Vodacom Group Limited annual results for the year ended 31 March 2019

Highlights

- Group service revenue up 5.0% (3.8%*) to R74.2 billion#; and Group revenue increased 4.3% (3.2%*) to R90.1 billion#.
- We now have 110 million customers across the Group, up 5.8%.
- South Africa service revenue increased 2.1% to R55.7 billion#, improving growth in Q4, with 1.5 million new customers enjoying our superfast network.
- International operations achieved mid-teens service revenue growth of 15.6% (10.3%*), as we drive Financial Services inclusion and continue to connect customers across all our operations.
- Safaricom reported net profit growth of 14.7% and proposed both a normal dividend of KES50.08 billion (R2.3 billion)[1] and a special dividend of KES24.84 billion (R1.1 billion)[1].
- Safaricom contributed R2.8 billion# net profit, net of the amortisation of fair valued assets and before minority interest.
- Concluded our R16.4 billion Broad-based black economic empowerment (BEE) ownership deal in September, the largest deal of its kind in the ICT sector.
- Operating profit of R24.5 billion#, up 1.1% or 7.4% excluding a one off non-cash IFRS 2 charge of R1.4 billion and transaction costs of R124 million, relating to the BEE ownership deal. Our operations outside of South Africa now contribute 23.0% to operating profit, up from 14.0% in the previous year.
- Continued significant capital investment of R13.0 billion to improve quality and coverage of all our networks, and strengthen our IT capabilities.
- Earnings per share of 867 cents# and final dividend of 400 cents. Full year dividend of 795 cents per share, impacted by additional shares issued for the BEE transaction.

	Year ended 31 March			% change	
Rm	2019 IFRS 15	2019 IAS 18#	2018 IAS 18	IAS 18	IAS 18 Normalised*
Revenue	86 627	90 066	86 370	4.3	3.2
Service revenue	69 867	74 150	70 632	5.0	3.8
EBITDA	33 714	33 689	32 898	2.4	2.3
EBIT	23 413	23 388	23 109	1.2	1.8
Net profit from associate and joint venture[Δ]	2 774	2 824	1 507	87.4	
Operating profit	24 490	24 515	24 252	1.1	2.1
Net profit	15 532	15 442	15 562	(0.8)	
Capital expenditure	12 957	12 957	11 594	11.8	
Operating free cash flow	21 643	21 643	21 117	2.5	
Free cash flow	14 865	14 865	14 195	4.7	
Earnings per share (EPS) (cents)	872	867	947	(8.4)	
Headline earnings per share (HEPS) (cents)	868	862	923	(6.6)	
Dividend per share (cents)	795	795	815	(2.5)	

Following the cumulative retrospective adoption of IFRS 15: Revenue from Contracts with Customers on 1 April 2018, the Group's results for the year ended 31 March 2019 are on an IFRS 15 basis, whereas the results for the year ended 31 March 2018 are (as previously reported) on an IAS 18 basis.

Notes:
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 24 to 27. The *pro-forma* financial information includes:

- Financial information, on a comparable IAS 18 basis, for the year ended 31 March 2019, marked as '#' in this document. The IAS 18 financial information is based on the condensed consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2019.
- Amounts marked with an * in this document, represent normalised growth, which presents performance on a comparable IAS 18 basis. This excludes merger and acquisition activity where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current year as base).
- Amounts marked with '¥' in this document represents HEPS growth adjusted for the BEE and Safaricom transaction and amounts marked with 'µ' represents HEPS growth adjusted for only the BEE transaction, disclosed in a reconciliation in the *pro-forma* information on page 27.

The *pro-forma* financial information has been reported on by the Group external auditors.
All growth rates quoted are year-on-year and refer to the year ended 31 March 2019 compared to the year ended 31 March 2018, which are based on IAS 18 accounting principles, unless stated otherwise.
[1]. The Group's share of these dividend proposals, at a KES/ZAR change rate of 6.99, after withholding tax.
[Δ]On 7 August 2017, the Group acquired an effective interest of 34.94% in Safaricom Plc which is accounted for as an investment in associate. Net profit from associate and joint venture includes attributable net profits and related amortisation of fair valued assets. Prior year results reflect eight months of attributable net profit from Safaricom Plc.

Comparisons between the two bases of reporting are not meaningful and to ensure appropriate disclosure during the period of transition to IFRS 15, results for the year ended 31 March 2019 has been disclosed on both an IFRS 15 and IAS 18 basis. Our commentary describing our operating performance in the Operating Review has been provided solely on an IAS 18 basis. The accounting standard applied is clearly marked in the heading of relevant columns in this results announcement. To aid in the understanding of the transition from IAS 18 to IFRS 15, we have provided commentary on the main differences between the two standards on pages 8 and 9. Further disclosure is also included in Note 2: Changes in accounting policies and in Note 3: Segment analysis of the condensed consolidated financial statements for the year ended 31 March 2019.

Shameel Joosub, Vodacom Group CEO commented:

This year we have given back significant value to stakeholders. We unlocked R7.5 billion in value for YeboYethu shareholders, and in September 2018 concluded the largest ever broad-based BEE transaction in the South African telecommunications sector.

A sharp reduction in our out-of-bundle tariffs, contributed to the 37% decline in effective data prices since the end of March last year. In addition to enabling customers to manage their spend and utilise their data, virtually worry-free. This translates into a further R2 billion in savings enjoyed by customers as part of our ongoing pricing transformation strategy. Over a three-year period, data prices have fallen by 57%; despite not having access to further available spectrum.

The financial impacts of delivering on our promise of further reducing the cost-to-communicate in South Africa, combined with costs associated with concluding our new R16.4 billion BEE deal, is evident in the subdued increase in our operating profit. This masks an otherwise solid operational performance for the Group, where service revenue grew by 5.0%, led by strong performance in our International portfolio. Excluding one off BEE costs, Group headline earnings per share (HEPS) rose by 4.2%[μ].

In August last year, through Vodacom Lesotho, we laid claim to being first in Africa to connect customers to a commercial 5G network. Vodacom South Africa remains ready to follow Lesotho's lead as soon as the requisite 5G spectrum is secured, a crucial step in ensuring that the country doesn't get left behind from participating in the Fourth Industrial Revolution.

We connected an additional 6 million customers to the Vodacom and Safaricom networks, a 5.8% increase to 110 million in total. At the same time, we invested close on R13 billion in network and IT infrastructure to ensure all customers benefit from superior service and network experience across our footprint.

Despite the low economic growth environment in South Africa and our deliberate actions to reduce prices for all segments, service revenue in South Africa rose by 2.1%. We are particularly encouraged by the noticeable rise in new contract customers in the fourth quarter in both the Consumer and Enterprise segments.

It was a stellar year for our International portfolio where economic and political environments have improved, although it remains challenging in various aspects. We grew service revenue by 15.6% and expanded margins. Other significant achievements include the 25.8% growth in data revenue, and another year in which M-Pesa helped to empower inclusive growth by supporting economic development in Mozambique, Lesotho, DRC and Tanzania.

Our strategic investment in Safaricom contributed R2.8 billion to Vodacom Group's operating profit, with Safaricom reporting a 7.0% increase in service revenue and a 13.1% improvement in EBIT, underpinned by strong customer growth and M-Pesa revenues.

The Safaricom acquisition has proven to be a catalyst for extending our mobile money leadership position on the African continent and in ensuring that Financial Services have become a significant contributor to the Group's revenues. In the past year, we effected 11 billion transactions worth R2 trillion to 36.1 million customers across our Financial Services network, including Safaricom. In South Africa, our profit before tax from Financial Services doubled to R1.0 billion, while M-Pesa revenue grew by 32.2% to R3.1 billion in our International operations and now makes up one-sixth (15.8%) of that portfolio's entire service revenues.

Looking ahead, we continue to make good progress on our key strategic pillars. We expect the solid momentum from our digital services platforms to continue. Further, the strategic partnerships being formed by our Enterprise business will strengthen our IoT offers and Enterprise propositions, ultimately to the benefit of consumers. We are in the process of concluding the acquisition of the M-Pesa brand and platform related assets from Vodafone through a joint agreement with Safaricom[1], we expect this will further accelerate our mobile money growth plans in Africa. The commercialisation of our recently-launched payment gateway and digital wallet will assist in sustaining Financial Services growth in South Africa.

We have updated our medium-term targets to reflect these opportunities and the benefits of our Safaricom acquisition, and now expect a mid-high single digit growth rate in operating profit on average for the next three years. As this target is based on operating profit instead of EBIT, we also capture Vodacom's share of the growing associate profits generated by Safaricom.

[1] The transaction close is subject to a number conditions being met, including signature of final agreements and South African Reserve Bank approval.

Operating review

South Africa (IAS 18 commentary)

Data pricing transformation continues, to the benefit of our customers, with a number of changes that increase affordability and improve spend control. This has helped our more than 43 million customers get connected more affordably and in the way that is most suitable to their needs.

