm	2021 Reviewed	2020 Audited
5.1 Balances with related parties		
Borrowings (including accrued finance cost)	**28 804**	28 753
Dividend receivable from associate included in trade and other receivables	**972**	–
5.2 Transactions with related parties		
Dividends declared	**(9 107)**	(9 329)
Finance costs	**(1 953)**	(2 280)

5. Related parties continued

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 2021, which will be available online.

PJ Moleketi, Chairman of the Group stepped down from the Board at the annual general meeting held on Tuesday, 21 July 2020 and was succeeded by SJ Macozoma. SJ Macozoma was first appointed to the Board in July 2017. Following the appointment of SJ Macozoma as Chairman, DH Brown was appointed as lead independent non-executive director with effect from Wednesday, 22 July 2020.

P Klotz and CB Thomson were appointed to the Board as non-executive director and independent non-executive director respectively with effect from Wednesday, 1 April 2020. On his appointment as a director, CB Thomson became a member of the Audit, Risk & Compliance Committee.

KL Shuenyane joined the Board as an independent non-executive director following the annual general meeting of the company which was held on Tuesday, 21 July 2020. On his appointment as a director, KL Shuenyane became a member of the Audit, Risk & Compliance Committee and Social & Ethics Committee.

NC Nqweni has been appointed as alternate to P Mahanyele-Dabengwa with effect from 1 April 2020, and was appointed as a member of the Audit, Risk & Compliance Committee and Social & Ethics Committee following the annual general meeting of the company which was held on Tuesday, 21 July 2020.

T Streichert resigned from the position of Group Chief Financial Officer and stepped down from the Board on 30 June 2020.

S Mdlalose was appointed to the Board on 1 July 2020 and served as the acting Chief Financial Officer up until 31 October 2020. S Mdlalose also stepped down from the Board on 31 October 2020. RK Morathi was appointed to the Board and as the new Group Chief Financial Officer, with effect from 1 November 2020.

V Badrinath resigned from the Board on 31 December 2020. AM O'Leary was appointed to the Board on 1 January 2021.

Rm	2021 Reviewed	2020 Audited
6. Capital commitments		
Capital expenditure contracted for but not yet incurred[1]	**4 045**	3 537

1. The Group is committed to incur accelerated capital expenditure of US$110 million (R1 624 million) over four years of which approximately 47% has already occurred. Capital commitments as reflected above only include the aforementioned to the extent that open purchase orders have been raised.

Rm	2021 Reviewed	2020 Audited
7. Capital expenditure incurred		
Capital expenditure additions including software	**13 307**	13 218

8. Borrowings

There were no material new borrowings raised during the period ended 31 March 2021. Borrowings repaid consists of repayments on lease liabilities which are classified as borrowings under IFRS 16.

Rm	2021 Reviewed	2020 Audited
9. Cash flows from operating activities		
Profit before tax	**23 781**	23 058
Adjusted for:		
Net loss on disposal of subsidiaries	**70**	819
Finance income	**(767)**	(884)
Finance costs	**4 190**	4 702
Net loss on remeasurement and disposal of financial instruments	**378**	16
Operating profit	**27 652**	27 711
Adjusted for:		
Depreciation and amortisation	**15 117**	13 955
Net profit on disposal of property, plant and equipment and intangible assets	**(68)**	(23)
Impairment losses	**6**	–
Net credit losses on financial assets	**1 078**	802
Share-based payment	**554**	502
Net profit from associate and joint venture	**(3 501)**	(4 149)
Cash flows from operations before working capital changes	**40 838**	38 797
Decrease in inventory	**167**	55
Increase in trade and other receivables	**(2 569)**	(1 668)
Increase in trade and other payables and provisions	**2 353**	2 067
Cash generated from operations	**40 789**	39 251

10. Impact of COVID-19

Since March 2020, the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic, triggering various government interventions in order to stem the spread. In our assessment of the impact on our operations and the economies we operate in we have considered the following aspects:

10.1 Going concern considerations

The going concern basis has been adopted in preparing the preliminary condensed consolidated financial statements for the Group. Telecommunication services are recognised as an essential service during the crisis, which allowed our businesses to continue to operate. As countries attempted to contain the spread of the virus, various forms of restrictions on movement have resulted in an increase in demand for the services we render.

The strength of our financial position will continue to allow us to lead our business through this volatile period. We continually evaluate the impact of the pandemic on our business over the short to medium term. The assessments include macro-economic factors in each of the countries we operate in, the impact on customer spend, liquidity of our customers, our own cash requirements as well as initiatives to contain cost.

10.2 Liquidity-, credit- and interest rate risk

The Group has sufficient funds and committed facilities available to address liquidity risk that may arise from customers experiencing cash flow constraints. In considering the impact on our contract customer base, we have reassessed our credit and risk policies pertaining to our customers and the impact on the recoverability of our debtors under IFRS 9, the impact of which is not significant to our financial results.

