CFO's statement

The Group has once again performed well, with continued strong growth in the International operations and pleasing performance in South Africa in the second half of the year in a particularly volatile operating environment.

Till Streichert

Group revenue was up 4.8% to R90.7 billion, with operating profit increasing 13.2% to R27.7 billion. In South Africa, service revenue increased by 2.3% to R52.7 billion, the impact of significant price cuts in our out-of-bundle (OOB) rates in the beginning of the year, but recovering to strong growth in the second half of the year. In our International operations, revenue was up 12.6% (7.1%*) to R22.5 billion, contributing 29.7% to Group service revenue (2019: 27.7%). Safaricom contributed R3.6 billion to profit, net of tax and after deducting the amortisation of fair value assets on acquisition.

Events this year have been overshadowed by the COVID-19 pandemic emerging early in 2020. As reviewed elsewhere in this report, the Group has responded rapidly and effectively to the challenge, and I believe that we are in a strong position to withstand some of the significant potential impacts that lie ahead, and seize the opportunities arising.

↗ +4.8% Group revenue
R90.7 billion

↗ +13.2% Operating profit
R27.7 billion

Given the profoundly challenging macroeconomic environment – the significant social and economic impacts of the COVID-19 pandemic coming on top of the Moody's downgrade in South Africa, and regulatory pressures across our markets – there has been understandable pressure on investor sentiment. In this context, it is pleasing to report that the total shareholder return for the Group was 9.5% for the year. Headline earnings per share (HEPS) increased 8.9% to 945 cents, with the dividend of 845 cents per share up 6.3% year-on-year.

South Africa – recovery throughout the year

In South Africa, service revenue growth improved throughout the year, with strong growth in the second half. Our performance was affected by the tough economic environment, low GDP and wage growth, and high unemployment and consumer debt levels, constraining consumer and enterprise spend. The implementation of the End-User and Subscriber Services Charter (EUSSC) regulations, and our additional reduction in out-of-bundle rates by as much as 50% announced in the first quarter, negatively impacted out-of-bundle (OOB) usage. Excluding the one-off benefit of R389 million[1] from the change in revenue deferral methodology in the prior year, and the change this year in mobile termination rates (MTR), underlying growth for the year was 3.3%.

In the prepaid segment, customer numbers were down 5.6% to 35.2 million customers. The decline was mainly a result of continued optimisation of gross additions to improve the quality of our base, which resulted in one-month active customers being stable. Usage elasticity on data in the consumer market helped to offset OOB revenue reduction, resulting in ARPU returning to growth in the fourth quarter. In the contract segment, customer revenue declined 0.1% (excluding the impact of the prior year's revenue deferral[1], contract customer revenue increased by 1.9%).

Enterprise customers were up 12.8%, with a significant increase shortly ahead of the lockdown in the country. Increased competitive pressures and the impact of reduced OOB rates contributed to ARPU declining 7.9% (6.1%, excluding the prior year's revenue deferral[1] impact). Enterprise service revenue increased 6.7% to R14.3 billion, fuelled by strong growth in national roaming and fixed-line revenues, and the successful integration of IoT.nxt acquired in the first half of the year. Our financial services business continues to be an important contribution to growth, with revenue growth of 21.5% to R2.0 billion reflecting the value of our innovative offerings and competitive differentiation in insurance, payments, and lending. We improved our fibre rollout in the second half of the year, more than doubling the total number of homes connected to 61 427, with owned fibre passing 109 536 homes and businesses.

Pleasingly, we saw a 66.0% growth in data traffic, reflecting the expected elasticity that made up for the price transformation during the year. The growth in data customers, smartphone users, and average data usage per smart device gives us confidence that we will see further elasticity to compensate for the significant pricing transformation initiatives implemented from 1 April 2020 that we agreed upon proactively with the Competition Commission following its data services market inquiry.

Our 'Fit for growth' efforts contributed to relatively stable margins maintained over the year, with a 1.8ppt improvement in the second

* We used (*) to indicate normalised growth, which presents performance on a comparable basis.

half of the year, as service revenue returned to solid growth. We recently extended and renegotiated our roaming agreement with Rain, which improves the cost of our capacity bought from Rain. On a normalised basis, EBITDA growth was flat, however, if we exclude the impacts of the Rain roaming agreement, BEE staff expenses of R226 million and the prior year revenue deferral release[1] of R389 million, underlying EBITDA growth was 2.2%. Our capital investment of R9.9 billion for the year included investments in maintaining network quality and resilience and enhancing our IT systems and Big Data platforms to deliver more services to the customer, ensure fraud prevention, and digitise the customer experience.

International operations – sustaining strong growth

The International operations once again delivered double-digit growth, with service revenue up 12.5% (7.1%) for the year, boosted by continuing strong performance from M-Pesa and data. The effective execution of our strategy to be the leading operator in all our operations is reflected in the 11.5% growth in customer numbers, up by four million to 38.6 million. Data services remain a key area of growth, with 2.3 million new customers added during this period, bringing the total to 20.0 million. M-Pesa customers increased by 9.2% to 14.7 million, while M-Pesa's revenue grew 29.8% (22.7%*) to R4.0 billion, aided by the provision of new financial services across most markets, including the expansion of our lending products, such as Songesha in Tanzania. Our ability to further grow the M-Pesa offering was significantly boosted by the successful incorporation of our M-Pesa joint venture with Safaricom. This gives us the rights to use the M-Pesa brand and platform assets and positions the Group well to accelerate investment in M-Pesa and develop next-generation platforms.