Service revenue grew at 2.1%, despite the implementation of deliberate pricing transformation and a low economic growth environment. Growth in the second half of the year was negatively impacted by the transition between national roaming partners and the change in call termination rates.

Customer revenue increased 1.3% to R47.4 billion# supported by a growth in our customer base of 3.7% to 43.2 million with positive net additions of 1.5 million.

Contract customer revenue increased 0.6% with contract customers increasing 8.9% to 5.8 million. We are pleased with the acceleration of net customer additions during the fourth quarter in both the Consumer and Enterprise segments. We worked with the Department of Education to connect 80 000 teachers during the year. These are mainly data contracts, contributing to a lower contract ARPU. We reduced out-of-bundle spend from customers following the implementation of the Regulator's End-User and Subscriber Service Charter (EUSSC).

Prepaid customer revenue increased 2.0%. Prepaid customer net additions were 1.1 million with ARPU declining by 6.9%, ARPU declines are as a direct result of new additions being attracted at a lower spend. Our efforts to reduce the one-off use of SIM in the market are showing signs of success.

Data revenue grew 3.9% to R24.3 billion, contributing 43.5% to service revenue. The effective price per MB has reduced 23.3% following the implementation of the EUSSC regulations in March, as well as a further out-of-bundle rate reduction of 50%. The implementation of the EUSSC allows consumers to manage their spend and utilise their data, virtually worry free. Data bundle purchases have increased 13.1% to 866 million as more affordable data bundles with shorter validity periods are available for customers.

Overall data usage drivers were encouraging. Data traffic was up 35.6%. Active smart devices on the network were up 7.6% to 19.9 million, of which 10 million are 4G devices. Average usage on these smart devices has improved 23.2% to 966MB.

Our platform strategy, designed to stimulate reasons to consume data, is gaining momentum. Take up of the video play service is encouraging with 869 000 active users on the platform. Our music platform, My Muze, is steadily gaining customers, and our gaming platform PlayInc. has now been launched.

Our Financial Services business continues to accelerate, contributing R1.6 billion of revenue, growing at 67.1% and R1.0 billion profit before tax. Our insurance business continues to grow, adding more services such as life and funeral cover during the year. Total policies increased 38.1% to 1.3 million. Airtime advance is now used by more than 10 million customers.

Enterprise has delivered good growth, with service revenue up 4.8% to R14.7 billion. Our fixed-line service revenue increased 24.7%, underpinned by solid growth in connectivity, cloud and hosting and IPVPN revenues. IoT connections continue to gain momentum with a 24.4% growth in customers to 4.5 million.

We continue to drive our 'Own the home' strategy resulting in good traction on fibre to the home/business, almost doubling the connections in the year.

EBITDA declined 1.3% to R27.7 billion#, while the EBITDA margin of 38.9% contracted by 1.2ppts partially as a result of the roaming agreement with Rain. This affected margins by 0.7ppts, as we continue to scale up on the roaming agreement, and move cost of capacity from depreciation to direct expenses. Technology expenses increased 7.5% due to 8.1% more sites being deployed, and annual price escalations in lease, rental and energy expenses. This was slightly offset by our 'Fit for growth' initiatives delivering savings in excess of R1.4 billion. Our digital transformation is starting to yield results. The implementation of process automation has resulted in the automation of over 80 processes. The introduction of Chatbot's and improving call resolutions at root cause has reduced call volumes by 25% in line with our targets.

Our capital expenditure of R9.6 billion was utilised to drive our strategy of being the leading digital telco. For the year we focused on improving the overall mobile network performance and customer experience with network modernisation and capacity upgrade initiatives. We delivered substantial cost savings through the introduction of Digital Technologies for smart planning, smart deployment and smart operations. Our continued investment in infrastructure resulted in over 90% coverage on 4G and 99.5% coverage on 3G.

We spent R2 billion on IT during the year. Our focus is to become smarter and more agile in delivering products to our customers. We continued to deepen our Digital IT capabilities through our IT acceleration programme. We continue to invest in Cloud infrastructure and migrating applications, IT services and network functions into Cloud platforms to enhance flexibility and improve scalability, availability and performance of services.

International (IAS 18 commentary)

Driving our strategy of Financial Services inclusion and connecting customers has supported a return to double digit service revenue growth of 15.6% (10.3%*). Macro and political environments have improved, although it remains challenging in various aspects. DRC had a peaceful election during the second half of the year. In March 2019, Mozambique was affected by cyclone Idai. We mobilised efforts to restore communication services as soon as possible, to enable customers to get in contact with affected family members and to aid relief efforts. To assist during this crisis, we free-rated calling from 21 March 2019 to 1 April 2019 and we have also donated USD1 million to aid in humanitarian efforts.

We continue to see good customer growth, adding 2.2 million customers in the year, up 6.8% to 34.6 million customers.

Data revenue grew strongly at 25.8% (19.6%*), supported by the roll out of 4G services, now available in all our operations. We added 1.1 million data customers during this period, as we continue to drive availability of affordable data devices across all operations. We have started rolling out content services in all operations and continue to provide personalised pricing through our 'Just 4 You' platform. Data now contributes 15.7% of service revenue.

M-Pesa continues to deliver on its promise for financial inclusion empowering customers to transact easily and thereby contributing to the economy. M-Pesa revenue grew by 32.2% (26.5%*) to R3.1 billion contributing 15.8% to service revenue. We continue to expand the eco systems to more services such as micro loans, merchant payment systems and further interconnection with banks and other operators. We launched a number of initiatives during the year to drive the uptake of the M-Pesa in all operations. We added 1.7 million customers during the period up 14.8% to 13.5 million. We now process USD2.8 billion in transactions a month across our operations.

EBITDA grew 26.8% (21.0%*), while margins expanded by 3.1ppts. This was as a result of strong revenue growth and continued focus on cost containment through our 'Fit for growth' programme. Savings on commissions from airtime purchases through M-Pesa, continued savings in network operating expenses through site sharing, contract negotiations and savings from lower interconnect costs, are key drivers for margin growth.

We were awarded a 4G licence in the DRC, in Mozambique we unified and renewed our licences for 20 years and acquired 2x10MHz of 800MHz and in Tanzania we acquired an additional 2x10MHz of 700MHz 4G spectrum which will enable us to progress further in delivering on our strategic data ambitions. The total costs of these spectrum acquisitions were USD65.0 million across our operations.

We invested R3.4 billion in rolling out 4G services, improving capacity and widening our network reach and quality. We added 984 4G sites and 371 3G sites and lead in network NPS in most of our operations.

We are in the process of concluding the acquisition of the M-Pesa brand and platform related assets from Vodafone through a joint agreement with Safaricom[1]. We expect this will further accelerate our mobile money growth plans in Africa.

Safaricom

Safaricom continues to report solid growth and margin expansion, with service revenue increasing 7.0% and EBIT increasing 13.1%. Underpinning the results was a strong recovery in growth of Safaricom's customer base, with total customers growing 7.7%, for the year to 31.9 million customers. Strong growth in M-Pesa revenue continues as 30-day active M-Pesa customers increased 10.2% to 22.6 million. M-Pesa revenue grew 19.2% and now contributes 31.2% to service revenue, up from 28.0%. Data revenue grew at 6.4% a slight easing of growth during the second half of the year, as consumer offerings were repositioned at half year to provide more value in an increasingly competitive environment. However opportunity exists for future growth by increasing both penetration and usage of mobile data. Investment in capital expenditure of KES37.3 billion in the period resulted in 3G sites increasing 17.3%, 4G sites increasing 69.4%, and the number of homes passed with fibre more than doubling to 300 000.

[1] The transaction close is subject to a number of conditions being met, including signature of final agreements and South African Reserve Bank approval.

These results are available on www.safaricom.co.ke/investor-relation/financials/reports/financial-results.

Regulatory matters

Electronic Communications Amendment Bill (ECA Bill)

On 17 November 2017, the Ministry of Telecommunications and Postal Services published an invitation to provide comments on the ECA bill, having its origins in the Integrated Information and Communication Technology ICT Policy White Paper of 2 October 2016. Following written submission and public hearings on the proposed ECA Bill, the Minister withdrew the bill on 12 February 2019. The ECA Bill is unlikely to be re-submitted to the new Parliament in its current form given the new emphasis on the Fourth Industrial Revolution – which is likely to require further policy, legislative and regulatory changes. The effect of the withdrawal of the ECA Amendment Bill is that the licensing of High Demand Spectrum can be managed under the existing legislation; in this regard the Ministry is contemplating issuing new Policy Directions to the Independent Communications Authority of South Africa (ICASA).

Amendment to End-User and Subscriber Service Charter Regulations

On 30 April 2018, ICASA published final amendments to the End-User and Subscriber Service Charter Regulations with the objective of addressing consumer concerns on out-of-bundle charges and data bundle expiry rules. Vodacom complied with the regulation and implemented required changes from 1 March 2019, including those related to the transfer and rollover of unused data and the prohibition on defaulting of an end-user onto out-of-bundle charges upon the depletion of data bundles without consent from the customer.

