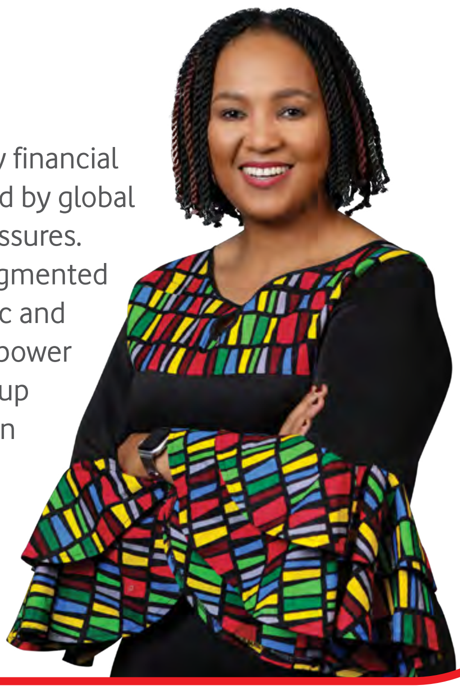
FC Financial capital



Dear stakeholders

It gives me great pleasure to present satisfactory financial results despite having experienced a year defined by global macroeconomic challenges and inflationary pressures. This uncertain context was largely fuelled by fragmented economic recovery after the COVID-19 pandemic and new challenges such as the war in Ukraine. The power crisis in South Africa, higher interest costs, start-up losses in Ethiopia, M&A costs, and higher inflation across our markets contributed to muted net profit growth of 2.1%.

Raisibe Morathi, CFO

What financial capital means to Vodacom

Vodacom's strong capital base is supported by long-term investors, including a 65.1% controlling stake by Vodafone, one of the world's largest communications companies, enabling us to advance our ambition to accelerate growth and enhance returns as we scale our existing products and services.

How financial capital supports our System of Advantage

Our investment decisions accelerate our **System of Advantage** by providing the financial resources needed to pursue our strategic ambitions. Opportunities to deploy our financial resources are carefully considered since they have a significant impact on our return profile and the strategic direction of our business in the short-, medium-, and long-term.

Our financial capital at a glance

Our key focus areas	Key FY2023 achievements	Strategic pillar affected
Diversifying and differentiating our offering to support revenue growth	Recording positive revenue growth, impacted by Vodafone Egypt acquisition and rand depreciation against international currencies basket • Group revenue increased **16.0%** (8.0%^, 4.9%*) to **R119.2 billion** (FY2022: R102.7 billion) Growing service revenue through financial services • Group service revenue grew by **17.2%** to **R93.7 billion** (FY2022: R79.9 billion) • Financial services revenue increased **29.2%** (14.3%*) to **R9.9 billion**, contributing **10.5%** to Group service revenue	1 2 3 4 5 6
Optimising our operations to support profitability	Clear improvement in second-half profitability • Group EBITDA increased by **13.2%** (6.0%^, 3.6%*) • Free cash flow up **18.3%**	7 8 9
Investing in technology and network infrastructure to maintain our trusted brand	Sustaining our manufactured and intellectual capital investments • CAPEX reached **R16.5 billion**, with a 13.8% CAPEX intensity • Invested in additional spectrum in Mozambique, South Africa and Tanzania	2 4 5 8 10
Executing the System of Advantage to deliver shareholder returns	Declaring dividends consistent with our new policy • Total dividend of **670cps**, down 21.2% in line with the Group's revised dividend policy to pay dividends of at least 75% of the Group's headline earnings	1 2 3 4 5 6 7 8 9 10
Looking ahead to meet our strategic targets	Updating and upgrading our medium-term targets	1 2 3 4 5 6 7 8 9 10

* Indicates normalised growth.
^ Excluding Vodafone Egypt.

The value we create, preserve and erode

We are committed to employing our financial capital within a disciplined framework that enhances our revenue generation opportunities while maintaining our return on invested capital. Ultimately, this enhances customer experience and shareholder returns.

Key financial results

Rm	FY2023	FY2022	Reported % change	Reported excluding Vodafone Egypt	Normalised* % change
Revenue	**119 170**	102 736	16.0	8.0%	4.9
Service revenue	**93 650**	79 936	17.2	7.2%	3.5
EBITDA	**45 144**	39 888	13.2	6.0%	3.6
Operating profit	**29 252**	28 236	3.6		(0.9)
Operating profit – South Africa	**20 881**	21 133	(1.2)		(0.9)
Operating profit – International	**4 541**	4 352	4.3		(1.6)
Operating profit – Safaricom	**2 815**	3 122	(9.8)		9.3
HEPS (cps)	**948**	1 013	(6.4)		
Dividends (cps)	**670**	850	(21.2%)		

PG For additional financial information, refer to **Page 128**.