The majority of short-term debt is with Vodafone Luxembourg, of which R2 000 million will be repaid subsequent to year end, and R4 000 million is intended to be refinanced, while the remainder relates to short-term items on leases. These are not expected to pose any liquidity risk. The Group continues to monitor its debt exposure between fixed and variable rates, to ensure a balanced portfolio in an uncertain and volatile environment. In order to ensure that short-term liquidity can be met and volatility absorbed, the Group has access to rand denominated facilities of R7 882 million and foreign denominated facilities of R1 511 million.

11. Contingent liabilities

11.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R97 million (31 March 2020: R64 million).

Foreign denominated guarantees amounting to R1 107 million (31 March 2020: R1 340 million) are in issue in support of the Group's subsidiary, Vodacom Congo, relating to liabilities included in the consolidated statement of financial position.

11.2 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings, the 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.

11.3 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 31 March 2021.

12. Other matters

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

Following the deadlock in the negotiations between the parties, Mr Makate elected to refer the matter to the Group's Chief Executive Officer, in his judicially sanctioned role as a deadlock breaking mechanism (the deadlock breaker), to make a determination on the reasonable amount of compensation payable to him. The deadlock breaker has made such a determination, in accordance with the Constitutional Court order, but Mr Makate has rejected his determination. Mr Makate has since launched an application in the High Court of South Africa to have the decision of the deadlock breaker reviewed and set aside. The hearing took place from the 4th to the 6th of May, and judgement is awaited.

12.2 Independent Communications Authority of South Africa (ICASA) Invitation to Apply (ITA)

ICASA issued two separate Invitations to Apply (ITA) on 2 October 2020 regarding the assignment of High Demand Spectrum (HDS) in South Africa, in respect of the provision of mobile broadband wireless access services for urban and rural areas using the complimentary International Mobile telecommunications (IMT) spectrum bands i.e. IMT700, IMT800, IMT2600 and IMT3500 ranges. The first ITA sets out ICASA's licensing process for new individual electronic communications network services (I-ECNS) and Radio Frequency Spectrum Licences for the purpose of operating a wireless open access network (WOAN). The second ITA sets out the licensing process for assignment of HDS to the existing I-ECNS licensees for the purposes of providing national broadband wireless access services. Subsequent to the issuance of the invitations, on 22 December 2020, Telkom filed a court application, in respect of the ITAs. The filing *inter alia* sought to suspend the closing date for submission of applications for the licence to operate a WOAN, and interdict ICASA from assessing or adjudicating any applications received in respect of the ITAs, pending a full review of the ITAs processes. Separately, in January 2021, MTN petitioned the court to review the opt-in part of the second ITA. In March 2021, the High Court in Pretoria issued an order, interdicting ICASA from proceeding with the ITA process pending the final determination of Telkom's application to review ICASA's ITAs. The industry now awaits the outcome of the court proceedings before the future process and date can be determined.

12.3 ICASA inquiry into mobile broadband services

On 16 November 2018, ICASA gave notice of its intention to conduct an inquiry into mobile broadband services. The purpose of the inquiry was to assess the state of competition, and to determine whether there were markets or market segments within the mobile broadband services value chain that may require regulatory intervention in terms of Chapter 10 of the Electronic Communications Act, 2005. Following a discussion document released during November 2019 and public hearings held during October 2019, ICASA issued a findings document and Draft Mobile Broadband Services Regulations on 26 March 2021. ICASA concluded that Vodacom and MTN have significant market power in certain retail and wholesale mobile service markets. Further, ICASA proposed several pro-competitive terms and intends to monitor retail prices and wholesale prices.

12. Other matters continued

12.4 Application to the Competition Tribunal regarding agreements between Vodacom (Pty) Limited (the Company) and Rain Networks (Pty) Limited (Rain)

Telkom South Africa SOC Limited (Telkom) launched an application to the Competition Tribunal in October 2020 in respect of a transaction concluded by the Company and Rain. Telkom is applying to the Competition Tribunal for an order that, amongst others, the arrangements and transaction concluded by the Company and Rain constitutes a notifiable merger in terms of the Competition Act, which must be notified to the Competition Commission and that the Company and Rain are prohibited from taking any steps to further implement the transaction until such time as the merger has been approved. The Company has given notice of intention to oppose the matter. The proceedings are ongoing.

12.5 Vodacom Congo (RDC) SA (Vodacom Congo) Organisation for the Harmonisation of Business Law in Africa (OHADA)

Vodacom Congo is not in compliance with the minimum capital requirements as set out under the OHADA. Vodacom Congo has to increase its share capital to meet the minimum OHADA requirements. A non-compliance gap remains, and the matter is continuously being discussed by the Board and shareholders of Vodacom Congo.