This year, EBITDA grew 9.4%* as margins improved 0.8ppts*, primarily driven by savings delivered through our Fit for growth programmes. Improvements in the second half of the year were slightly impaired by lower service revenue growth in Tanzania, higher compliance costs to accelerate customer registrations, and a 2G licence penalty in the DRC[2]. The combined costs amounted to R199 million. Capital investment this year was focused on expanding the M-Pesa ecosystem with new services, and widening our 4G and 3G network reach.

Our investment in Safaricom, Africa's second-biggest telco by market capitalisation after Vodacom, delivered a 30.4% boost in profits from this associate, which includes its share of the gains in the newly formed M-Pesa joint venture with Vodacom. Service revenue grew 4.8%, supported by strong customer acquisition, recovery of market share, and mobile data returning to double-digit growth. Significant investments in network and infrastructure, an acceleration in pricing transformation, and a 17.2% underlying increase in revenue from M-Pesa all contributed to Safaricom's strong performance.

Ensuring business resilience in the context of COVID-19

In assessing the potential impact of COVID-19 on Vodacom's business activities, we have considered various scenarios regarding the pace and scale of the pandemic's reach, the nature and effectiveness of governments' responses, and the implications that this might have across each stage of Vodacom's value chain. There remains significant uncertainty as to how the pandemic will play out. In all scenarios we anticipate social, economic and financial disruption, with implications for our consumer and enterprise markets, our supply chain and distribution channels, and the stability and well-being of the broader communities within which we operate.

Unlike many other business sectors whose business models are at risk from the pandemic, the telecommunications sector appears to be more resilient. The sector has an essential role to play in supporting citizens and businesses to connect and function under extreme circumstances, as well as helping governments to improve their insights of population movement and disease modelling. The recent lockdown in South Africa saw a marked rise in data traffic resulting from the significant increase in remote working and home schooling, and heightened demand for digital entertainment and access to education, government and health portals. While we expect to be negatively affected by the anticipated economic downturn and reduced consumer and business spend, as an essential service the telecoms sector is a more defensive stock.

Given future uncertainties, we have stress-tested our balance sheet under various best-case and worst-case scenarios. We have further strengthened our balance sheet and are in a strong position to ensure business resilience. Our gearing is low, at 0.7 times net debt (excluding leases) to EBITDA-aL, and we have limited debt repayments in the short term, with sufficient facilities to maintain liquidity. We have limited our foreign currency exposure, with 90% of our debt base in rand. To protect against significant adverse interest movements, we have maintained a market-neutral debt structure, with half of our debt 'floating' in lower interest rates, and the other half in fixed debt. We have taken significant steps this year to further diversify our business from a more commodity-based telco, to a platform-based digital technology company with exciting new offerings and partnerships in financial services, IoT and digital content. As part of our pricing transformation strategy, we have recently made further significant reductions in data pricing, despite the absence of new spectrum. These reductions were possible given the elasticity we continue to see in the South African market. We believe we will see further acceleration of this elasticity as more people use data following the widespread digitisation prompted by COVID-19.

Our Fit for growth cost-efficiency initiatives are well embedded in our operations and focused on delivering digital transformation of our business, providing the opportunity to employ short-term cost control as needed to improve business resilience. While we will continue to invest in our network, IT and new platforms such as financial services, we will be maintaining flexibility in relation to the amount of capital expenditure spent and the priorities we allocate it to considering the developments around us.

Appreciation

As I announced in November 2019, I will be resigning from the Vodacom Group in June this year. It has been a remarkable six and a half years with Vodacom, and a privilege to be part of the executive team as we have worked to transform Vodacom from a telco into a purpose-led technology company. I would like to thank the Board and my colleagues across the Group for their support throughout these years, and I wish them all the very best in ensuring that Vodacom delivers on its purpose: to connect for a better future.

Till

Till Streichert
Chief Financial Officer
2 June 2020

1. R389 million revenue deferral release in the prior year, of which R292 million related to Q2 and R97 million to Q4.
2. Vodacom Congo resolved a dispute over a claim that its 2G licence was not properly renewed. Vodacom Congo paid US$6.9 million in penalties and administrative costs in return for the extension of our licence by an additional 10 years.

Tax and our total economic contribution to public finances

In the countries in which we operate taxes are most often the largest source of government revenue. These tax revenues enable governments to pay for essential public services, such as health care, security and education, whilst ensuring a functional infrastructure is built and maintained across society.

We take our responsibilities to contribute to the social and economic development of the countries in which we operate seriously, and we remain committed to acting with integrity, honesty and transparency in the creation and execution of our tax strategy, policies and practices. The below contributions reported excludes the taxes and other economic contributions made by joint ventures and associates of the Group.

R20.4 billion

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed more than R20.4 billion (2019: R20.0 billion) to the public finances of governments in the jurisdictions in which we operate.

R8.2 billion was paid in **direct taxes** (2019: R9.4 billion)

R9.9 billion was collected and paid as **indirect tax contributions** (2019: R9.2 billion)

R2.3 billion was paid in **direct non-tax contributions*** (2019: R1.5 billion)

The major tax types included in the above are:

We paid R6.4 billion (2019: R6.5 billion) in corporate taxes and dividend withholding taxes on profit before tax of R23.1 billion (2019: R22.1 billion).

Thus we paid R0.28 in corporate tax for every R1 we generated in profit.

We paid R2.2 billion (2019: R2.2 billion) in various forms of employment tax on behalf of our employees.

Thus 28% of our payroll expenditure is made up of employment taxes.

We paid R1 billion in customs and import duties (2019: R1.1 billion).

We collected R7.6 billion (2019: R5.7 billion) in net value-added tax from our operations and excise duty on behalf of governments.

Thus we contributed R0.33 in value-added tax and excise duties for every R1 we generated in profit.

We withheld R537 million (2019: R521 million) in withholding tax from our suppliers and paid it to the relevant tax authorities on their behalf.