ICASA priority market review

In June 2017, ICASA gave notice of its intention to conduct an inquiry to identify priority markets in the Electronic Communications Sector (ECS). The purpose of the enquiry is to identify relevant wholesale and retail markets or market segments in the ECS that are generally prone to *ex ante* regulation, and to determine from these markets and market segments those that the Authority intends to prioritise for market reviews and potential regulation. On 17 August 2018, ICASA published a findings document in which it listed broad markets that will be prioritised for potential market review:

- Wholesale fixed access, which includes wholesale supply of asymmetric broadband origination, fixed access services and relevant facilities;
- Upstream infrastructure markets incorporating national transmission services, metropolitan connectivity and relevant facilities; and
- Mobile services, which includes the retail market for mobile services and the wholesale supply of mobile network services, including relevant facilities.

On 16 November 2018, ICASA commenced a market inquiry into mobile broadband services. The purpose of the market inquiry is to assess the state of competition and determine whether or not there are markets or market segments within the mobile broadband services value chain which may require regulatory intervention.

Competition Commission data service market inquiry

The Competition Commission initiated a market inquiry into data services on 30 November 2017. The purpose of the inquiry is to understand what factors or features of the market(s) and value chain may cause or lead to high prices for data services, and to make recommendations that would result in lower prices for data services. This inquiry covers all market participants involved at any point in the value chain for any form of data services that are provided to customers such as government, businesses and consumers in South Africa. The Competition Commission issued a summary of provisional findings and recommendations on 24 April 2019, inviting comments from stakeholders by 14 June 2019. The date for completion of the data market inquiry is 31 December 2019.

DRC proposed traffic monitoring system

On 11 December 2018, a decree to implement a new traffic monitoring system levying additional charges on operators was signed off by all relevant government authorities. In February 2019, the new President instructed cancellation of the decree. The industry continues engagement on this matter with relevant authorities.

Broad-based black economic empowerment (BEE) ownership transaction

We concluded our new BEE ownership transaction on 14 September 2018. At a deal value of R16.4 billion the transaction was the largest deal of its kind in the ICT sector.

The structure of the deal created significant value for current holders, through a major liquidity event of a special dividend, as well as the opportunity to remain invested in Vodacom Group, through a mutually beneficial structured deal. This secures Vodacom's Level 3 BEE status, and an effective black ownership of c20%, a key consideration for spectrum allocation, government contracts and corporate business.

Outlook

The Group has embarked on its digital transformation journey. The strategy positions Vodacom to be a leader and key partner in the 4th Industrial Revolution, and to change from a traditional telco to a digital services company.

We are leading in the implementation of Big data, Artificial Intelligence and Robotic Process Automation, to optimise revenue, operate more efficiently and maximise our investment returns.

Our strategy has the following key pillars:

1. Best customer experience
2. Segmented propositions
3. Financial services
4. Digital content platforms
5. Best technology
6. Digital organisation and culture
7. Our brand and reputation

We are making good progress with these pillars, with good take up of our digital services platform. We continue to expand our Financial Services proposition in South Africa as well as M-Pesa mobile money in Safaricom and our International operations. We are now strengthening our leading mobile money position on the continent.

As we expand our Enterprise business we are forming strategic partnerships to deliver integrated solutions. These partnerships are strengthening our offerings in IoT and Enterprise services, by expanding on our customer value propositions. These services are set to drive data growth and new revenue streams.

We are continuing to transform data pricing to the benefit of our customers while limiting negative financial impacts in South Africa through increased demand. We have implemented ICASA's End-User Subscriber and Service Charter regulation. This gives customers more confidence and control in engaging with our services and reduces the risk of overspending.

These pricing transformation efforts will continue to create short term pressure on data revenue growth in South Africa. Underlying demand however, remains strong and we anticipate a recovery in growth to start materialising during the second half of the new financial year.

Following the Safaricom acquisition, our profitability target has been expanded to include Safaricom and hence, has changed to Operating profit (previously EBIT), which includes our share of associate profits in Safaricom. Our capex target range has been updated to reflect changes in revenue disclosure as a result of the adoption of IFRS 15.

With the above in mind we update our medium targets to the following:

1. Mid-single digit Group Service revenue growth
2. Mid-high single digit Group Operating profit[β] growth (including profit from associate – Safaricom)
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 reported basis in constant currency, excluding spectrum purchases, exceptional items and any merger and acquisition activity. Targets are based on IFRS 15 disclosure, as well as the adoption of IFRS 16: Leases from 1 April 2019.

[β] In the first year, if we normalised for the prior year one off BEE IFRS 2 charge of R1.4 billion, in the 2019 financial year, we expect to remain in the target range.

Financial review

Summary financial information

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18*	2018 IAS 18	% change IAS 18	IAS 18 Normalised*
Revenue	86 627	90 066	86 370	4.3	3.2
Service revenue	69 867	74 150	70 632	5.0	3.8
EBITDA	33 714	33 689	32 898	2.4	2.3
EBIT	23 413	23 388	23 109	1.2	1.8
Net profit from associate and joint venture$^{\Delta}$	2 774	2 824	1 507	87.4	
Operating profit	24 490	24 515	24 252	1.1	2.1
Net profit	15 532	15 442	15 562	(0.8)	
Capital expenditure	12 957	12 957	11 594	11.8	
Operating free cash flow	21 643	21 643	21 117	2.5	
Free cash flow	14 865	14 865	14 195	4.7	
Net debt	23 354	23 354	19 892	17.4	
Basic earnings per share (cents)	872	867	947	(8.4)	
Headline earnings per share (cents)	868	862	923	(6.6)	
Contribution margin (%)	63.7	61.2	61.0	0.2ppts	
EBITDA margin (%)	38.9	37.4	38.1	(0.7ppts)	
EBIT margin (%)	27.0	26.0	26.8	(0.8ppts)	
Operating profit margin (%)	28.3	27.2	28.1	(0.9ppts)	
Effective tax rate (%)	29.7	30.2	29.6	0.6ppts	
Net profit margin (%)	17.9	17.1	18.0	(0.9ppts)	
Capital intensity (%)	15.0	14.4	13.4	1.0ppts	
Net debt/EBITDA (times)	0.7	0.7	0.6	0.1 times	

Service revenue

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18#	2018 IAS 18	% change IAS 18 18/19
South Africa	51 541	55 749	54 622	2.1
International	19 377	19 452	16 828	15.6
Corporate and eliminations	(1 051)	(1 051)	(818)	28.5
Group service revenue	**69 867**	**74 150**	**70 632**	**5.0**
Safaricom[1]	32 698	32 768	18 999	n/a

Understanding the impacts of IFRS 15:

The difference between IFRS 15 and IAS 18 is mainly noticeable in the contract segment where goods and services delivered under a contract are identified as separate performance obligations. Revenue is recognised at the point in time the Group delivers the goods or renders the service to the customer.

One of the key changes is the recognition of equipment revenue when control of the device has either transferred to the customer or the intermediary. Previously, equipment revenue on transfer of a device to a customer was limited to the cash received on inception of the contract. Going forward a device revenue contract asset will be recognised on inception, which will be recovered over the term of the contract. During the year, R634 million (of which R563 million relates to South Africa) was reclassified from service revenue to equipment revenue, with total revenue remaining largely unchanged with regards to this element.

In addition, qualifying incremental costs of obtaining and fulfilling a contract, previously expensed on payment, is now capitalised as deferred customer acquisition cost and amortised over the lifetime of the contract (typically 24 months). Amortisation charges of R3.5 billion (relating to South Africa) were netted against service revenue during the current period, as they are considered to be customer discounts under IFRS 15.

Commentary based on IAS 18:

Group service revenue grew 5.0% (3.8%*) to R74.2 billion#, with strong growth in International offset by a slow down in South Africa.

In South Africa, service revenue increased 2.1% to R55.7 billion# benefitting from strong growth in Enterprise, both in mobile and fixed service revenue, offset by the impact of pricing transformation and subdued consumer spending.

During the period, we adjusted our revenue deferral methodology in line with the usage insights from our customers and updated our rules with regard to the rollover of unused minutes and megabytes, resulting in acceleration of revenue recognition of R292 million in the period.

On 1 March we implemented ICASA's End-User and Subscriber Charter regulation. The negative financial impact of the regulation was partly offset by a R97 million deferral release on certain packages where rollover was reduced from five to two months to align with rollover rules applied to all contracts.

In our International operations, service revenue increased 15.6% (up 10.3%*) to R19.5 billion#. Growth came from strategic growth areas such as data and M-Pesa revenue as well as an increase in customer net additions.

Service revenue grew by 7.0% in Safaricom, driven by growth in customers and M-Pesa.

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. Prior year results represents eight months of performance from the date of acquisition of Safaricom Plc.