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

In December 2019, the Lesotho Communications Authority (LCA) issued a notice of enforcement against Vodacom Lesotho premised on its view that the company's statutory external auditors were not independent, as required by the Companies Act. The statutory external auditors of Vodacom Lesotho are not affiliated to the Group auditors, Ernst & Young Inc.

On 28 September, the LCA issued a penalty of R134 million against Vodacom Lesotho. Despite Vodacom Lesotho reserving its rights for appeal within the statutory timeframe, on 8 October 2020, the LCA issued a notice of revocation of the operating licence of Vodacom Lesotho for failure to pay the penalty.

Vodacom Lesotho has launched an application in the Lesotho High Court to have both determinations of the LCA imposing the fine and revoking its operating licence, respectively, reviewed and set aside. The Lesotho High Court has, in the meantime, issued an order interdicting the LCA from, *inter alia*, enforcing the payment of the said fine and revoking Vodacom Lesotho's operating licence. The Lesotho High Court heard the matter in December 2020, and Vodacom Lesotho is awaiting judgement.

13. Events after the reporting period

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

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

A final dividend of R7 527 million (410 cents per ordinary share) for the period ended 31 March 2021, was declared on 17 May 2021, payable on 28 June 2021 to shareholders recorded in the register at the close of business on 25 June 2021. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 328.00000 cents per share.

13. Events after the reporting period continued

13.2 Participation by the Group in a consortium bidding for a mobile telecommunications licence in the Federal Democratic Republic of Ethiopia

The Government of the Federal Democratic Republic of Ethiopia, through the Ethiopian Communications Authority (ECA), issued a final request for proposals on 5 March 2021 for the award of two full service mobile telecommunication licences in Ethiopia. On 26 April 2021, the Group participated as a minority in a consortium (effective interest of 6.2%), controlled by Safaricom Plc, bidding for a mobile telecommunication licence in the Federal Democratic Republic of Ethiopia. The ECA has indicated that successful bidders will be announced within thirty days (subject to timing subsequently advised by the ECA). As part of and in relation to the bid submission, the consortium issued guarantees in favour of the ECA.

14. Fair value

The carrying amounts of financial assets at amortised cost, trade receivables, bank and cash balances, bank overdraft 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 R36 934 million (2020: R33 608 million) amounts to R37 444 million (2020: R34 312 million). Fair value is based on level two of the fair value hierarchy[2]. Estimated interest for fixed interest rate financial liabilities is 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 5.25% and 6.33% (2020: 7.7% and 9.0%) for rand-denominated borrowings.

14.1 Fair value hierarchy

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

Rm	2021 Reviewed	2020 Audited
Level one[1]		
Financial assets at fair value through profit or loss		
Unit trust investments	**341**	320
Level two[2]		
Financial assets at fair value through other comprehensive income		
Finance receivables[3]	**4 706**	4 084
Financial assets and liabilities at fair value through profit or loss		
Derivative financial assets[4]	**122**	658
Derivative financial liabilities[4]	**(205)**	(335)
	4 964	4 727

1. Level one classification is used when the valuation is determined using quoted prices in an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices.
3. 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.
4. 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 year ended 31 March 2021

Rm	South Africa	% change 20/21	Inter-national	% change 20/21	Corporate/ Eliminations	Group	% change 20/21	Safaricom[1]	% change 20/21
Mobile contract revenue	20 829	5.0	1 469	9.3	(6)	22 292	5.3	3 420	(2.6)
Mobile prepaid revenue	25 359	8.5	18 009	3.9	(2)	43 366	6.6	30 153	3.2
Customer service revenue	**46 188**	**6.9**	**19 478**	**4.3**	**(8)**	**65 658**	**6.1**	**33 573**	**2.5**
Mobile interconnect	1 742	(8.0)	1 330	0.2	(544)	2 528	(1.9)	1 426	16.2
Fixed service revenue	3 556	11.5	1 233	(27.9)	(390)	4 399	(0.6)	1 429	10.3
Other service revenue	4 919	11.4	105	15.4	(35)	4 989	11.6	1 172	11.0
Service revenue	**56 405**	**7.0**	**22 146**	**1.6**	**(977)**	**77 574**	**5.8**	**37 600**	**3.5**
Equipment revenue	14 756	8.0	297	(29.1)	(21)	15 032	6.9	1 527	22.5
Non-service revenue	5 576	73.0	303	10.6	(183)	5 696	70.9	500	29.9
Revenue	**76 737**	**10.3**	**22 746**	**1.1**	**(1 181)**	**98 302**	**8.3**	**39 627**	**4.4**
Direct expenses	(32 191)	16.7	(6 166)	(4.7)	1 010	(37 347)	13.6	(12 593)	13.2
Staff expenses	(4 639)	12.1	(1 778)	(0.7)	(573)	(6 990)	8.9	(2 366)	13.1
Publicity expenses	(1 120)	(11.5)	(591)	(5.3)	(7)	(1 718)	(9.9)	(594)	(27.4)
Other operating expenses	(7 999)	5.3	(5 495)	11.3	521	(12 973)	7.9	(3 938)	(0.6)
Depreciation and amortisation	(10 274)	10.2	(4 835)	4.6	(8)	(15 117)	8.3	(8 182)	7.1
Impairment charges	–	–	(6)	–	–	(6)	–	–	n/a
Net profit from associate and joint ventures	1	–	(42)	–	3 542	3 501	(15.6)	(68)	(112.6)
Operating profit	**20 515**	**4.2**	**3 833**	**(16.3)**	**3 304**	**27 652**	**(0.2)**	**11 886**	**(7.5)**
EBITDA	30 745	5.7	8 784	1.2	(230)	39 299	4.5	20 125	0.9
EBITDA margin (%)	40.1	(1.7ppt)	38.6	–		40.0	(1.4ppt)	50.8	(1.8ppt)
Included in service revenue:									
Financial services revenue	2 372	18.9	4 513	13.0	–	6 885	15.0	12 391	1.7