We paid R477 million in dividend withholding tax on dividends received from Lesotho, Kenya and Tanzania. (2019: R240 million).

For more information in respect of the taxes we pay in each country, alongside the principles on which we operate and our views on various matters of significance relating to the payment of taxes, including clarifying some areas that are often a source of public confusion, read our Tax Transparency report 2020 on www.vodacom.com.

* Direct non-tax contributions refer to all regulatory fees paid to the various relevant government bodies and include among other licence fees, spectrum fees and contributions made to the universal access fund.

Condensed consolidated income statement

for the year ended 31 March

	2020 IFRS 16 Rm	2019 IAS 17 Rm
Revenue	**90 746**	86 627
Direct expenses	**(32 877)**	(31 427)
Staff expenses	**(6 421)**	(6 026)
Publicity expenses	**(1 907)**	(1 920)
Other operating expenses	**(12 024)**	(13 462)
Broad-based black economic empowerment charge	**–**	(1 404)
Depreciation and amortisation	**(13 955)**	(10 642)
Impairment losses	**–**	(30)
Net profit from associate and joint ventures	**4 149**	2 774
Operating profit	**27 711**	24 490
Net loss on disposal of subsidiaries	**(819)**	–
Finance income	**884**	630
Finance costs	**(4 702)**	(3 008)
Net loss on remeasurement and disposal of financial instruments	**(16)**	(23)
Profit before tax	**23 058**	22 089
Taxation	**(6 414)**	(6 557)
Net profit	**16 644**	15 532
Attributable to:		
Equity shareholders	**15 944**	14 822
Non-controlling interests	**700**	710
	16 644	15 532

	2020 IFRS 16 Cents	2019 IAS 17 Cents
Basic earnings per share	**939**	872
Diluted earnings per share	**923**	856

Note:
The condensed consolidated financial statements were extracted from the full audited consolidated annual financial statements. The AFS are available on www.vodacom.com.

Group revenue grew 4.8% (3.5%*) to R90.7 billion, with strong growth in International and improved growth in South Africa.

Group total expenses increased 0.7% (4.6%*) to R53.2 billion. These costs include BEE staff costs of R242 million as a result of our BEE deal in the prior year, as well as increased costs as a result of our roaming agreement in South Africa, a license penalty in the DRC of R99 million and R100 million for increased compliance costs in Tanzania to biometrically register customers.

This amount includes our R3.4 billion attributable share of profits from our associate Safaricom, and a gain of R745 million in relation to M-Pesa Global Services, our newly created joint venture with Safaricom.

Despite the average cost of debt decreasing from 8.2% to 7.7%, net finance charges increased 59.7% to R3.8 billion mainly as a result of an increase in interest on leases on the adoption of IFRS 16 amounting to R1.4 billion (2019: R124 million) and interest of R301 million (2019: R171 million) on the YeboYethu preference shares held by external parties.

The tax expense of R6.4 billion was 2.2% lower than the prior year (2019: R6.6 billion).
The effective tax rate decreased to 27.8% for the current period (2019: 29.7%), mainly due to the non-recurring, non-deductible, non-cash IFRS 2 charge in the prior year; a decrease in unrecognised deferred tax assets relating to the losses incurred primarily in the DRC and the increase in the share in the associates' after-tax profits included in profit before tax.

Condensed consolidated statement of comprehensive income
for the year ended 31 March

	2020 IFRS 16 Rm	2019 IAS 17 Rm
Net profit	**16 644**	15 532
Other comprehensive income		
Foreign currency translation differences, net of tax[1]	**13 770**	11 879
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations[1]	**327**	–
Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax[1]	**13**	10
Total comprehensive income	**30 754**	27 421
Attributable to:		
Equity shareholders	**28 953**	25 709
Non-controlling interests	**1 801**	1 712
	30 754	27 421

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations. During the current year, a net amount of R327 million of previously recorded foreign currency translation differences were recognised in profit or loss on the sale of certain subsidiaries within the Vodacom Business Africa group.

Condensed consolidated statement of financial position

as at 31 March

	2020 IFRS 16 Rm	2019 IAS 17 Rm
Assets		
Non-current assets	**142 395**	113 897
Property, plant and equipment	**59 277**	43 989
Intangible assets	**13 363**	10 845
Financial assets	**741**	632
Investment in associate and joint ventures	**64 429**	54 299
Trade and other receivables	**2 447**	2 137
Finance receivables	**1 867**	1 699
Tax receivable	**260**	183
Deferred tax	**11**	113
Current assets	**47 828**	39 746
Financial assets	**7 763**	6 391
Inventory	**1 382**	1 413
Trade and other receivables	**19 197**	17 649
Non-current assets held for sale	**86**	619
Finance receivables	**2 288**	2 251
Tax receivable	**55**	357
Bank and cash balances	**17 057**	11 066
Total assets	**190 223**	153 643
Equity and liabilities		
Fully paid share capital	**57 073**	57 073
Treasury shares	**(16 620)**	(16 387)
Retained earnings	**34 294**	32 670
Other reserves	**16 909**	4 636
Equity attributable to owners of the parent	**91 656**	77 992
Non-controlling interests	**8 414**	8 396
Total equity	**100 070**	86 388
Non-current liabilities	**53 403**	29 084
Borrowings	**47 988**	23 641
Trade and other payables	**359**	820
Provisions	**1 055**	329
Deferred tax	**4 001**	4 294
Current liabilities	**36 750**	38 171
Borrowings	**3 707**	10 603
Trade and other payables	**31 437**	26 607
Liabilities directly associated with non-current assets held for sale	**30**	286
Provisions	**228**	218
Tax payable	**468**	340
Dividends payable	**14**	117
Bank overdraft	**866**	–
Total equity and liabilities	**190 223**	153 643

Property, plant and equipment increased 34.8% to R59.3 billion and intangible assets increased 23.2% to R13.4 billion. This includes right of use assets of R9.8 billion recognised as a result of the implementation of IFRS 16 in the current year, net additions of R16.5 billion, which include the licence costs associated with the extension of our 2G licence in the DRC and spectrum costs in Mozambique and Tanzania totalling R780 million and net foreign currency translation gains of R4.4 billion, offset by depreciation and amortisation of R14.0 billion. Intangible assets also include R590 million of goodwill and a trade mark of R102 million recognised on the acquisition of IoT.nxt during the year.