Total expenses[1]

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18#	2018 IAS 18	% change IAS 18 18/19
South Africa	40 323	43 785	41 912	4.5
International	13 473	13 475	12 557	7.3
Corporate and eliminations	(961)	(961)	(937)	2.6
Group total expenses	**52 835**	**56 299**	**53 532**	**5.2**

Understanding the impacts of IFRS 15:

Incremental costs of obtaining and fulfilling a contract, previously expensed at inception of the contract under IAS 18, are now capitalised as deferred customer acquisition costs. Cost amounting R3.4 billion for the year was recognised as a contract asset and will be amortised to the income statement over the contract period (typically 24 months). Certain types of these customer acquisition costs are considered to be customer discounts under IFRS 15, and netted against service revenue when amortised to the income statement.

Commentary based on IAS 18:

Group total expenses increased 5.2% to R56.3 billion#, which includes a net trading foreign exchange loss of R66 million (2018: profit of R56 million). These costs also include R124 million in BEE related transaction costs. Growth was outside of our targeted objective of keeping cost growth below revenue growth, mainly as a result of subdued revenue growth in South Africa.

In South Africa expenses were contained well below inflation, increasing by 4.5%. This was achieved despite the 8.1% growth in our network sites, higher energy costs and site rental increases. We have limited staff expenses to 2.7% and achieved publicity savings of 4.0%, while also reducing distribution costs related to airtime commissions.

In our International operations, total expenses increased by 7.3% (2.2%*) below revenue growth of 14.4% (9.1%*). This was enabled by continued focus on cost containment through initiatives such as 'Fit for growth' and the increase of airtime purchases through our M-Pesa platform, which results in a reduction of distribution costs.

EBIT

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18#	2018 IAS 18	% change IAS 18 18/19
South Africa	20 268	20 244	21 124	(4.2)
International	3 431	3 430	2 096	63.6
Corporate and eliminations	(286)	(286)	(111)	157.7
Group EBIT	**23 413**	**23 388**	**23 109**	**1.2**
Safaricom[2]	12 117	12 200	6 799	n/a

Group EBIT increased 1.2% (up 1.8%*) with the Group EBIT margin decreasing by 0.8ppts to 26.0%. This was impacted by the BEE transaction costs of R124 million, reducing EBIT by 0.5ppts. Group EBITDA growth of 2.4% was slightly offset by depreciation and amortisation which grew at 6.9%. South Africa EBIT declined 4.2% with margins contracting 1.8ppts to 28.4%. South Africa EBITDA declined 1.3%, with the EBITDA margin contracting primarily due to our roaming agreement with Rain of 0.7ppts. In our International operations, EBIT increased 63.6% (56.1%*) with the EBIT margin expanding by 5.2ppts to 17.2% and EBITDA margins by 3.1ppts to 31.3% .This includes an insurance claim received in the DRC in relation to network damage in a fire in the previous year of USD21.5 million. Margins were supported by strong revenue growth and continued execution on cost containment.

In Safaricom, EBIT increased 13.1% for the financial year as a result of the higher service revenue contribution and commission savings as a result of direct voucher sales through M-Pesa.

1. Excluding depreciation, amortisation, impairments and share based payment charges.
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. Prior year results represents eight months of performance from the date of acquisition of Safaricom Plc.

Operating profit

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18[#]	2018 IAS 18	% change IAS 18 18/19
South Africa	18 904	18 880	20 860	(9.5)
International	3 353	3 352	1 997	67.9
Safaricom[Δ]	2 773	2 823	1 506	87.5
Corporate and eliminations	(540)	(540)	(111)	>200.0
Group operating profit	**24 490**	**24 515**	**24 252**	**1.1**

Group operating profit increased 1.1% to R24.5 billion[#]. This includes a R1.4 billion non-cash, non-recurring charge arising from our new BEE ownership deal (IFRS 2 charge) and net profit from our associate Safaricom of R2.8 billion. In South Africa, operating profit decreased by 9.5% to R18.9 billion[#] mainly due to the allocation of R1.2 billion of the IFRS 2 charge to our South African operation. Excluding this impact and trading foreign exchange (R3.0 million gain); operating profit declined 3.6%*. International operations' operating profit increased 67.9% to R3.4 billion[#], higher than EBIT growth as a result of higher restructuring costs in the DRC in the prior year as well as one off charges relating to the listing in Tanzania, partially offset by an impairment recognised in the current year relating to assets lost during the cyclone in Mozambique.

Safaricom contributed R2.8 billion[#] in net profit for the year. This represents our share of attributable profits of R3.4 billion and the related amortisation of fair valued assets recognised on acquisition of R624 million, before minority interest.

Net finance charges

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18[#]	2018 IAS 18	% change IAS 18 18/19
Finance income	630	630	703	(10.4)
Finance costs	(3 008)	(3 008)	(2 811)	7.0
Net finance costs	**(2 378)**	**(2 378)**	**(2 108)**	**12.8**
Net loss on remeasurement and disposal of financial instruments	(23)	(23)	(785)	(97.1)
Net finance charges	**(2 401)**	**(2 401)**	**(2 893)**	**(17.0)**

Net finance costs of R2.4 billion[#] increased 12.8%, mainly contributed by seven months of finance cost for the BEE ownership deal ofR171 million and an increase in net interest paid on bank accounts of R84 million. This was slightly offset by a saving in interest on the Group entity's long-term borrowings of R74 million following a repayment of a R2.6 billion loan during the year. The average cost of debt was slightly down to 8.2% from 8.3%.

The change in the net loss on remeasurement and disposal of financial instruments to R23 million is mainly attributable to an increase in gains on the revaluation of foreign denominated cash balances in the Group offset by the remeasurement of a derivative relating to the agreement to acquire shares in our Tanzania subsidiary from our local partner[1] and a decrease in a net loss from the remeasurement of foreign exchange contracts in South Africa.

1. Vodacom Group (the Group) has entered into an agreement with its local Tanzanian partner, Mirambo Limited (Mirambo), and certain of Mirambo's shareholders, under the terms of which the Group will acquire all of Mirambo's 588 million shares in Vodacom Tanzania. This will result in the Group increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75% (direct). The transaction close is subject to conditions precedent, including requisite regulatory approvals in Tanzania.

Taxation

The tax expense of R6.7 billion was 2.2% higher than the prior year (2018: R6.5 billion) mainly due to the increase in taxable income and an increase in withholding tax suffered on dividend income received.

The Group's effective tax rate increased by 0.6% to 30.2% (2018: 29.6%) mainly due to the non-cash, non-recurring IFRS 2 charge; the non-tax deductible transaction costs and the recurring non-deductible finance costs relating to the BEE ownership transaction (+2.2ppts). This was partially offset by the inclusion of a full year after tax profits from our associate Safaricom in profit before tax, compared to eight months after tax profits included in the prior year (-1.3ppts). Excluding the non-recurring non-tax deductible BEE costs the effective tax rate would be 28.2%.

Earnings

	Year ended 31 March			% change IAS 18
	2019 IFRS 15	2019 IAS 18*	2018 IAS 18	18/19
Earnings per share (cents)	872	867	947	(8.4)
Headline earnings per share (cents)	868	862	923	(6.6)
Weighted average number of ordinary shares outstanding for the purpose of calculating EPS and HEPS (million)	1 699	1 699	1 620	4.9

Headline earnings per share for the year was down 6.6%, impacted by the new BEE ownership deal in the current financial year, partially offset by an increase in contributions from Safaricom, acquired in the prior year. Excluding these transactions headline earnings per share increased 2.6%¥. 114.5 million shares were issued as part of the BEE ownership deal, which was concluded on 14 September 2018. This resulted in the non-cash, non-recurring share based payment charge, of R1.4 billion and transaction and finance costs of R295 million being recognised in the current year, the combination of which resulted in a 100cps dilution.

Dividend

	Year ended 31 March		% change
Rm	**2019 IFRS 15**	**2018 IAS 18**	**18/19**
Headline earnings	14 744	14 946	
Adjusted for:			
Net profit from associate and joint venture	**(2 773)**	**(1 506)**	
Attributable profits from Safaricom	(3 397)	(1 889)	
Amortisation on assets, net of tax	624	383	
With-holding tax	295	132	
Minority interest and other	352	191	
Add back:			
Non-cash non-recurring IFRS 2 charge	1 404	–	
Headline earnings available for dividend distribution	**14 022**	**13 763**	
Total dividend declared per share (cents)	**795**	**815**	**(2.5)**

Capital expenditure

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18*	2018 IAS 18	% change IAS 18 18/19
South Africa	9 577	9 577	8 884	7.8
International	3 376	3 376	2 707	24.7
Corporate and eliminations	4	4	3	33.3
Group capital expenditure	**12 957**	**12 957**	11 594	**11.8**
Group capital intensity[1] (%)	**15.0**	**14.4**	13.4	**1.0ppts**
Safaricom[2]	5 112	5 112	2 933	n/a
Safaricom capital intensity (%)	15.0	14.9	14.8	n/a

The Group's capital expenditure was R13.0 billion, representing 14.4% of revenue. Slightly outside of our guidance range, as we readied our network for our new roaming partner, and spend relating to backup power for loadshedding in South Africa. Capital expenditure was focussed on improving the overall mobile network performance and customer experience with network modernisation and capacity upgrades initiatives and strengthening our IT capabilities. In South Africa, we extended 4G coverage to over 90% of the population. In our International operations, we added 984 4G sites, 371 3G sites and 292 2G sites since March 2018. In Safaricom, capital expenditure was focused on increasing 3G and 4G sites by 17% and 69% respectively.