Note:

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

Operating results for the year ended 31 March 2020

Rm	South Africa	International	Corporate/ Eliminations	Group	Safaricom[1]
Mobile contract revenue	19 841	1 344	(6)	21 179	3 510
Mobile prepaid revenue	23 372	17 327	–	40 699	29 230
Customer service revenue	**43 213**	**18 671**	**(6)**	**61 878**	**32 740**
Mobile interconnect	1 893	1 328	(644)	2 577	1 227
Fixed service revenue	3 189	1 709	(471)	4 427	1 296
Other service revenue	4 417	91	(36)	4 472	1 056
Service revenue	**52 712**	**21 799**	**(1 157)**	**73 354**	**36 319**
Equipment revenue	13 657	419	(17)	14 059	1 247
Non-service revenue	3 224	274	(165)	3 333	385
Revenue	**69 593**	**22 492**	**(1 339)**	**90 746**	**37 951**
Direct expenses	(27 587)	(6 467)	1 177	(32 877)	(11 123)
Staff expenses	(4 140)	(1 791)	(490)	(6 421)	(2 092)
Publicity expenses	(1 265)	(624)	(18)	(1 907)	(818)
Other operating expenses	(7 597)	(4 936)	509	(12 024)	(3 960)
Depreciation and amortisation	(9 322)	(4 624)	(9)	(13 955)	(7 640)
Impairment charges	–	–	–	–	–
Net profit from associate and joint ventures	2	532	3 615	4 149	538
Operating profit	**19 684**	**4 582**	**3 445**	**27 711**	**12 856**
EBITDA	29 094	8 679	(163)	37 610	19 950
EBITDA margin (%)	41.8	38.6	–	41.4	52.6
Included in service revenue:					
Financial services revenue	1 995	3 993	–	5 988	12 185

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

South Africa key indicators

	Year ended 31 March		% change
	2021	2020	**20/21**
Customers[1] (thousand)	**44 061**	**41 312**	**6.7**
Prepaid	37 847	35 231	7.4
Contract	6 214	6 081	2.2
Data customers[2] (thousand)	**21 703**	21 891	**(0.9)**
Internet of Things connections[3] (thousand)	**5 625**	5 289	**6.4**
Traffic[4] (millions of minutes)	**68 455**	**64 070**	**6.8**
Outgoing	57 586	53 875	6.9
Incoming	10 869	10 195	6.6
MOU per month[5]	**136**	122	**11.5**
Prepaid	**126**	112	**12.5**
Contract	**195**	189	**3.2**
Total ARPU[6] (rand per month)	**95**	86	**10.5**
Prepaid	**61**	54	**13.0**
Contract	**296**	290	**2.1**
Messaging (million)	**7 755**	8 885	**(12.7)**
Number of employees	**5 493**	5 403	**1.7**

Notes:
1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
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. 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.
4. Traffic comprises total traffic registered on Vodacom's mobile network including bundled minutes; promotional minutes and outgoing international roaming calls but excluding national roaming calls, incoming international roaming calls and calls to free services.
5. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
6. Total ARPU is calculated by dividing the 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.

International key indicators

	Year ended 31 March		% change
	2021	2020	**20/21**
Customers[1] (thousand)	**39 751**	**38 595**	**3.0**
Tanzania	14 861	15 513	(4.2)
DRC	15 180	13 766	10.3
Mozambique	7 979	7 656	4.2
Lesotho	1 731	1 660	4.3
Data customers[2] (thousand)	**20 644**	**19 983**	**3.3**
Tanzania	7 695	7 687	0.1
DRC	7 056	6 594	7.0
Mozambique	5 045	4 855	3.9
Lesotho	848	847	0.1
30-day active M-Pesa customers[3] (thousand)	**16 148**	**14 738**	**9.6**
Tanzania	7 395	6 685	10.6
DRC	3 029	2 864	5.8
Mozambique	4 873	4 389	11.0
Lesotho	851	800	6.4
MOU per month[4]			
Tanzania[4]	**194**	155	**25.2**
DRC	**33**	34	**(2.9)**
Mozambique	**135**	132	**2.3**
Lesotho	**70**	80	**(12.5)**
Total ARPU[5] (rand per month)			
Tanzania	**37**	36	**2.8**
DRC	**45**	46	**(2.2)**
Mozambique	**57**	59	**(3.4)**
Lesotho	**59**	69	**(14.5)**
Total ARPU[5] (local currency per month)			
Tanzania (TZS)	**5 259**	5 616	**(6.4)**
DRC (US$)	**2.8**	3.1	**(9.7)**
Mozambique (MZN)	**250**	252	**(0.8)**
Number of employees	**2 149**	2 054	**4.6**