Represents our investment of an effective 34.94% in Safaricom Plc and M-Pesa Global Services, our M-Pesa joint venture with Safaricom.

Bank and cash increased by R6.0 billion, mainly due to an increase in loans. These include a R2 billion sustainability-linked loan, where the interest rate is dependent on certain sustainability metrics being met over the next three years and evaluated annually, underpinning our evolving focus on ESG. We also increased some of our facilities with Vodafone Luxembourg, with an additional R3.5 billion to fund our capital expenditure.

Include lease liabilities of R10.5 billion in relation to the implementation of IFRS 16.

Includes lease liabilities of R2.4 billion in relation to the implementation of IFRS 16.

Total borrowings excluding finance lease liabilities, increased by R6.2 billion to R38.3 billion as a result of new facilities taken up in South Africa with Vodafone Investments in Luxembourg, totalling R3.5 billion, a three-year loan with Standard Bank South Africa, with interest rates linked to sustainability goals as well as a US$25 million loan in the DRC to fund the acquisition of spectrum.

Condensed consolidated statement of changes in equity
for the year ended 31 March

	Equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
31 March 2018 – Audited	64 468	6 184	70 652
Adoption of IFRS 15 and IFRS 9	3 187	(57)	3 130
1 April 2018	67 655	6 127	73 782
Total comprehensive income	25 709	1 712	27 421
Dividends	(13 982)	(473)	(14 455)
Repurchase and sale of shares	(352)	–	(352)
Share-based payments	1 862	–	1 862
Broad-based black economic empowerment transaction	1 669	–	1 669
Share-based payments – other	193	–	193
Changes in subsidiary holdings	(2 900)	80	(2 820)
Shareholder's loan converted to equity	–	950	950
31 March 2019 – Audited (IAS 17)	**77 992**	**8 396**	**86 388**
Adoption of IFRS 16	**23**	**1**	**24**
1 April 2019	**78 015**	**8 397**	**86 412**
Total comprehensive income	**28 953**	**1 801**	**30 754**
Dividends	**(14 348)**	**(732)**	**(15 080)**
Repurchase and sale of shares	**(443)**	**–**	**(443)**
Share-based payments	**571**	**–**	**571**
Business combinations	**–**	**46**	**46**
Changes in subsidiary holdings	**(1 092)**	**(1 098)**	**(2 190)**
31 March 2020 – Audited (IFRS 16)	**91 656**	**8 414**	**100 070**

Condensed consolidated statement of cash flows

for the year ended 31 March

	2020 IFRS 16 Rm	2019 IAS 17 Rm
Cash flows from operating activities		
Cash generated from operations	**39 251**	34 575
Tax paid	**(6 417)**	(6 535)
Net cash flows from operating activities	**32 834**	28 040
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	**(13 890)**	(13 653)
Proceeds from disposal of property, plant and equipment and intangible assets	**68**	467
Acquisition of subsidiary (net of cash and cash equivalents acquired)	**(266)**	–
Acquisition of joint venture	**(180)**	–
Disposal of subsidiaries (net of cash and cash equivalents disposed)	**89**	–
Dividends received from associate	**4 394**	2 466
Finance income received	**763**	943
Other investing activities[1]	**(142)**	(1 411)
Net cash flows utilised in investing activities	**(9 164)**	(11 188)
Cash flows from financing activities		
Borrowings incurred	**9 630**	5 080
Borrowings repaid	**(7 086)**	(3 026)
Finance costs paid	**(4 810)**	(3 179)
Dividends paid – equity shareholders	**(14 358)**	(13 978)
Dividends paid – non-controlling interests	**(732)**	(473)
Repurchase and sale of shares	**(443)**	(352)
Changes in subsidiary holdings	**(2 048)**	(3 449)
Net cash flows utilised in financing activities	**(19 847)**	(19 377)
Net increase/(decrease) in cash and cash equivalents	**3 823**	(2 525)
Cash and cash equivalents at the beginning of the year	**11 066**	12 538
Effect of foreign exchange rate changes	**1 302**	1 053
Cash and cash equivalents at the end of the year	**16 191**	11 066

1. Consists mainly of an increase in restricted cash deposits of R445 million (31 March 2019: R1 142 million increase) from M-Pesa-related activities, and decreased investment of R352 million in treasury bills in Tanzania.

Cash generated from operations includes payments of operating leases in the prior year. In the current year, following the adoption of IFRS 16, these leases are now capitalised and payments reflected under financing activities. Lease payments for the year were R4 046 million, which includes interest on lease liabilities of R1 304 million.

Represents the cash flow associated with the acquisition of our 51% equity interest in IoT.nxt, through 1OT Holding (Pty) Limited and IoT.nxt B.V.

Represents the cash flow associated with the acquisition of the M-Pesa brand, product development and support services from Vodafone Group Plc, through a newly created joint venture with Safaricom. The Group and Safaricom each hold a 50% interest in the joint venture.

Certain subsidiaries within the Vodacom Business Africa group were disposed of during March 2020.

Our share of the Safaricom dividend, including a special dividend of R1.1 billion in the current year.

