

Segment performance

South Africa

Rm	FY2022	FY2021	% change Reported
Service revenue	58 526	56 405	3.8
EBITDA	31 747	30 745	3.3
Operating profit	21 133	20 515	3.0
Capex	11 149	10 076	10.6

South Africa's service revenue increased by 3.8% to R58.5 billion, supported by continued demand for connectivity, incremental wholesale revenue and growth in new services. New services such as financial and digital services, fixed and IoT was up 8.5%, contributing R8.4 billion – or 14.4%* – of South Africa's service revenue. Revenue grew by 5.3% to R80.8 billion, primarily due to increased smartphone sales.

Revenue from mobile contract customers increased by 5.5% to R22 billion, with both Vodacom Business and Consumer contracts contributing to this growth. We added 271 000 contract customers during the year, mainly within Vodacom Business, and increased ARPU by 1.7%. Consumer contracts posted 1.5% growth in the last quarter of the year, supported by attractive packages offering customers larger data allocations to facilitate increased usage.

Prepaid mobile customer revenue reduced by 0.7% to R25.2 million. Adjusting for a loyalty programme provision release in FY2021 of R142 million, prepaid mobile customer revenue remained flat. We are pleased with the result given the strong prior-year comparative, which was associated with more stringent lockdowns. We added 1.1 million prepaid customers in the year, focusing our efforts on keeping customers engaged and active on the network for additional days. Higher customer engagement supported prepaid ARPU of R56, which was above the pre-COVID-19 level of R54.

Data traffic increased by 19.2% in FY2022, accelerating to 24.3% in the fourth quarter. We added 1.8 million data customers, reaching 23.5 million customers, up 8.2%. Smart devices were up by 13.1% to 26.2 million, while 4G and 5G devices increased by 23.9% to 18.5 million. The average usage per smart device increased by 14.0% to 2.4GB per month. Prepaid data revenue increased by 3.1% to R10.0 million.

Fixed service revenue was up 13.0%, excluding wholesale transit. We accelerated our fibre rollout and increased the total number of homes and

businesses connected by 18.7% to 142 211. Our own fibre passed 155 903 homes and businesses. On 10 November 2021, the Group announced the proposed acquisition of an up to 40% stake in CIVH's fibre assets, a significant step in scaling our fibre offering in South Africa. Vodacom will gain exposure to fast-growing businesses and South Africa's largest open-access fibre players, including Vumatel and DFA.

Revenue generated from financial services was up 12.4% to R2.7 billion. Revenue growth was underpinned by our Airtime Advance product, where we advanced R13.0 billion in airtime during the year – an 8.7% increase. Airtime advanced represented 45.2% of total prepaid recharges in the year. Insurance revenue increased by 13.1%, supported by growth in policies, which were up 14.7% to 2.4 million. In October 2021, in partnership with Alipay, we launched our much-anticipated super-app, VodaPay. This was an important milestone in the evolution of our digital ecosystem and, by year end, we already reached 2.2 million downloads and 1.6 million registered users. We have 85 mini-apps registered on the platform and consistently add more merchants as we scale the super-app.

Vodacom Business service revenue increased by 11.6% to R17.7 billion, driven by continued demand for our innovative work-from-home solutions and sustained growth in fixed-line services. IoT remains an important new service growth driver, with connections up 17.3% to 6.6 million. Revenue increased by 31.5% to R1.4 billion.

EBITDA grew by 3.3% while margins moderated 0.8ppts to 39.3%. EBITDA growth was impacted by a loyalty programme provision release of R142 million and constraints on certain opex, such as publicity, in FY2021. We also accelerated spend on technology opex to support improved network resilience. Pleasingly, our programme to improve resilience supported a market-leading network NPS position by year end. Looking forward, our R5.4 billion investment in spectrum is expected to further support network performance.

We invested R11.1 billion in our network, up 10.6%, to expand network capacity to manage additional demand for data, modernise our network to prepare for the next wave of COVID-19 infections, and enhance our IT platforms to maintain our competitive edge. Looking ahead, we will leverage our newly acquired spectrum assets in South Africa to improve 4G services and incrementally invest in 5G infrastructure to connect our customers for a better future.

International

Rm	FY2022	FY2021	% change Reported	% change Normalised*
Service revenue	22 213	22 146	0.3	5.6
EBITDA	8 504	8 784	(3.2)	(0.6)
Operating profit	4 352	3 833	13.5	11.8
Capex	3 486	3 226	8.1	

Service revenue for our international operations increased by 0.3% to R22.2 billion, subdued by a strong performance of the South African rand and the impact of levies on mobile money and airtime recharges imposed in Tanzania. These

levies diluted revenue by an estimated R708 million during the year. On a normalised basis, service revenue grew by 5.6%* and, adjusted for the impact of levies in Tanzania, increased by 9.0%. The strong underlying growth

reflects our purpose-led focus on digital and financial inclusion, with normalised data and M-Pesa revenue growth of 16.4%* and 15.5%*, respectively. The data revenue performance was underpinned by increased smartphone adoption, strong commercial execution and the ongoing expansion of our digital ecosystem. M-Pesa growth was supported by ongoing customer and service adoption as we leveraged the product roadmap of our innovation hub M-Pesa Africa.

We added 2.0 million customers, up 4.9% to 41.7 million, reflecting strong commercial execution across the portfolio. While the

economies across our International segment are recovering, constraints on consumer spending remain evident in the voice segment, with voice revenue declining 5.3% (on a normalised basis, remains flat).