Notes:
1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period. Tanzania's FY20 MOU has been restated to align with Group reporting policies.
5. 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 indicators

	Year ended 31 March		% change
	2021	2020	**20/21**
Customers[1] (thousand)	**39 902**	35 607	**12.1**
Data customers[2] (thousand)	**20 044**	19 622	**2.2**
M-Pesa customers[3] (thousand)	**28 307**	24 910	**13.6**
ARPU[4] (local currency per month)	**551.3**	614.6	**(10.3)**

International financial review per country

	Year ended 31 March		% change
	2021	2020	**20/21**
Revenue (local currency)			
Tanzania (TZSm)	**974 391**	1 032 667	**(5.6)**
DRC (US$000)	**509 156**	511 523	**(0.5)**
Mozambique (MZNm)	**25 462**	24 601	**3.5**
Lesotho (LSLm)	**1 209**	1 377	**(12.2)**
EBITDA (local currency)			
Tanzania (TZSm)	**316 341**	359 690	**(12.1)**
DRC (US$000)	**197 926**	194 369	**1.8**
Mozambique (MZNm)	**12 410**	11 504	**7.9**
Lesotho (LSLm)	**517**	619	**(16.5)**

Notes:
1 A customer is defined as a Subscriber Identity Module (SIM), or in territories where SIMs do not exist, a unique mobile telephone number which has access to the network for any purpose (including data only usage) except telemetric applications.
2 Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the month reported.
3 Number of unique customers who have generated revenue related to M-Pesa in the past 30 days.
4 ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.

Historical financial review

Revenue for the quarter ended

Rm	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019
South Africa	20 294	19 729	19 459	17 255	17 493	18 183	17 358
International	5 315	5 685	5 952	5 794	5 558	5 789	5 869
Corporate and eliminations	(285)	(280)	(297)	(319)	(320)	(346)	(365)
Group revenue	**25 324**	**25 134**	**25 114**	**22 730**	**22 731**	**23 626**	**22 862**

Revenue YoY % change for the quarter ended

	Reported				Normalised*
%	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2021
South Africa	16.0	8.5	12.1	4.2	16.0
International	(4.4)	(1.8)	1.4	9.8	4.0
Corporate and eliminations	(10.9)	(19.1)	(18.6)	(3.6)	(10.9)
Group service revenue	**11.4**	**6.4**	**9.9**	**5.6**	**13.7**

Service revenue for the quarter ended

Rm	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019
South Africa	14 481	14 306	14 240	13 378	13 348	13 567	13 220
International	5 194	5 543	5 751	5 658	5 397	5 622	5 668
Corporate and eliminations	(243)	(222)	(237)	(275)	(293)	(290)	(318)
Group service revenue	**19 432**	**19 627**	**19 754**	**18 761**	**18 452**	**18 899**	**18 570**

Service revenue YoY % change for the quarter ended

	Reported				Normalised*
%	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2021
South Africa	8.5	5.4	7.7	6.4	8.5
International	(3.8)	(1.4)	1.5	10.7	4.3
Corporate and eliminations	(17.1)	(23.4)	(25.5)	(7.4)	(17.1)
Group service revenue	**5.3**	**3.9**	**6.4**	**7.6**	**7.8**

Exchange rates

	Average YTD			Closing YTD		
	31 March		% change	31 March		% change
	2021	2020	20/21	2021	2020	20/21
US$/ZAR	**16.36**	14.79	**10.6**	**14.77**	17.86	**(17.3)**
ZAR/MZN	**4.43**	4.27	**3.7**	**4.58**	3.78	**21.2**
ZAR/TZS	**142.57**	155.93	**(8.6)**	**157.05**	129.62	**21.2**
EUR/ZAR	**19.04**	16.42	**16.0**	**17.35**	19.60	**(11.5)**
ZAR/KES	**6.67**	6.93	**(3.8)**	**7.41**	5.88	**26.0**