Higher finance costs paid in relation to external debt for our BEE deal, as well as the inclusion of interest on lease liabilities of R1 304 million.

Segment performance

South Africa

	2020 IFRS 16	2019 IAS 17	% change
Revenue (Rm)	**69 593**	67 887	2.5
Service revenue (Rm)	**52 712**	51 541	2.3
EBITDA (Rm)	**29 094**	27 741	4.9
Capital expenditure (Rm)	**9 860**	9 577	3.0
Customers[1] (thousand)	**41 312**	43 166	(4.3)
Prepaid customers (thousand)	**35 231**	37 331	(5.6)
Contract customers (thousand)	**6 081**	5 835	4.2
Data customers[2] (thousand)	**21 891**	19 952	9.7
Total ARPU[5] (rand per month)	**86**	87	(1.1)
Prepaid ARPU[5] (rand per month)	**54**	54	0.0
Contract ARPU[5] (rand per month)	**290**	315	(7.9)
NPS (position relative to competitors)	**1st**	1st	

Service revenue grew by 2.3% in the context of a tough consumer environment, the impact of the End-User Subscriber Services Charter on revenue, and the significant cuts in out-of-bundle rates. After a slower start to the year, growth picked up in the second half.

Customer revenue was down 0.8% to R43.2 billion. Although contract customers increased 4.2% to 6.1 million, contract customer revenue was down 0.1%. In the prepaid segment, customer numbers were down 5.6% to 35.2 million customers. The decline was mainly the result of continued optimisation of gross additions to improve the quality of our base.

Enterprise service revenue increased 6.7% to R14.3 billion, with fixed-line revenue up 8.5%, supported by strong growth in cloud and hosting and connectivity revenue. IoT connections increased 17.2% to 5.3 million, with revenue growth of 38.5% leveraging our relationship with IoT.nxt, acquired in the first half of the year. Enterprise growth was partially offset by a 7.5% decline in mobile customer revenue as the effects of ICASA end-user regulations continue to be felt. Enterprise customers were up 12.8%, with a significant increase in the last two weeks ahead of the country's lockdown in March 2020.

Data traffic was up 66.0%, with strong acceleration in the fourth quarter, evidencing the expected elasticity to make up for price transformation during the year. The number of data customers increased 9.7% to 21.9 million, with smartphone users up 11.8%, of which 73.3% are 4G customers. There was a 34.5% increase to 12.9 million in 4G devices on our network, with the average usage per smart device increasing 56.0% to 1.5GB. The increase in drivers of data growth suggests that we will continue to see elasticity to compensate for the significant pricing transformation initiatives that we agreed upon with the Competition Commission and implemented from 1 April 2020.

Our financial services offering continues to expand, delivering revenue growth of 21.5% to R2.0 billion for the year, with 13.6 million customers now using one of our financial services products. We advanced R9.9 billion in airtime via our Airtime Advance platform to 9.9 million customers. In the payment space we launched our VodaPay application, offering direct airtime purchases and electricity payments with more to follow soon. We expanded our lending services to the first phase for SME lending, and in insurance products we continue to add new offerings while improving process and profitability.

Our platform strategy, designed to stimulate reasons to consume data, delivered strong growth. Video Play again performed particularly well, with one million customers, while our MyMuze music service attracted 1.9 million downloads. We improved our fibre rollout in the second half of the year, more than doubling the total number of homes connected to 61 427, with owned fibre passing 109 536 homes and businesses.

Our cost management initiatives contributed to relatively stable margins over the year, with a 1.8ppt improvement in the second half. We extended our renegotiated roaming agreement with Rain and improved the cost of our capacity bought from Rain. On a normalised basis, EBITDA growth was flat, however, excluding the impacts of the Rain roaming agreement, BEE staff expenses of R226 million, and a prior year deferral release of R389 million, underlying EBITDA growth was 2.2%.

Our capital investment of R9.9 billion over the year included investments in maintaining network quality and resilience, as well as enhancing our IT platform architecture and Big Data capabilities, to deliver more services to customers, ensure fraud prevention, and digitise the customer experience. Digital transformation of the customer experience is yielding results, with the introduction of process automation, chatbots, and improving call resolutions at the root cause, assisting in reducing customer call volumes by 38% over the past two years.

Tanzania

	2020 IFRS 16	2019 IAS 17	% change
Revenue (TZSm)	**1 032 667**	1 024 587	0.8
EBITDA (TZSm)	**359 690**	293 937	22.4
Customers[1] (thousand)	**15 513**	14 133	9.8
Data customers[2] (thousand)	**7 687**	7 892	(2.6)
M-Pesa customers[3] (thousand)	**6 685**	6 989	(4.3)
MOU per month[4]	**172**	172	–
Total ARPU[5] (rand per month)	**36**	36	–
Total ARPU[5] (TZS per month)	**5 616**	6 010	(6.6)
Number of employees	**551**	548	0.5
NPS (position relative to competitors)	**1st**	1st	
Customer market share	**#1**	#1	

Vodacom Tanzania PLC's performance was significantly impacted this year by the government's customer registration regulations, requiring biometric registration using national identification numbers. Low penetration of ID numbers across the country has significantly affected the registration process and resulted in 2.9 million Vodacom customers being barred from January 2020 in various phases.

Within this context, Vodacom Tanzania continued to deliver solid growth in revenue (up 0.8%) and EBITDA (up 22.4%), driven by revenue growth in its key strategic growth pillars, M-Pesa and data. We remain market leaders on customer NPS.