Data services remain a crucial driver of growth and our commitment to connect for a better future. Data revenue was R4.6 billion – up 11.0% from FY2021 – and contributed 20.7% of International service revenue. We added 531 000 data customers to end the year at 21.2 million customers, with data traffic growth of 31.4%. Smartphone penetration increased 1.4ppts to 33.7% and remains a strategic opportunity to drive data usage. We continue to drive the adoption of smartphones by leveraging our strategic partnerships and implementing innovative financing options to provide affordable devices to our customers.

International M-Pesa revenue increased by 9.9% (15.5%*) to R5.0 billion, contributing 22.3% of

service revenue. Growth was supported by strong performances in the DRC, Mozambique and Lesotho. Tanzania's M-Pesa performance and progress on financial inclusion were stalled by the new mobile money levies introduced in July 2021. Adjusting for the impact of these levies, normalised M-Pesa revenue was up an impressive 29.5%. The underlying momentum of M-Pesa reflects our ongoing product enhancements in both the consumer and merchant segments. In Tanzania, our Songesha lending product grew by 22.7%, with R3.3 billion in loans disbursed in the year. To grow and diversify the M-Pesa ecosystem, we also accelerated our merchant strategy – almost doubling the number of active merchants. M-Pesa transaction values processed on our platform in the year, including Safaricom, reached US\$324.6 billion, an increase of 29.2%.

International EBITDA was R8.5 billion, declining 3.2% (-0.6%*). EBITDA was negatively impacted by a one-off lease contract separation in the DRC and mobile money and airtime recharge levies in

Tanzania. The lease contract separation had no impact on net income, as higher opex was offset by lower ROU depreciation and interest. However, it impacted EBITDA growth by 7.2ppts. Additionally, the introduction of levies in Tanzania negatively impacted EBITDA growth by 4.7ppts. Adjusted for the one-off lease contract separation and levy impacts, normalised International EBITDA was up 11.3% and reflected accelerated cost containment initiatives, particularly in Tanzania.

We increased capex by 8.1% to R3.5 billion as we accelerated investment into 4G coverage and performance. From a coverage perspective, we added 777 4G sites in the year, increasing our 4G site count by 20.8%. We also continued to invest in our transmission networks to enhance our network lead in all our markets.

Safaricom

KShs m (100% basis) ¹	FY2022	FY2021	% change Reported
Service revenue	281 107	250 352	12.3
EBITDA	149 008	134 129	11.2
Operating profit	108 653	95 658	13.6
Capex	49 779	34 960	42.4

Safaricom delivered a strong set of results supported by strategic execution, excellent growth in the fixed business and a recovery in M-Pesa revenue due to platform growth and improved consumer confidence and business activity.

M-Pesa revenue grew by 30.3%, supported by strong platform growth, product adoption and greater value through updated P2P pricing from 1 January 2021. Total M-Pesa transaction values grew by 34.0% to KShs29.5 trillion, while the volume of transactions grew 34.9% to 15.8 billion in the year. This equates to a transaction value of US\$266.5 billion processed in the year. Safaricom continues to leverage technological innovation to enhance access to financial services for consumers and enterprise customers.

Fixed service and wholesale transit revenue grew by 18.3% to KShs11.2 billion, supported by 16.9% growth in enterprise revenue to KShs7.1 billion and 20.6% growth in consumer revenue to KShs4.2 billion. FTTH customers grew by 20.8% to 165 980, while enterprise fixed customers increased by 24.1% to 48 310. Voice revenue increased by 0.8% due to increased CVM initiatives and propositions. Mobile data revenue grew by 8.1%, reflecting a clear improvement during the second half of the year (up 10.0%), and was impacted by Safaricom's ongoing efforts to support inclusion through price rationalisation and the absorption of excise duty adjustment on mobile data from August 2021. Safaricom's usage growth across voice, mobile

data and fibre was supported by capex of KShs39.3 billion, equating to a 13.2% capital intensity ratio.

The strong revenue performance supported 14.9% core (Kenya) EBITDA growth, with margins expanding 0.7ppts to 51.7%. Reported EBITDA was up 11.1%, as core growth was offset by start-up operating costs for Ethiopia. Net income declined by 1.7% as a result of start-up financing and operating costs for Ethiopia and the normalisation of the Kenyan corporate tax rate to 30% from 25% in the prior year.

In addition to its financial results, Safaricom provided an update on our Ethiopian consortium, noting an improved outlook for the security and political situation in the country. The licence unlocks a unique opportunity for our consortium to build out world-class services in Africa's second-largest country by population, providing a long-term growth vector for Safaricom. Having completed our test first call and data session, the consortium is proceeding with its plans for operational readiness and expects to launch commercial services in CY2022. Furthermore, Safaricom provided guidance for Ethiopia-related operating losses and capex for FY2023.

Safaricom contributed R3.1 billion to the Group's operating profit on a rand-reported basis, declining 11.9% year on year. The decline was attributable to foreign exchange rate movements and Ethiopia's start-up losses. Safaricom's contribution to our operating profit increased by 17.7%* on a normalised basis. Safaricom accounted for 11.1% of the Group's FY2022 operating profit.

Growth rates are in local currency and year on year unless otherwise stated.

For more information on Safaricom's results, visit www.safaricom.co.ke/investor-relation/financials/reports/financial-results.

1. The Group's effective interest of 34.94% in Safaricom is accounted for as an investment in associate. Results represent 100% of Safaricom and are for information purposes only. Kenya currency: Kenyan Shilling (KShs)