	Average QTD				Closing QTD			
	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2021	31 December 2020	30 September 2020	30 June 2020
US$/ZAR	**14.95**	15.61	16.92	17.94	**14.77**	14.69	16.68	17.38
ZAR/MZN	**4.96**	4.72	4.20	3.82	**4.58**	5.08	4.34	4.04
ZAR/TZS	**155.10**	148.80	137.24	129.14	**157.05**	157.88	139.09	133.41
EUR/ZAR	**18.03**	18.60	19.78	19.75	**17.35**	17.97	19.56	19.51
ZAR/KES	**7.34**	7.02	6.39	5.95	**7.41**	7.43	6.50	6.13

Historical key indicators

South Africa for the quarter ended

	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019
Customers[1] (thousand)	**44 061**	**44 312**	**42 862**	**39 433**	**41 312**	**44 341**	**43 857**
Prepaid	37 847	38 136	36 715	33 340	35 231	38 279	37 830
Contract	6 214	6 176	6 147	6 093	6 081	6 062	6 027
Data customers[2] (thousand)	**21 703**	22 483	22 300	21 226	21 891	22 878	21 420
Internet of Things connections[3] (thousand)	**5 625**	5 559	5 459	5 422	5 289	4 678	4 574
Traffic[4] (millions of minutes)	**16 868**	**17 448**	**17 709**	**16 428**	**15 823**	**16 288**	**16 324**
Outgoing	14 159	14 640	14 835	13 951	13 172	13 664	13 784
Incoming	2 709	2 808	2 874	2 477	2 651	2 564	2 540
MOU per month[5]	**128**	133	143	142	123	122	124
Prepaid	**116**	122	133	133	113	113	113
Contract	**197**	195	199	190	188	180	194
Total ARPU[6] (rand per month)	**92**	92	98	99	88	87	85
Prepaid	**57**	59	64	64	55	54	53
Contract	**306**	293	296	288	286	295	291

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. 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.
4. Traffic comprises total traffic registered on Vodacom's mobile network including bundled minutes; promotional minutes and outgoing international roaming calls but excluding national roaming calls, incoming international roaming calls and calls to free services.
5. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
6. Total ARPU is calculated by dividing the 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.

Historical key indicators

International for the quarter ended

	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019
Customers[1] (thousand)	**39 751**	**39 415**	**38 600**	**37 676**	**38 595**	**38 241**	**36 587**
Tanzania	14 861	15 171	14 958	14 743	15 513	15 597	14 755
DRC	15 180	14 818	14 470	13 909	13 766	13 402	12 995
Mozambique	7 979	7 744	7 677	7 556	7 656	7 522	7 279
Lesotho	1 731	1 682	1 495	1 468	1 660	1 720	1 558
Data customers[2] (thousand)	**20 644**	**20 744**	**20 442**	**19 955**	**19 983**	**20 593**	**19 678**
Tanzania	7 695	7 881	7 742	7 714	7 687	8 369	8 166
DRC	7 056	6 850	6 912	6 531	6 594	6 330	6 071
Mozambique	5 045	5 068	4 948	4 884	4 855	4 984	4 656
Lesotho	848	945	840	826	847	910	785
MOU per month[3]							
Tanzania[3]	**201**	198	198	181	148	153	165
DRC	**32**	33	34	32	34	36	34
Mozambique	**135**	143	135	129	128	141	133
Lesotho	**64**	79	72	67	73	84	85
30-day active M-Pesa customers[4] (thousand)	**16 148**	**15 988**	**15 562**	**14 686**	**14 738**	**14 847**	**14 297**
Tanzania	7 395	7 447	7 449	7 124	6 685	7 477	7 197
DRC	3 029	2 963	2 781	2 504	2 864	2 316	2 228
Mozambique	4 873	4 805	4 670	4 465	4 389	4 305	4 217
Lesotho	851	773	662	593	800	749	655
Total ARPU[5] (rand per month)							
Tanzania	**33**	37	40	39	32	37	39
DRC	**42**	44	48	47	46	46	48
Mozambique	**52**	57	58	60	58	61	62
Lesotho	**53**	63	63	57	62	70	71
Total ARPU[5] (local currency per month)							
Tanzania (TZS)	**5 152**	5 467	5 437	4 978	4 755	5 826	6 050
DRC (US$)	**2.8**	2.8	2.8	2.6	3.0	3.1	3.3
Mozambique (MZN)	**257**	271	245	228	245	260	261

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. Tanzania's historical MOU has been restated to align with Group reporting policies.
4. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
5. 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.

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 46 – 51, is the responsibility of the directors of Vodacom Group Limited.

- 'Normalised' results have been presented to assist the user in understanding the underlying growth trends and adjusts for:
  - the impact of trading foreign exchanges;
  - 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.
- '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, the SAICA Guide on *Pro-Forma* Financial. This *pro-forma* financial information for the year ended 31 March 2021 as presented in Table A as well as the constant currency information, along with the respective notes, has been reported on by the Group's auditors, being Ernst & Young Inc., and these independent reporting accountant's reports are available for inspection at the Group's registered offices.