We maintained our drive to extend M-Pesa beyond person-to-person money transfers to include enterprise, financial services and mobile commerce. Currently, more than 900 enterprise organisations in the country use M-Pesa to collect and disburse payments, over 6.6 million customers use M-Pesa to access formal saving and loan products with partner banks, and more than 20 000 retail and online merchants now accept M-Pesa. This year, we launched the Songesha overdraft facility in partnership with the Tanzania Postal Bank, allowing consumers to complete transactions when they have insufficient balances. Songesha has now extended nano and small loans of up to TZS70 000 (c.R460) to 5.3 million customers, with facilities of TZS52 billion extended during the year. Our new Halal Pesa service, launched in partnership with Amana Bank, allows customers to deposit savings and contribute to religious and social activities, while earning Halal benefits while adhering to Sharia.

During the year, we invested TZS154.6 billion (15.0% of revenue) in our network, focused on increasing 4G coverage in major cities and upgrading capacity, and modernising our network to enable a superior data customer experience. To further monetise data traffic countrywide, we made progress in expanding the reach of our 4G network to more regions, increasing the uptake of smartphones (to 5.2 million users), and driving digital penetration and revenue, including through our Vlive and Video Play data offerings. At year end our data penetration was 49.6%.

We have embraced the digital transformation journey and adopted agile methodologies, launching agile squads and tribes. During the year we also successfully launched RPA and chatbots to digitise and enhance the customer experience, and drive efficiencies. We made progress in driving uptake of a 'lite' version of MyVodacom App, and expanded the reach of our Just 4 You offering through the app.

Looking ahead, we will be maintaining our focus on expanding our mobile money ecosystem through new partnerships and services, delivering an enhanced data-user experience, driving digital through greater penetration of the MyVodacom App lite, and accelerating the rollout of agile squads for efficient delivery of RPA and digital transformation.

Mozambique

	2020 IFRS 16	2019 IAS 17	% change
Revenue (MZNm)	**24 601**	21 071	16.8
EBITDA (MZNm)	**11 504**	8 446	36.2
Customers[1] (thousand)	**7 656**	6 843	11.9
Data customers[2] (thousand)	**4 855**	4 289	13.2
M-Pesa customers[3] (thousand)	**4 389**	3 860	13.7
MOU per month[4]	**132**	136	(2.9)
Total ARPU[5] (rand per month)	**59**	55	7.3
Total ARPU[5] (MZN per month)	**252**	244	3.3
Number of employees	**599**	551	8.7
NPS (position relative to competitors)	**3rd**	2nd	
Customer market share	**#1**	#1	

Vodacom Mozambique had a particularly good year, with revenue increasing 16.8% and EBITDA up 36.2%. We achieved this strong performance against the backdrop of the country's devastating cyclones in March and April 2019, and an increasingly competitive market.

The customer base grew 11.9% to 7.7 million, aided by our effective marketing campaigns and promotions, the reach and quality of our network and customer service, and the nature of our digital service offerings.

M-Pesa revenue increased by 59.4%, contributing 15.8% to service revenue, up from 11.5% last year. This year, we launched the M-Pesa Xitique, a standalone pseudo group savings product that meets a market need for a mobile savings product. We also launched an international money transfer (IMT) service in partnership with Mama Money, which has delivered excellent growth since its launch, sending and receiving US$3.4 million in the year.

Data customers increased by 13.2% and data traffic up by 40.4%. At year end, our data penetration was 63.4%, and our smartphone penetration increased to 61.0% of our customer base. As part of our data monetisation drive, we saw solid growth in our recently launched consumer digital services in video (VuClip), local music (Mozik), and sports (VLiveSports).

We experienced some challenges with our network early in the financial year following the two consecutive cyclones that damaged major roads and infrastructure, delaying our ability to restore network services. We also experienced theft and vandalism to our fibre infrastructure in some areas. This was resolved by installing high-speed microwave transmission links as back-up routes to the fibre network. Despite these challenges, we made valuable progress in expanding the network and rolling out 4G coverage. We added 140 2G sites, 152 3G sites and over 291 4G sites in the country.

We continued with network virtualisation on our core networks to improve scalability, capacity and availability, and now have a virtualised voice core network in the country. We addressed the high levels of 3G utilisation by investing in capacity upgrades and through our aggressive 4G migration plan driven by the commercial and technology teams. We continued to deliver on our Fit for growth cost-saving initiatives, mainly through contract renegotiations and savings from increased airtime sales through M-Pesa.

Unfortunately, we trail our closest competitor on customer NPS mainly because of network inconsistencies and a higher cost of service. We are taking steps to address and deliver on our goal of leading in NPS in all our markets.

In the year ahead, we will maintain our focus on further improving network coverage and quality, expanding our mobile money ecosystem through new partnerships and services, driving digital through greater penetration of the MyVodacom App lite, and continuing to drive reasons to consume data through our content platforms.

DRC

	2020 IFRS 16	2019 IAS 17	% change
Revenue (US$000)	**511 523**	473 386	8.1
EBITDA (US$000)	**194 369**	130 511	48.9
Customers[1] (thousand)	**13 766**	12 180	13.0
Data customers[2] (thousand)	**6 594**	4 749	38.9
M-Pesa customers[3] (thousand)	**2 864**	2 116	35.3
MOU per month[4]	**34**	36	(5.6)
Total ARPU[5] (rand per month)	**46**	41	12.2
Total ARPU[5] (US$ per month)	**3.1**	3.0	3.3
Number of employees	**578**	573	0.9
NPS (position relative to competitors)	**1st**	1st	
Customer market share	**#1**	#1	

Vodacom DRC delivered another year of pleasing results, with revenue increasing 8.1%, driven by strong growth in voice, data and M-Pesa revenue.

Customers increased 13% to 13.8 million, showing the benefit of our strategic promotional activities and increased customer segmentation. Data customers increased 38.9%, boosted by our enhanced personalised offers that contributed to 93.6% growth in data traffic. At year end, our data penetration was 47.9% and we had 2.2 million smartphone users.