Diversifying and differentiating our offering to support revenue growth

In FY2023, Group revenue increased by 16.0% (8.0% ^, 4.9%*) to R119.2 billion (FY2022: R102.7 billion) while Group service revenue grew by 17.2% (7.2% ^, 3.5%*) to R93.7 billion (FY2022: R79.9 billion), positively impacted by the Vodafone Egypt acquisition and rand depreciation against our basket of international currencies. On a normalised basis, adjusting for foreign exchange rate fluctuations and the impact of Vodafone Egypt, service revenue growth was 3.5%*. This result was underpinned by mobile prepaid revenue in South Africa, data revenue across our International markets and Group growth in new services. Financial services delivered growth of 29.2% as we continued to scale user adoption as well as new products and services. In aggregate our new services, which includes digital and financial, fixed and IoT, generated R18.1 billion (FY2022: R14.3 billion) and contributed 19.3% to Group service revenue. We continue to target a new service revenue contribution, including Vodafone Egypt, of 25% to 30% of Group service revenue over the medium-term.

In South Africa, service revenue increased by 2.6% to

R60.0 billion

(FY2022: R58.5 billion), supported by resilient prepaid performance and growth in new services.

Our International business reported service revenue growth of 18.8% to

R26.4 billion

(FY2022: R22.2 billion). Normalised growth of 5.3%* was supported by M-Pesa and data revenue.

Growing financial services remains a key priority for the Group. In South Africa, growth was fuelled by our insurance business, which posted revenue growth of 13.3% and sustained Airtime Advance revenue growth in the financial year. Normalised M-Pesa revenue grew by 15.9%* in the year and accelerated to 20.9%* in the fourth quarter as Tanzania lapped mobile money levies imposed in July 2021 and our new financial services continued to scale. Our merchant base across the International business was up threefold to 196 000. This growth helps expand our addressable commission pool beyond peer-to-peer payments and withdrawals into both online and offline commerce.

Our two super-apps (VodaPay and M-Pesa) integrate our own products and services with our partners' best offerings. In South Africa, VodaPay was integral in our Summer campaign achieving 5.7 million downloads. Our M-Pesa platform, including Safaricom, processed US$364.8 billion of transaction value over the past 12 months – an increase of 13.0%.

Optimising our operations to support profitability

In FY2023, Group EBITDA increased by 13.2%, 6.0%^ to R45.1 billion (FY2022: R39.9 billion) with Vodafone Egypt contributing R2.9 billion since acquisition. On a normalised basis, EBITDA grew by 3.6%*, supported by an improvement to 8.1%* growth in the second half of the financial year. In South Africa, higher network and energy costs were managed through accelerated cost initiatives including supply chain management renegotiations and an incremental focus on discretionary spend and payroll costs.

Group operating profit was up by 3.6% to R29.3 billion (FY2022: R28.2 billion), supported by EBITDA growth but impacted by the expected start-up losses in Ethiopia. On a normalised basis, and adjusting for Ethiopia's start-up losses, operating profit fell by 0.9%*. HEPS declined by 6.4% to 948cps (FY2022: 1 013cps). The decline was attributable to higher number of shares in issue, start-up losses in Ethiopia and higher net finance charges.

Net finance charges increased by 15.7% to R4.2 billion due to higher net debt and the higher average cost of debt associated with a sharp increase in South African Reserve Bank interest rates. The average cost of debt (including leases) increased from 7.7% to 8.6% during the year, 2.6% lower than SARB's 11.2% prime rate.

Group free cash flow

Rm	FY2023	FY2022	Reported % change
Operating free cash flow (OCFC)	**25 111**	22 693	10.7
CAPEX	**(16 490)**	(14 642)	(12.6)
Free cash flow	**18 524**	15 660	18.3
Net debt	**(48 310)**	(35 180)	(37.3)
Net debt to EBITDA (times)	**1.1**	0.9	

We generated OFCF of R25.1 billion (FY2022: R22.7 billion), up by 10.7%, having invested R16.5 billion in CAPEX (excluding costs of acquiring spectrum), a further R5.0 billion applied to lease payments and R0.9 billion released from working capital. Free cash flow increased 18.3% as a result of higher OFCF and the timing of Safaricom's interim dividend. We received Safaricom's interim dividend for FY2022 in April 2022 and the interim dividend for the FY2023 in March 2023. The interim dividend received in March amounted to R1.0 billion.

Net debt increased by R13.1 billion reflects the R10.7 billion debt funding component for the Vodafone Egypt transaction and spectrum costs. Our reported net debt to EBITDA ratio remained unchanged from the first half of the year at 1.1 times, as strong free cash flow generation offset the funding of the Vodafone Egypt transaction[1].

1. On a pro-forma basis, with Vodafone Egypt included for the full year, our leverage ratio reduced from 1.1 times to 0.8 times, based on pro-forma Vodafone Egypt EBITDA of R12.5 billion in FY2023.

Investing in technology and network infrastructure to maintain our trusted brand

The Group remains committed to spending 13% to 14.5% of revenue on CAPEX that ultimately results in an enhanced customer experience through sustained investments in technology and network infrastructure.

In FY2023, CAPEX reached R16.5 billion representing CAPEX intensity of 13.8%. CAPEX increased by 12.6%, or 4.3% excluding Egypt, as we accelerated investment into network performance. We also invested in additional spectrum in Mozambique, South Africa and Tanzania.