Table A: Reconciliation of normalised values for the year ended 31 March 2021

Rm	Reported results[1]	Foreign exchange Trading FX[2]	Foreign exchange Translation FX[3]	Mergers, acquisitions and disposals[4]	Normalised*
Revenue					
Group	**98 302**	–	–	(33)	**98 269**
International	**22 746**	–	–	(33)	**22 713**
South Africa	**76 737**	–	–	–	**76 737**
Service revenue					
Group	**77 574**	–	–	(33)	**77 541**
International	**22 146**	–	–	(33)	**22 113**
South Africa	**56 405**	–	–	–	**56 405**
M-Pesa revenue					
International	**4 513**	–	–	–	**4 513**
Total expenses					
Group	**59 028**	(61)	–	3	**58 970**
International	**14 030**	(81)	–	3	**13 952**
South Africa	**45 949**	4	–	–	**45 953**
EBITDA					
Group	**39 299**	61	–	–	**39 360**
International	**8 784**	81	–	–	**8 865**
South Africa	**30 745**	(4)	–	–	**30 741**
Net profit from associate and joint ventures					
Group	**3 501**	37	–	59	**3 597**
Safaricom	**3 542**	37	–	18	**3 597**
Operating profit					
Group	**27 652**	98	–	62	**27 812**
International	**3 833**	81	–	45	**3 959**
South Africa	**20 515**	(4)	–	–	**20 511**

Table B: Reconciliation of normalised values for the year ended 31 March 2020

Rm	Reported results[1]	Foreign exchange Trading FX[2]	Foreign exchange Translation FX[3]	Mergers, acquisitions and disposals[4]	Normalised*
Revenue					
Group	**90 746**	–	1 371	(591)	**91 526**
International	**22 492**	–	1 372	(591)	**23 273**
South Africa	**69 593**	–	(1)	–	**69 592**
Service revenue					
Group	**73 354**	–	1 320	(581)	**74 093**
International	**21 799**	–	1 321	(581)	**22 539**
South Africa	**52 712**	–	(1)	–	**52 711**
M-Pesa revenue					
International	**3 993**	–	272	–	**4 265**
Total expenses					
Group	**53 229**	(27)	910	(439)	**53 673**
International	**13 818**	(11)	909	(439)	**14 277**
South Africa	**40 589**	(14)	(1)	–	**40 574**
EBITDA					
Group	**37 610**	27	457	(89)	**38 005**
International	**8 679**	11	460	(89)	**9 061**
South Africa	**29 094**	14	(3)	–	**29 105**
Net profit from associate and joint ventures					
Group	**4 149**	(9)	67	(745)	**3 462**
Safaricom	**3 615**	(9)	115	(212)	**3 509**
Operating profit					
Group	**27 711**	18	210	(732)	**27 207**
International	**4 582**	11	96	(520)	**4 169**
South Africa	**19 684**	14	(1)	–	**19 697**

Table C: Reconciliation of normalised growth for the year ended 31 March 2021

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

		Foreign exchange			
%	% change[1]	Trading FX[2] ppts	Translation FX[3] ppts	Mergers, acquisitions and disposals ppts[4]	Normalised* % change
Revenue					
Group	**8.3**	–	(1.6)	0.7	**7.4**
International	**1.1**	–	(5.9)	2.4	**(2.4)**
South Africa	**10.3**	–	–	–	**10.3**
Service revenue					
Group	**5.8**	–	(1.9)	0.8	**4.7**
International	**1.6**	–	(6.0)	2.5	**(1.9)**
South Africa	**7.0**	–	–	–	**7.0**
M-Pesa revenue					
International	**13.0**	–	(7.2)	–	**5.8**
Total expenses					
Group	**10.9**	(0.1)	(1.8)	0.9	**9.9**
International	**1.5**	(0.5)	(6.4)	3.1	**(2.3)**
South Africa	**13.2**	0.1	–	–	**13.3**
EBITDA					
Group	**4.5**	0.1	(1.2)	0.2	**3.6**
International	**1.2**	0.8	(5.2)	1.0	**(2.2)**
South Africa	**5.7**	(0.1)	–	–	**5.6**
Net profit from associate and joint ventures					
Group	**(15.6)**	1.2	(1.7)	20.0	**3.9**
Safaricom	**(2.0)**	1.3	(3.2)	6.4	**2.5**
Operating profit					
Group	**(0.2)**	0.3	(0.8)	2.9	**2.2**
International	**(16.3)**	1.5	(2.0)	11.8	**(5.0)**
South Africa	**4.2**	(0.1)	–	–	**4.1**

Table D: Reconciliation of normalised growth for the quarter ended

31 March 2021 Rm	Reported[1]	Translation FX[3]	Mergers, acquisitions and disposals[4]	Normalised*
Revenue				
Group	**25 324**	–	–	**25 324**
International	**5 315**	–	–	**5 315**
Service revenue				
Group	**19 432**	–	–	**19 432**
International	**5 194**	–	–	**5 194**