M-Pesa revenue increased 48.3% and now represents 9.7% of service revenue, up from 7.1% last year. We grew our M-Pesa customers by an impressive 35.3%. We further expanded the ecosystem with the launch of Lona o defat, a micro-loan and savings product developed in partnership with FINCA, a micro-credit organisation. The service offers its customers the opportunity to save and earn interest via M-Pesa and to get micro-credit repayable weekly or monthly, based on a credit score using customers' mobile money and GSM transactions.

We successfully launched various digital content offerings, including the Vodacom Ligue1 App and social media platform that enables fans to enjoy an uninterrupted football experience. We have been promoting the emergence of the country's young music talent through the Vodacom Best of the Best brand activation programme.

As part of our goal of deepening the use of digital to enhance the customer experience, we expanded the reach of our Just 4 You offering, launching this on the MyVodacom App.

Following the awarding of a 4G licence and acquisition of spectrum, we rolled out 47 4G sites this year.

Our strong focus on customer value management activities, improving allocations within our bundles and rewarding loyalty resulted in an NPS lead of 8ppts.

In the year ahead, we will focus on increasing our coverage; providing customers with more reasons to consume data with our video, music and gaming propositions; expanding our M-Pesa services; accelerating the rollout of agile squads for efficient delivery of RPA and digital transformation; and driving digital through greater penetration of the MyVodacom App lite.

Lesotho

	2020 IFRS 16	2019 IAS 17	% change
Revenue (Rm)	**1 377**	1 308	5.3
EBITDA (Rm)	**619**	628	(1.4)
Customers[1] (thousand)	**1 660**	1 464	13.4
Data customers[2] (thousand)	**847**	734	15.4
M-Pesa customers[3] (thousand)	**800**	535	49.5
MOU per month[4]	**80**	74	8.1
Total ARPU[5] (rand per month)	**69**	66	4.5
Number of employees	**229**	220	4.1
NPS (position relative to competitors)	**2nd**	1st	
Customer market share	**#1**	#1	

Vodacom Lesotho's revenue increased 5.3%, driven by growth in data and M-Pesa revenue. EBITDA was down slightly by 1.4% as a result of an increase in the cost of international termination rates and additional regulatory costs.

M-Pesa revenue was up 27.0%, supported by a pleasing 49.5% increase in M-Pesa customers. We continued to drive increased usage of our ecosystem products such as pay bill transactions and airtime purchases, and to further expand transactions with merchants. We also successfully launched a savings group initiative, Mokhatlo, enabling customers to create savings groups to save their money collectively on M-Pesa, further increasing financial inclusion and access to finance across our markets. The service allows members access to the group fund, and to contribute and withdraw money across the M-Pesa agent network. Consumers can select signatories, request and pay loans, contribute to the group, view the balance of group members and check the group balance, allowing for easier and more transparent access. During the year we successfully upgraded our M-Pesa platform to the latest release, and migrated to the converged charging system, hosted in South Africa as a shared service.

Data customers increased 15.4% to 847 000. Smartphone penetration increased to 60.7% of our customer base, up from 57.4% in the previous year, aided by access to better low-cost smart devices.

We continued to reduce out-of-bundle rates and introduce smart notifications, leading to ARPU declines. During the year we launched our digital video and music propositions, with Video Play offering SV and TV on demand, including locally developed content.

After becoming the first company last year to commercially launch 5G in Africa, and one of the first globally to achieve this milestone, this year we invested in further expanding network coverage, quality and efficiencies. Lesotho's high 3G utilisation was addressed with layer upgrades using the 900 MHz and 2 100 MHz spectrum bands, as well as the expansion of the 4G network in areas with high traffic demands. To strengthen our digital IT capabilities as part of our commitment to the digital transformation journey, we adopted agile methodologies, and launched agile squads and tribes.

We are continuing to engage with regulatory authorities regarding enforcement proceedings of the Lesotho Communications Authority relating to the alleged lack of independence of Vodacom's external auditors.

Looking ahead, in addition to expanding the M-Pesa ecosystem, our focus will be on driving data monetisation by increasing in-bundle usage and smartphone penetration, and deepening our digital content offerings. We will continue to drive digital through greater penetration of the MyVodacom App lite, and accelerate the rollout of agile squads for efficient delivery of RPA and digital transformation.

1. Customer numbers 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 customer numbers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average number of monthly customers during the period.