Statement of financial position

Property, plant and equipment increased 8.5% to R44.0 billion and intangible assets increased 19.5% to R10.8 billion compared to 31 March 2018. The combined increase is mainly as a result of net additions of R14.3 billion and net foreign currency translation gains of R2.1 billion, offset by depreciation and amortisation of R10.6 billion.

Net debt increased by R3.5 billion to R23.3 billion. Total borrowings increased by R2.0 billion to R34.2 billion, mainly due to R4.7 billion preference shares issued to fund the BEE transaction, partly offset by a R2.6 billion early repayment on one of the Group's Vodafone Luxembourg facilities. Bank and cash balances decreased by R1.5 billion mainly used to fund capital expenditure.

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18*	2018 IAS 18*	Movement 18/19
Bank and cash balances	11 066	11 066	12 538	(1 472)
Current borrowings	(10 603)	(10 603)	(8 220)	(2 383)
Non-current borrowings	(23 641)	(23 641)	(24 071)	430
Other financial instruments	(176)	(176)	(139)	(37)
Net debt[3]	**(23 354)**	**(23 354)**	**(19 892)**	**(3 462)**
Net debt/EBITDA (times)	**0.7**	**0.7**	**0.6**	**0.1 times**

1. Capital expenditure as a percentage of revenue.
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. Prior year results represents eight months of performance from the date of acquisition of Safaricom Plc.
3. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.

Cash flow

Free cash flow

Rm	Year ended 31 March 2019 IFRS 15	2019 IAS 18*	2018 IAS 18	% change IAS 18 18/19
EBITDA	33 714	33 689	32 898	2.4
Working capital	160	185	(558)	133.2
Capital expenditure[1]	(12 957)	(12 957)	(11 594)	11.8
Disposal of property, plant and equipment	467	467	187	149.7
Other	259	259	184	40.8
Operating free cash flow	**21 643**	**21 643**	**21 117**	**2.5**
Tax paid	(6 535)	(6 535)	(6 194)	(5.5)
Dividend received from associate	2 466	2 466	1 988	24.0
Finance income received	943	943	859	9.8
Finance costs paid	(3 179)	(3 179))	(3 182)	(0.1)
Net dividends paid	(473)	(473)	(393)	20.4
Free cash flow	**14 865**	**14 865**	**14 195**	**4.7**

Operating free cash flow was up 2.5% supported by EBITDA growth of 2.4% and good working capital management partly offset by an increase in investment into our networks. Free cash flow increased 4.7%, due to higher dividends received from Safaricom and tax paid increasing in line with profitability.

1 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.

Declaration of final dividend number 20 – payable from income reserves

Dividend

Declaration of final dividend No. 20 - payable from income reserves

Notice is hereby given that a gross final dividend number 20 of 400 cents per ordinary share in respect of the financial year ended 31 March 2019 has been declared payable on Monday 24 June 2019 to shareholders recorded in the register at the close of business on Friday 21 June 2019. 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 dividend to those shareholders not exempt from paying dividend withholding tax of 320.00000 cents per ordinary share.

Last day to trade shares *cum* dividend	Tuesday 18 June 2019
Shares commence trading *ex*-dividend	Wednesday 19 June 2019
Record date	Friday 21 June 2019
Payment date	Monday 24 June 2019

Share certificates may not be dematerialised or rematerialised between Wednesday 19 June 2019 and Friday 21 June 2019, both days inclusive.

On Monday 24 June 2019, 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 24 June 2019.

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

Safaricom special dividend

Safaricom has proposed a special dividend of KES24.82 billion in addition to an ordinary dividend of KES50.08 billion subject to approval of such dividend at its AGM in August 2019. It is the Vodacom Group Board's intention to pass this special dividend (net of withholding tax) on to its shareholders at time of its interim results announcement for the 2020 financial year, subject to the receipt of such dividend by Vodacom Group.

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

Jabu Moleketi
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Till Streichert
Chief Financial Officer

Midrand

10 May 2019

Supplementary information.

Operating results for the year ended 31 March 2019

IFRS 15 Rm	South Africa	% 18/19	International	% 18/19	Corporate/ Eliminations	Group	% 18/19	Safaricom[1]
Service revenue	**51 541**	–	**19 377**	–	**(1 051)**	**69 867**	–	**32 698**
Revenue	**67 887**	–	**19 981**	–	**(1 241)**	**86 627**	–	**34 113**
Direct expenses	(26 664)	–	(5 837)	–	(1 074)	(31 427)	–	9 881
EBITDA	27 741	–	6 252	–	(279)	33 714	–	16 913
EBITDA margin (%)	40.9	–	31.3	–	–	38.9	–	49.6
EBIT	20 268	–	3 431	–	(286)	23 413	–	12 117
EBIT margin (%)	29.9	–	17.2	–	–	27.0	–	35.5
IAS 18* **Rm**								
Mobile contract revenue	23 730	0.6	1 245	15.2	(7)	24 968	1.2	4 391
Mobile prepaid revenue	23 713	2.0	15 132	18.5	1	38 846	7.9	25 156
Customer service revenue	**47 443**	**1.3**	**16 377**	**18.2**	**(6)**	**63 814**	**5.2**	**29 547**
Mobile interconnect	2 001	11.8	1 253	0.6	(646)	2 608	2.6	1 161
Fixed service revenue	2 917	27.8	1 658	7.2	(372)	4 203	19.0	1 119
Other service revenue	3 388	(8.8)	164	(12.3)	(27)	3 525	(9.0)	941
Service revenue	**55 749**	**2.1**	**19 452**	**15.6**	**(1 051)**	**74 150**	**5.0**	**32 768**
Equipment revenue	12 828	(2.7)	307	(10.2)	(12)	13 123	(2.5)	824
Non-service revenue	2 748	27.3	223	(23.1)	(178)	2 793	22.9	610
Revenue	**71 325**	**1.9**	**19 982**	**14.4**	**(1 241)**	**90 066**	**4.3**	**34 202**
Direct expenses	(30 166)	3.8	(5 840)	6.1	1 075	(34 931)	3.7	(9 888)
Staff expenses	(3 750)	2.7	(1 796)	21.7	(440)	(5 986)	8.7	(1 958)
Publicity expenses	(1 291)	(4.0)	(606)	9.4	(23)	(1 920)	0.4	(1 008)
Other operating expenses	(8 578)	9.1	(5 233)	4.1	349	(13 462)	8.2	(4 330)
Share based payment charges	(1 150)	>200.0	–	n/a	(254)	(1 404)	>200.0	1
Depreciation and amortisation	(7 511)	5.7	(3 125)	9.2	(6)	(10 642)	6.9	(4 818)
Impairment charges	–	–	(30)	>200.0	–	(30)	>200.0	–
Net profit from associate and joint venture	1	–	–	–	2 823	2 824	(87.4)	–
Operating profit	**18 880**	**(9.5)**	**3 352**	**67.9**	**2 283**	**24 515**	**1.1**	**12 201**
EBITDA	27 717	(1.3)	6 251	26.8	(279)	33 689	2.4	16 996
EBITDA margin (%)	38.9	(1.2ppts)	31.3	3.1ppts	–	37.4	(0.7ppts)	49.7
EBIT	20 244	(4.2)	3 430	63.6	(286)	23 388	1.2	12 200
EBIT margin (%)	28.4	(1.8ppts)	17.2	5.2ppts	–	26.0	(0.8ppts)	35.7

1. The Group's effective interest of 34.94% in Safaricom Pic (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom. Prior year results represents eight months of performance from the date of acquisition of Safaricom Plc. These values are for information purposes.

Included in service revenue[1]: (IAS 18*)	South Africa	% 18/19	International	% 18/19	Corporate/ Eliminations	Group	% 18/19	Safaricom
Mobile voice	21 909	(1.1)	9 758	12.5	(5)	31 662	2.7	–
Mobile data	24 276	3.9	3 056	25.8	–	27 332	6.0	–
Mobile messaging	1 968	(10.3)	528	17.3	–	2 496	(5.6)	–
M-Pesa revenue	–	–	3 077	32.2	–	3 077	32.2	–

1. Following the changing business environment, adoption of IFRS 15 and in alignment with Vodafone, the above disclosure will be discontinued from 1 April 2019. Disclosure of M-Pesa revenue will however still be available.