31 March 2020 Rm	Reported[1]	Translation FX[3]	Mergers, acquisitions and disposals[4]	Normalised*
Revenue				
Group	**22 731**	(358)	(92)	**22 281**
International	**5 558**	(358)	(92)	**5 108**
Service revenue				
Group	**18 452**	(329)	(90)	**18 033**
International	**5 397**	(329)	(90)	**4 978**

31 March 2021 %	Reported[1]	Translation FX[3] ppts	Mergers, acquisitions and disposals[4] ppts	Normalised* % change
Revenue				
Group	**11.4**	1.8	0.5	**13.7**
International	**(4.4)**	6.7	1.7	**4.0**
Service revenue				
Group	**5.3**	2.0	0.5	**7.8**
International	**(3.8)**	6.4	1.7	**4.3**

Notes:

1. The financial information relating to revenue, service revenue, total expenses, EBITDA, operating profit and net profit from associate and joint ventures re extracted without adjustment from the preliminary condensed consolidated financial statements for the year ended 31 March 2021.
2. Trading foreign exchange adjustments (FX) are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group, which is included with other operating expenses as per the preliminary condensed consolidated income statement.
3. 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 year ended 31 March 2020, these exchange variances are eliminated by applying the average rate for the year ended 31 March 2021 (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 31 March 2020 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 42.
4. Mergers, acquisitions and disposals, as per page 46 and 47 relates certain subsidiaries with Vodacom Business Africa group being disposed during the year ended 31 March 2020 and the year ended 31 March 2021, realising a net loss of R70 million (FY20: R819 million). Refer to note 4.4 in the preliminary condensed consolidated financial statements for the year ended 31 March 2021. The year ended 31 March 2020 has been adjusted to reflect at constant currency as detailed in note 3.
5. The percentage change relates to the year-on-year percentage growth calculated as the percentage change between the year-to-date 31 March 2021 and year-to-date ended 31 March 2020.
6. The percentage change relates to the quarter to date year-on-year percentage growth calculated as the percentage change between the quarter-to-date 31 March 2021 and the quarter-to-date 31 March 2020 values.

* Normalised growth presents performance on a comparable basis. This adjusts for trading foreign exchange, 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.

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

Rm	2021	2020
	Year ended 31 March	
Cash generated from operations[1]	40 789	39 251
Cash capital expenditure[2]	(13 325)	(12 943)
Lease liability payments[3]	(4 266)	(4 046)
Movement in amounts due to M-Pesa account holders[4]	(1 168)	(480)
Operating free cash flow	**22 030**	**21 782**
Tax paid[1]	(7 428)	(6 417)
Dividends received from associate[1]	3 576	4 394
Finance income received[1]	723	763
Finance costs paid[5]	(2 609)	(3 506)
Net dividends received from associate and paid non-controlling shareholders[1]	(1 318)	(732)
Free cash flow	**14 974**	**16 284**

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 preliminary condensed consolidated statement of cash flows for the year ended 31 March 2021.
2. Cash capital expenditure as per the preliminary condensed consolidated statement of cash flows, excluding net capital expenditure of licence and spectrum fee of R67 million (FY20: R861 million) and acquisition of customer base of R0 million (FY20: R18 million).
3. Lease liability payments includes interest on lease liabilities of R1 336 million (FY20: R1 304 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 R3 945 million (FY20: R4 810 million), as extracted from the preliminary condensed consolidated statement of cash flows for the year ended 31 March 2021, net of Interest on lease liabilities of R1 336 million (FY20: R1 304 million).

Additional financial and operational measures

This announcement contains certain financial (i.e. Vodacom Business service revenue and EBITDA) and operational (i.e. customers, ARPUs and number of employees) measures which are presented in addition to the financial information disclosed in the preliminary condensed consolidated financial statements for the year ended 31 March 2021 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 preliminary condensed consolidated financial statements for the year ended 31 March 2021. The financial measures have been extracted from the management accounts upon which the preliminary condensed consolidated financial statements for the year ended 31 March 2021 are based. Refer to pages 13 for details relating to capital expenditure and the supplementary information on pages 46 to 51 for a reconciliation thereof to the reported results included in this announcement.

Trademarks

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

Forward-looking statements

This announcement which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2021 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

SJ Macozoma (Chairman), MS Aziz Joosub (CEO), RK Morathi (CFO), DH Brown, P Klotz[1], P Mahanyele-Dabengwa (Alternate NC Nqweni), AM O'Leary[2], JWL Otty[3], KL Shuenyane, S Sood[4], CB Thomson, LS Wood[3] (Alternate F Bianco[5])

1. Swedish 2. Irish 3. British 4. Indian 5. Italian

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Sponsor

UBS South Africa (Pty) Limited

ADR Depository Bank

Deutsche Bank Trust Company Americas

Company Secretary

SF Linford

Investor Relations

JP Davids

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