Five-year historic review

	2020[1]	2019[2]	2018	2017	2016	Compound growth %
Summarised income statement (Rm)						
Revenue	**90 746**	86 627	86 370	81 278	80 077	3.2
Operating profit	**27 711**	24 490	24 252	21 750	21 059	7.1
Net finance charges	**(3 834)**	(2 401)	(2 893)	(2 522)	(2 215)	14.7
Profit before tax	**23 058**	22 089	22 093	19 228	18 844	5.2
Taxation	**(6 414)**	(6 557)	(6 531)	(6 102)	(5 934)	2.0
Net profit	**16 644**	15 532	15 562	13 126	12 910	6.6
Non-controlling interest	**(700)**	(710)	(218)	292	7	n/a
EBITDA	**37 610**	33 714	32 898	31 238	30 345	5.5
EBITDA-aL	**35 539**	–	–	–	–	n/a
Summarised statement of financial position (Rm)						
Non-current assets	**142 395**	113 897	96 543	52 127	51 085	29.2
Current assets	**47 828**	39 746	34 822	29 011	27 618	14.7
Equity and reserves	**100 070**	86 388	70 652	22 996	23 024	44.4
Non-current liabilities	**53 403**	29 084	28 130	31 423	29 909	15.6
Current liabilities	**36 750**	38 171	32 583	26 719	25 770	9.3
Net debt	**35 180**	23 354	19 892	22 484	21 287	13.4
Net debt (excluding IFRS 16 lease liabilities)	**22 238**	–	–	–	–	–
Capital expenditure	**13 218**	12 957	11 594	11 292	12 875	0.7
Summarised statement of cash flows (Rm)						
Cash generated from operations	**39 251**	34 575	32 299	31 791	29 800	7.1
Tax paid	**(6 417)**	(6 535)	(6 194)	(6 051)	(5 456)	4.1
Net cash flows from operating activities	**32 834**	28 040	26 105	25 740	24 344	7.8
Net cash flows utilised in investing activities	**(9 164)**	(11 188)	(8 526)	(12 195)	(13 680)	(9.5)
Net cash flows utilised in financing activities	**(19 847)**	(19 377)	(13 067)	(11 909)	(11 644)	14.3
Net increase/(decrease) in cash and cash equivalents	**3 823**	(2 525)	4 512	1 636	(980)	n/a
Cash and cash equivalents at end of the year	**16 191**	11 066	12 538	8 873	7 751	20.2
Performance per ordinary share (cents)						
Basic earnings per share	**939**	872	947	915	881	1.6
Headline earnings per share	**945**	868	923	923	883	1.7
Diluted headline earnings per share	**928**	852	895	894	860	1.9
Net asset value per share	**5 450**	4 705	4 104	1 545	1 547	37.0
Dividends per share[3]	**845**	795	815	830	795	1.5
Profitability and returns (%)						
EBITDA margin	**41.4**	38.9	38.1	38.4	37.9	
Operating profit margin	**30.5**	28.3	28.1	26.8	26.3	
Effective tax rate	**27.8**	29.7	29.6	31.7	31.5	
Net profit margin	**18.3**	17.9	18.0	16.1	16.1	
Return on equity[4]	**18.8**	20.3	34.7	55.7	55.9	
Return on capital employed[5]	**23.2**	24.6	30.5	45.4	48.2	
Liquidity and debt leverage (times)						
Interest cover[6]	**5.9**	8.1	8.6	7.7	9.6	
Net debt to EBITDA	**0.9**	0.7	0.6	0.7	0.7	
Net debt to EBITDA-aL (excluding IFRS 16 lease liabilities)	**0.7**	–	–	–	–	
Current ratio[7]	**1.3**	1.0	1.1	1.1	1.1	
Quick ratio[8]	**1.3**	1.0	1.0	1.0	1.0	

Notes:
1. IFRS 16 was adopted on 1 April 2019 on a forward-looking basis.
2. IFRS 15 was adopted on 1 April 2018 on a forward-looking basis.
3. Total dividend declared for the financial year. The total dividend for 31 March 2020 includes a special dividend of 60cps.
4. Return on equity is calculated by dividing net profit attributable to equity shareholders by shareholders' equity.
5. Return on capital employed (before tax) is calculated by dividing adjusted statutory operating profit by the average of total assets less current liabilities. The 2020 ROCE is calculated including IFRS 16 assets and liabilities.
6. Interest cover ratio is calculated by dividing earnings before interest and tax for the year by finance costs for the year. 2020 interest cover includes interest on lease liabilities.
7. The current ratio is calculated by dividing current assets by current liabilities.
8. The quick ratio is calculated by dividing current assets, excluding inventory, by current liabilities.

Five-year historic review per segment

	2020[1]	2019[2]	2018	2017	2016	Compound growth %
South Africa						
Revenue (Rm)	69 593	67 887	69 967	64 729	62 279	2.8
EBITDA (Rm)	29 094	27 741	28 088	26 815	25 016	3.8
EBITDA-aL (Rm)	26 930	–	–	–	–	–
Capital expenditure (Rm)	9 860	9 577	8 884	8 471	8 747	3.0
EBITDA margin (%)	41.8	40.9	40.1	41.4	40.2	
Capex intensity (%)	14.2	14.1	12.7	13.1	14.0	
Customers (000)[3]	41 312	43 166	41 635	37 131	34 178	4.9
Number of employees	5 403	5 197	5 007	5 038	5 009	1.9
Total ARPU (rand per month)[4]	86	87	101	111	112	(6.4)
International						
Revenue (Rm)	22 492	19 981	17 460	17 350	18 356	5.2
EBITDA (Rm)	8 679	6 252	4 930	4 545	5 385	12.7
EBITDA-aL (Rm)	6 709	–	–	–	–	–
Capital expenditure (Rm)	3 358	3 376	2 707	2 833	4 090	(4.8)
EBITDA margin (%)	38.6	31.3	28.2	26.2	29.3	
Capex intensity (%)	14.9	16.9	15.5	16.3	22.3	
Customers (000)[3]	38 595	34 620	32 194	29 655	27 127	9.2
Number of employees	2 054	2 357	2 360	2 351	2 338	(3.2)
Total ARPU (rand per month)[4]						
Tanzania	36	36	35	38	39	(2.0)
DRC	46	41	38	49	42	2.3
Mozambique	59	55	51	45	54	2.2
Lesotho	69	66	65	61	62	2.7
Total ARPU (local currency per month)[4]						
Tanzania (TZS)	5 616	6 010	6 086	6 003	5 972	(1.5)
DRC (US$)	3.1	3.0	2.9	3.5	3.0	0.8
Mozambique (MZN)	252	244	241	216	169	10.5

Notes:
1. IFRS 16 was adopted on 1 April 2019 on a forward-looking basis.
2. IFRS 15 was adopted on 1 April 2018 on a forward-looking basis.
3. 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 while roaming.
4. Total ARPU is calculated by dividing the average monthly service revenue by the average number of monthly active customers during the period.