Supplementary information (continued)

Operating results for the year ended 31 March 2018

IAS 18# Rm	South Africa	International	Corporate/ Eliminations	Group	Safaricom[1]
Mobile contract revenue	23 589	1 081	(5)	24 665	2 364
Mobile prepaid revenue	23 247	12 769	–	36 016	14 888
Customer service revenue	**46 836**	**13 850**	**(5)**	**60 681**	**17 252**
Mobile interconnect	1 790	1 245	(492)	2 543	611
Fixed service revenue	2 282	1 546	(295)	3 533	571
Other service revenue	3 714	187	(26)	3 875	565
Service revenue	**54 622**	**16 828**	**(818)**	**70 632**	**18 999**
Equipment revenue	13 187	342	(64)	13 465	490
Non-service revenue	2 158	290	(175)	2 273	279
Revenue	**69 967**	**17 460**	**(1 057)**	**86 370**	**19 768**
Direct expenses	(29 057)	(5 502)	890	(33 669)	(5 772)
Staff expenses	(3 651)	(1 476)	(382)	(5 509)	(1 092)
Publicity expenses	(1 345)	(554)	(14)	(1 913)	(471)
Other operating expenses	(7 859)	(5 025)	443	(12 441)	(2 810)
Share based payment charge	(93)	(39)	2	(130)	–
Depreciation and amortisation	(7 103)	(2 863)	7	(9 959)	(2 832)
Impairment charges	–	(4)	–	(4)	–
Net profit from associate and joint venture	1	–	1 506	1 507	1
Operating profit	**20 860**	**1 997**	**1 395**	**24 252**	**6 792**
EBITDA	28 088	4 930	(120)	32 898	9 620
EBITDA margin (%)	40.1	28.2		38.1	48.7
EBIT	21 124	2 096	(111)	23 109	6 799
EBIT margin (%)	30.2	12.0		26.8	34.4
Included in service revenue:					
Mobile voice	22 154	8 675	(6)	30 823	–
Mobile data	23 355	2 429	–	25 784	–
Mobile messaging	2 194	450	1	2 645	–
M-Pesa revenue	–	2 327	–	2 327	–

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. Prior year results represents eight months of performance from the date of acquisition. These values are for information purposes.

Supplementary information (continued)

South Africa key indicators

	Year ended 31 March		% change
	2019	2 018	18/19
Customers[1] (thousand)	**43 166**	**41 635**	**3.7**
Prepaid	37 331	36 275	2.9
Contract	5 835	5 360	8.9
Data customers[2] (thousand)	**19 952**	**20 347**	**(1.9)**
Internet of Things connections[3] (thousand)	**4 514**	**3 628**	**24.4**
Traffic[4] (millions of minutes)	**63 073**	**61 155**	**3.1**
Outgoing	53 692	51 798	3.7
Incoming	9 381	9 357	0.3
MOU per month[5]	**121**	**127**	**(4.7)**
Prepaid	110	117	(6.0)
Contract	198	197	0.5
Total ARPU[6] (IFRS 15) (rand per month)	**87**		
Prepaid	54		
Contract	315		
Total ARPU[6] (IAS 18*) (rand per month)	**95**	**101**	**(5.9)**
Prepaid	54	58	(6.9)
Contract	373	390	(4.4)
Messaging (million)	**9 057**	**6 987**	**29.6**
Number of employees	**5 197**	**5 007**	**3.8**

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Internet of Things connections (IoT), is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
4. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
5. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
6. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Supplementary information (continued)

International key indicators

	Year ended 31 March		% change
	2019	2018	18/19
Customers[1] (thousand)	**34 620**	32 414	**6.8**
Tanzania	14 133	12 899	9.6
DRC	12 180	11 821	3.0
Mozambique	6 843	6 108	12.0
Lesotho	1 464	1 587	(7.8)
Data customers[2] (thousand)	**17 664**	16 573	**6.6**
Tanzania	7 892	7 345	7.4
DRC	4 749	4 825	(1.6)
Mozambique	4 289	3 730	15.0
Lesotho	734	673	9.1
30-day active M-Pesa customers[3] (thousand)	**13 500**	11 757	**14.8**
Tanzania	6 989	6 369	9.7
DRC	2 116	1 891	11.9
Mozambique	3 860	3 109	24.2
Lesotho	535	388	37.9
MOU per month[4]			
Tanzania	172	163	5.5
DRC	36	39	(7.7)
Mozambique	136	143	(4.9)
Lesotho	74	79	(6.3)
Total ARPU[5] (IFRS 15) (rand per month)			
Tanzania	36		
DRC	41		
Mozambique	55		
Lesotho	66		
Total ARPU[5] (IAS 18[#]) (rand per month)			
Tanzania	36	35	2.9
DRC	41	38	7.9
Mozambique	56	51	9.8
Lesotho	66	65	1.5
Total ARPU[5] (IFRS 15) (local currency per month)			
Tanzania (TZS)	6 010		
DRC (USD)	3		
Mozambique (MZN)	244		
Total ARPU[5] (IAS 18[#]) (local currency per month)			
Tanzania (TZS)	6 027	6 086	(1.0)
DRC (USD)	3.0	2.9	3.4
Mozambique (MZN)	246	241	2.1
Number of employees	**2 357**	2 360	**(0.1)**

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month. Three month active.
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.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period.

Supplementary information (continued)

Safaricom key indicators

	Year ended 31 March		% change
	2019	**2018**	**18/19**
Customers[1] (thousand)	31 845	29 570	7.7
Data customers[2] (thousand)	18 831	17 669	6.6
M-Pesa customers[3]	22 642	20 547	10.2
ARPU[4] (local currency per month)	658	639	3.1

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.

International financial review per country

	Year ended 31 March			% change IAS 18
	2019 IFRS 15	**2019 IAS 18***	**2018 IAS 18**	**18/19**
Revenue (local currency)				
Tanzania (TZSm)	1 024 587	1 023 763	977 994	4.7
DRC (USD000)[1]	473 386	473 262	428 169	10.5
Mozambique (MZNm)	21 071	21 111	17 635	19.7
Lesotho (LSLm)	1 308	1 308	1 255	4.2
EBIT (local currency)				
Tanzania (TZSm)	120 963	120 186	96 895	24.0
DRC (USD000)	63 622	63 497	12 578	>200.0
Mozambique (MZNm)	5 696	5 709	4 158	37.3
Lesotho (LSLm)	490	491	475	3.4

Note:

1. During the 2nd quarter of the prior year, we reclassified the foreign exchange difference between USD and CDF sales to be netted off on the corresponding revenue line. The adjustment was USD11.4 million for Q1 2018 and USD4.4 million for Q2 2018. Q1 2018 has not been restated for this change. This was partially offset by a refund of DRC sales tax (ICA) of USD9.9 million in Q2 2018.

Supplementary information (continued)

Historical financial review

Revenue for the quarter ended

IFRS 15 Rm	31 March 2019	31 December 2018	30 September 2018	30 June 2018
South Africa	17 053	17 172	17 147	16 515
International	5 027	5 312	5 218	4 424
Corporate and eliminations	(332)	(312)	(311)	(286)
Group revenue	**21 748**	**22 172**	**22 054**	**20 653**

IAS 18 Rm	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017
South Africa	18 027	17 974	17 909	17 415	17 875	18 211	17 227
International	5 030	5 315	5 213	4 424	4 167	4 719	4 334
Corporate and eliminations	(332)	(312)	(311)	(286)	(314)	(283)	(251)
Group revenue	**22 725**	**22 977**	**22 811**	**21 553**	**21 728**	**22 647**	**21 310**

Revenue yoy % change for the quarter ended

	% change IAS 18				Normalised*
IAS 18 %	**31 March 2019**	**31 December 2018**	**30 September 2018**	**30 June 2018**	**31 March 2019**
South Africa	0.9	(1.3)	4.0	4.6	0.9
International	20.7	12.6	20.3	4.3	5.9
Corporate and eliminations	(5.7)	(10.2)	(23.9)	(36.8)	n/a
Group revenue	**4.6**	**1.5**	**7.0**	**4.2**	**1.8**

Service revenue for the quarter ended

IFRS 15 Rm	31 March 2019	31 December 2018	30 September 2018	30 June 2018
South Africa	12 845	12 975	12 985	12 736
International	4 885	5 160	5 057	4 275
Corporate and eliminations	(289)	(261)	(263)	(238)
Group service revenue	**17 441**	**17 874**	**17 779**	**16 773**

IAS 18 Rm	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017
South Africa	13 919	13 932	14 138	13 760	13 891	14 061	13 547
International	4 905	5 179	5 076	4 292	3 946	4 574	4 186
Corporate and eliminations	(289)	(261)	(262)	(239)	(261)	(233)	(177)
Group service revenue	**18 535**	**18 850**	**18 952**	**17 813**	**17 576**	**18 402**	**17 556**

Service revenue yoy % change for the quarter ended

	% change IAS 18				Normalised*
IAS 18 %	**31 March 2019**	**31 December 2018**	**30 September 2018**	**30 June 2018**	**31 March 2019**
South Africa	0.2	(0.9)	4.4	4.9	0.2
International	24.3	13.2	21.3	4.1	9.2
Corporate and eliminations	(10.7)	(12.0)	(48.0)	(62.6)	n/a
Group service revenue	**5.5**	**2.4**	**8.0**	**4.2**	**2.3**

Supplementary information (continued)

Exchange rates

	Average YTD			Closing		
	31 March		% change	31 March		% change
	2019	2018	18/19	2019	2018	18/19
USD/ZAR	13.76	12.99	5.9	14.42	11.85	21.7
ZAR/MZN	4.42	4.73	(6.6)	4.40	5.24	(16.0)
ZAR/TZS	166.81	172.92	(3.5)	160.37	190.38	(15.8)
EUR/ZAR	15.92	15.19	4.8	16.18	14.57	11.1
ZAR/KES	7.36	7.95	(7.4)	6.99	8.52	(18.0)

	Average QTD				Closing			
	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2019	31 December 2018	30 September 2018	30 June 2018
USD/ZAR	14.02	14.30	14.08	12.65	14.42	14.38	14.17	13.76
ZAR/MZN	4.45	4.27	4.22	4.74	4.40	4.27	4.26	4.30
ZAR/TZS	165.36	160.27	162.00	179.60	160.37	159.85	161.23	164.87
EUR/ZAR	15.92	16.31	16.38	15.07	16.18	16.47	16.46	16.07
ZAR/KES	7.19	7.13	7.16	7.98	6.99	7.09	7.11	7.33

Historical key indicators

South Africa for the quarter ended

	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017
Customers[1] (thousand)	**43 166**	**43 838**	**44 089**	**43 107**	**41 635**	**41 602**	**40 000**
Prepaid	37 331	38 215	38 552	37 671	36 275	36 283	34 762
Contract	5 835	5 623	5 537	5 436	5 360	5 319	5 238
Data customers[2] (thousand)	**19 952**	**20 345**	**20 538**	**20 434**	**20 347**	**20 503**	**19 905**
Internet of Things connections[3] (thousand)	**4 514**	**4 335**	**4 004**	**3 881**	**3 628**	**3 495**	**3 271**
Traffic[4] (millions of minutes)	**15 330**	**15 987**	**16 128**	**15 628**	**15 385**	**16 013**	**15 331**
Outgoing	12 996	13 595	13 768	13 333	13 101	13 612	12 976
Incoming	2 334	2 392	2 360	2 295	2 284	2 401	2 355
MOU per month[5]	**118**	**121**	**123**	**123**	**124**	**131**	**128**
Prepaid	106	110	112	111	113	120	118
Contract	193	197	201	201	199	202	199
Total ARPU[6] IFRS 15 (rand per month)	**87**	**86**	**88**	**89**			
Prepaid	54	55	54	55			
Contract	304	307	325	326			
Total ARPU[6] IAS 18* (rand per month)	**94**	**93**	**95**	**96**	**99**	**102**	**101**
Prepaid	54	55	54	55	57	59	58
Contract	364	362	385	384	381	393	391

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 connections (IoT), is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
4. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
5. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
6. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

Supplementary information (continued)

Historical key indicators (continued)

International for the quarter ended

	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017
Customers[1] (thousand)	**34 620**	**35 164**	**34 715**	**33 401**	**32 415**	**32 184**	**31 170**
Tanzania	14 133	14 070	13 991	13 277	12 899	12 901	12 857
DRC	12 180	12 830	12 801	12 279	11 821	11 982	11 453
Mozambique	6 843	6 689	6 405	6 255	6 108	5 712	5 421
Lesotho	1 464	1 575	1 518	1 590	1 587	1 589	1 439
Data customers[2] (thousand)	**17 664**	**18 522**	**17 964**	**17 472**	**16 573**	**16 013**	**14 755**
Tanzania	7 892	8 132	8 064	7 682	7 345	7 317	7 072
DRC	4 749	5 021	5 042	5 150	4 825	4 470	4 175
Mozambique	4 289	4 577	4 161	3 952	3 730	3 501	2 904
Lesotho	734	792	697	688	673	725	604
MOU per month[3]							
Tanzania	157	168	186	177	161	171	167
DRC	31	36	39	38	36	36	42
Mozambique	136	146	134	129	144	152	144
Lesotho	74	82	73	68	71	85	82
30-day active M-Pesa customers[4] (thousand)	**13 500**	**13 409**	**13 182**	**12 711**	**11 757**	**11 117**	**10 755**
Tanzania	6 989	6 892	6 818	6 805	6 369	6 266	6 189
DRC	2 116	2 240	2 324	2 127	1 891	1 600	1 613
Mozambique	3 860	3 775	3 579	3 367	3 109	2 908	2 625
Lesotho	535	502	461	412	388	343	328
Total ARPU[5] (IFRS 15) (rand per month)							
Tanzania	35	39	38	33			
DRC	41	41	43	37			
Mozambique	53	60	59	51			
Lesotho	66	72	64	61			
Total ARPU[5] (IAS 18*) (rand per month)							
Tanzania	35	39	38	33	31	39	37
DRC	41	41	43	37	34	39	37
Mozambique	53	60	59	51	47	57	53
Lesotho	67	72	65	63	61	71	66
Total ARPU[5] IFRS 15 (local currency per month)							
Tanzania (TZS)	5 752	6 205	6 116	5 969			
DRC (USD)	2.9	2.9	3.0	3.0			
Mozambique (MZN)	234	255	248	239			
Total ARPU[5] (IAS 18*) (local currency per month)							
Tanzania (TZS)	5 770	6 222	6 132	5 984	5 734	6 369	6 295
DRC (USD)	2.9	2.9	3.0	3.0	2.9	2.9	2.8
Mozambique (MZN)	237	257	250	242	238	253	244

Notes:

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

Supplementary information (continued)

Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 24 - 27, is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting financial information on a comparable IAS 18 basis and normalised growth on an IAS 18 constant currency basis is to assist the user in understanding the underlying growth trends on a comparable basis, while the presentation of operating free cash flow and free cash flow is to provide users with relevant information and measures used by the Group to assess performance. Headline earnings per share has been adjusted for significant merger and acquisition events, the BEE ownership transaction and Safaricom acquisition to illustrate underlying growth trends. It has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. This *pro-forma* financial information has been reported on by the Group's auditors, being PriceWaterhouse Coopers Inc. Their unqualified reporting accountant's report thereon is available for inspection at the company's registered addresses.

Reconciliation of normalised growth for the year ended 31 March 2019

Rm	IFRS 15 Reported[1]	Adoption of IFRS 15[2]	IAS 18*[1]	Trading FX[3]	Merger and Acquisition[5]	Normalised*
Revenue						
Group	**86 627**	3 439	**90 066**	–	–	**90 066**
International	**19 981**	1	**19 982**	–	–	**19 982**
Service revenue						
Group	**69 867**	4 283	**74 150**	–	–	**74 150**
International	**19 377**	75	**19 452**	–	–	**19 452**
Data revenue						
International	**3 056**	–	**3 056**	–	–	**3 056**
M-Pesa revenue						
International	**3 077**	–	**3 077**	–	–	**3 077**
Total expenses						
International	**13 473**	2	**13 475**	(54)	–	**13 421**
South Africa	**40 323**	3 462	**43 785**	(3)	–	**43 782**
EBITDA						
Group	**33 714**	(25)	**33 689**	66	124	**33 879**
International	**6 252**	(1)	**6 251**	54	–	**6 305**
EBIT						
Group	**23 413**	(25)	**23 388**	66	124	**23 578**
International	**3 431**	(1)	**3 430**	54	–	**3 484**
Operating profit						
Group	**24 490**	25	**24 515**	66	(1 295)	**23 286**
South Africa	**18 904**	(24)	**18 880**	3	1 150	**20 033**

Supplementary information (continued)Reconciliation of normalised growth for the year ended 31 March 2018

Rm	IAS 18 Reported[1]	Foreign exchange Trading FX[3]	Foreign exchange Translation FX[4]	Merger and Acquisition[5]	Normalised*
Revenue					
Group	**86 370**	–	862	–	**87 232**
International	**17 460**	–	862	–	**18 322**
Service revenue					
Group	**70 632**	–	809	–	**71 441**
International	**16 828**	–	809	–	**17 637**
Data revenue					
International	**2 429**	–	127	–	**2 556**
M-Pesa revenue					
International	**2 327**	–	106	–	**2 433**
Total expenses					
International	**12 557**	(18)	588	–	**13 127**
South Africa	**41 912**	71	–	–	**41 983**
EBITDA					
Group	**32 898**	(56)	263	–	**33 105**
International	**4 930**	18	263	–	**5 211**
EBIT					
Group	**23 109**	(56)	118	–	**23 171**
International	**2 096**	18	118	–	**2 232**
Operating profit					
Group	**24 252**	(56)	113	(1 506)	**22 803**
South Africa	**20 860**	(71)	–	–	**20 789**

Reconciliation of normalised growth for the year ended 31 March 2019

The reconciliation below presents normalised growth adjusted for trading foreign exchange gains/losses, merger and acquisition and at a constant currency (using current period as base) from on-going operations.

%	IAS 18[6] % change	Foreign exchange Trading FX[3] ppts	Foreign exchange Translation FX[4] ppts	Merger and Acquisition[5] ppts	Normalised* % change
Revenue					
Group	**4.3**	–	(1.1)	–	**3.2**
International	**14.4**	–	(5.3)	–	**9.1**
Service revenue					
Group	**5.0**	–	(1.2)	–	**3.8**
International	**15.6**	–	(5.3)	–	**10.3**
Data revenue					
International	**25.8**	–	(6.2)	–	**19.6**
M-Pesa revenue					
International	**32.2**	–	(5.7)	–	**26.5**
Total expenses					
International	**7.3**	(0.3)	(4.8)	–	**2.2**
South Africa	**4.5**	(0.2)	–	–	**4.3**
EBITDA					
Group	**2.4**	0.4	(0.8)	0.3	**2.3**
International	**26.8**	0.6	(6.4)	–	**21.0**
EBIT					
Group	**1.2**	0.5	(0.5)	0.6	**1.8**
International	**63.6**	1.2	(8.7)	–	**56.1**
Operating profit					
Group	**1.1**	0.5	(0.5)	1.0	**2.1**
South Africa	**(9.5)**	0.3	–	5.6	**(3.6)**

Supplementary information (continued)

Reconciliation of normalised growth for the quarter ended

31 March 2019 Rm	IFRS 15 Reported	Adoption of IFRS 15[2]	IAS 18	Translation FX[8]	Normalised*
Revenue					
Group	**21 748**	977	**22 725**	(25)	**22 700**
International	**5 027**	3	**5 030**	(25)	**5 005**
Service revenue					
Group	**17 441**	1 094	**18 535**	(24)	**18 511**
International	**4 885**	20	**4 905**	(24)	**4 881**

31 March 2018 Rm	IAS 18 Reported	Translation FX[4]	Normalised*
Revenue			
Group	**21 728**	560	**22 288**
International	**4 167**	560	**4 727**
Service revenue			
Group	**17 576**	523	**18 099**
International	**3 946**	523	**4 469**

31 March 2019 %	IAS 18[7] % change	Translation FX[4] ppts	Normalised* % change
Revenue			
Group	**4.6**	(2.8)	**1.8**
International	**20.7**	(14.8)	**5.9**
Service revenue			
Group	**5.5**	(3.2)	**2.3**
International	**24.3**	15.1	**9.2**

Notes:

1. The financial information relating to revenue, service revenue, EBITDA, EBIT and operating profit are derived from the condensed consolidated financial statements for the year ended 31 March 2019.
2. This column and related adjustments represents the reconciliation of IFRS 15 to IAS 18. For a more detailed explanation of the impact of the application of IFRS 15 on the Group refer to the applicable criteria set out in IFRS 15 "Revenue from Contracts with Customers" as set out on page 29.
3. 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 condensed consolidated income statement.
4. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. The prevailing exchange rates for the current and comparative periods are disclosed on page 22. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the year ended 31 March 2019 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period) to 31 March 2018 numbers, thereby giving a user a view of the performance which excludes exchange variances.
5. Merger and Acquisition relates to the net profit from associate and joint venture relating to Safaricom as disclosed in the condensed consolidated income statement and the IFRS 2 charge as disclosed in Note 8 in the condensed consolidated financial statements.
6. The percentage change relates to the year-on-year percentage growth on a comparable IAS 18 basis calculated as the percentage change between the year-to-date 31 March 2019 and year-to-date 31 March 2018 IAS 18 values.
7. The percentage change relates to the quarter to date year-on-year percentage growth on a comparable IAS 18 basis calculated as the percentage change between the quarter-to-date 31 March 2019 and the quarter-to-date 31 March 2018 IAS 18 values.

Supplementary information (continued)

Reconciliation of operating free cash flow and free cash flow

Rm	Year ended 31 March 2019 2019 IFRS 15	2019 IAS 18*	2018 IAS 18
Cash generated from operations[1]	34 575	34 575	32 299
Cash capital expenditure[2]	(12 208)	(12 208)	(10 592)
Movement in amounts due to M-Pesa account holders[3]	(724)	(724)	(590)
Operating free cash flow	**21 643**	**21 643**	**21 117**
Tax paid[1]	(6 535)	(6 535)	(6 194)
Dividends received from associate	2 466	2 466	1 988
Finance income received[1]	943	943	859
Finance costs paid[1]	(3 179)	(3 179)	(3 182)
Net dividends paid[1]	(473)	(473)	(393)
Free cash flow	**14 865**	**14 865**	**14 195**

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

Notes:

1. As per the condensed consolidated statement of cash flows.
2. Cash capital expenditure as per the condensed consolidated statement of cash flows, excluding capital expenditure of license and spectrum fee of (R977 million) (2018: R45 million).
3. Movements included in cash generated from operations relate to money held on behalf of M-Pesa customers.

Reconciliation of composition of headline earnings per share

Cents	Year ended 31 March 2019 IAS 18*	2018 IAS 18	% change IAS 18 18/19
HEPS excluding BEE and Safaricom transactions	**871**	**849**	**2.6**
Contribution from Safaricom and amortisation of intangible assets, net of withholding tax and minority interest[1]	132	74	78.4
Impact of new shares[2]	(41)	–	n/a
HEPS excluding BEE transaction	**962**	**923**	**4.2**
BEE transaction[3]	(100)	–	n/a
HEPS (IAS18)	**862**	923	(6.6)
Adoption of IFRS15[4]	6	–	n/a
Reported HEPS[5]	**868**	–	**n/a**

The reconciliation represents the composition of headline earnings per share and the effects of the BEE and Safaricom transactions on HEPS.

Notes:

1. This impact relates to the net profit from associate and joint venture of R2 823 million (2018: R1 506 million) as per the condensed consolidated income statement after non-controlling interest and withholding tax accrued on undistributed profits.
2. Impact of new shares relates to the issue of 223 459 781 shares as consideration for Vodacom stake in Safaricom.
3. BEE transaction relates to the one off, non-cash, non-recurring IFRS 2 charge of R1 404 million and transaction and finance costs of R295 million.
4. This adjustment represents the reconciliation of IFRS 15 to IAS18. For a more detailed explanation of the impact of the application of IFRS 15 on the Group refer to the applicable criteria set out in IFRS 15. "Revenues from Contract with Customers" as set out on page xx.
5. As per the condensed consolidated financial statements for the year ended 31 March 2019.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was adopted by the Group on 1 April 2018 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. The Group's IAS 18 accounting policy, and the key differences between the Group's IAS 18 and IFRS 15 accounting policies, are disclosed in the Group's annual financial statements for the year ended 31 March 2019.

IFRS 15 Accounting policy

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations (obligations) to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services don't meet the criteria to be identified as separate obligations, they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communication services.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when or as the Group performs the related service during the agreed service period.
- Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest is recognised in revenue over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group. Typically this is over the contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised.

Critical accounting judgements and key sources of estimation relating to IFRS 15

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant critical accounting judgements and key sources of estimation uncertainty are disclosed below. Other accounting judgements and estimations made by management are not considered to be individually critical or material, but cumulatively have a material impact on reported costs and revenues particularly as the Group offers a large variety of bundled goods and services.

Where the Group doesn't sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to customer. As a principal, receipts from, and payments to suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows. Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group delivers third-party branded services (such as premium music or TV content) to customers.

Additional financial and operational measures

This announcement contains certain financial (i.e. service revenue, enterprise service revenue, EBITDA and EBIT) and operational (i.e. customers, ARPUs and number of employees) measures which are presented in addition to the financial information disclosed in the condensed consolidated financial statements for the year ended 31 March 2019 which have been prepared in terms of IFRS. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the condensed consolidated financial statements for the year ended 31 March 2019. The financial measures have been extracted from the management accounts upon which the condensed consolidated financial statements for the year ended 31 March 2019 are based. Refer to pages 8, 9 and 11 for details relating to service revenue, EBIT and headline earnings per share and the supplementary information on pages 24 to 25 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 final results for Vodacom Group Limited for the year ended 31 March 2019 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations including the confirmation of the Group's targets, expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodacom does not intend to update these forward-looking statements and does not undertake any obligation to do so.

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

PJ Moleketi (Chairman), MS Aziz Joosub (CEO),
T Streichert (CFO)[1], T Reisten[1], V Badrinath[2], DH Brown, M Joseph[3] (Alternate F Bianco[6]),
BP Mabelane, SJ Macozoma, P Mahanyele-Dabengwa, JWL Otty[4],
S Sood[5].

1. German 2. French 3. American 4. British 5. Indian 6. Italian

Registered office

Vodacom Corporate Park,
082 Vodacom Boulevard,
Midrand 1685
(Private Bag X9904, Sandton 2146)

Transfer secretary

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Sponsor

UBS South Africa (Pty) Limited

ADR depository bank

Deutsche Bank Trust Company Americas

Company secretary

SF Linford

Investor relations

Shaun van Biljon

Media relations

Byron Kennedy