Executing the System of Advantage to deliver shareholder returns

The Board set out a new simplified dividend policy when we announced the Vodafone Egypt transaction and the South African fibre joint venture with CIVH in November 2021. The simplified policy of paying at least 75% of headline earnings was implemented with our interim dividend in November 2022 and also applied to the final dividend this financial year. On this basis, the Board declared a final FY2023 dividend of 330cps (FY2022: 430cps) and a total dividend per share for the year of 670cps (FY2022: 850cps).

Notwithstanding the change in dividend policy, the Group retains one of the highest dividend pay-out policies among JSE-listed companies. Additionally, the policy provides scope for the Group to invest within our 13.0% to 14.5% capital intensity target, and delever and accommodate the upstreaming and dividend pay-out profiles of Safaricom and Vodafone Egypt.

Looking ahead to meet our strategic targets

Our evolution from a telecommunication to a technology company is well on track as we expand our ecosystem of products. Our multiproduct strategy, called the **System of Advantage**, aims to deliver diversified, differentiated offerings to our customers, further strengthening and growing our relationships with them. Looking ahead, our controlling shareholding in Egypt's telecom market leader, Vodafone Egypt, is expected to enhance Vodacom's growth and return potential. We have, therefore, updated and upgraded our medium-term targets as follows:

- From mid-single-digit Group service revenue growth to mid-to-high single-digit growth;
- From mid-to-high single-digit Group EBITDA growth to high-single digit growth; and
- Unchanged Group CAPEX of 13.0% to 14.5% as a percentage of Group revenue.

On average, over the next three years, on a normalised basis in constant currency, these targets are based on prevailing economic conditions, including Vodafone Egypt but excluding spectrum purchases, exceptional items and the acquisition of a joint-control stake in MAZIV.

Appreciation

Supported by our resilient strategy and track record of adapting quickly to changes across our operating environments, we continue to uphold management excellence with commitment to the needs of our stakeholders. For this, I owe a debt of gratitude to my colleagues for their endurance and tenacity in connecting people for a better future.

Raisibe

Raisibe Morathi
Chief Financial Officer (CFO)
12 June 2023

Segment performance

South Africa

Year ended 31 March 2023

Service revenue	EBITDA	Operating profit	CAPEX
R60 038 million	**R32 569 million**	**R20 881 million**	**R11 171 million**
(FY2022: R58 526 million)	(FY2022: R31 747 million)	(FY2022: R21 133 million)	(FY2022: R11 149 million)
% change reported			
2.6	**2.6**	**(1.2)**	**0.2**

In South Africa, service revenue grew by 2.6% to R60.0 billion (FY2022: R58.5 billion), supported by network investment in resilience and capacity coupled with our Big Data-led CVM-powered personalised offers. New services such as financial and digital services, fixed and IoT were up by 9.7% and contributed R9.2 billion (FY2022: R8.4 billion) or 15.3% to South Africa's service revenue. In the fourth quarter, service revenue growth was 1.3% as ongoing strength in prepaid was offset by a tough comparative in Vodacom Business associated with some lower margin project revenue in the prior year. Revenue reached R84.7 billion (FY2022: R80.8 billion), up 4.8%, driven by strong equipment sales as our 36-month contracts enabled customers to affordably upgrade handsets.

Mobile contract customer revenue increased by 2.8% to R22.6 billion (FY2022: R22 billion), supported by improved growth in our consumer segment. The consumer segment performance benefited from contract price increases of 3% to 5% implemented in the first quarter of the financial year. Mobile contract ARPU of R297 (FY2022: R301) was down by 1.3% with price increases offset by repricing pressure associated with the government contract for mobile services (RT15) within Vodacom Business. We added 193 000 contract customers in the financial year, increasing our reach by 3.0% to a base of 6.7 million.

Prepaid mobile customer revenue increased by 3.1% to R25.9 billion (FY2022: R25.2 billion) and accelerated to 4.1% in the fourth quarter. Set against a depressed macroenvironment and inflationary pressures on customers, this resilient performance was supported by market share gains. We used our world-class CVM capabilities to drive higher customer engagement and increase active days on the network, resulting in prepaid ARPU growth of 3.6% to R58 (FY2022: R56). Subscriber growth for the year was impacted by a clean-up of 1.5 million customers in the third quarter.

Data traffic increased by 36.6% in the year and accelerated to 45.4% in the fourth quarter. We added 2.0 million data customers to reach 25.5 million – an increase of 8.7%. Smart devices were up by 11.1% to 29.3 million while 4G and 5G devices increased by 18.6% to 21.2 million. The average usage per smart device increased by 29.1% to 3GB per month. Prepaid data revenue increased by 12.9% to R11.4 billion (FY2022: R10.0 billion) with growth accelerating to 17.4% in the fourth quarter. This improvement reflected our network availability and the success of our data-led propositions focused on providing affordable offers to the most price-sensitive, lower-income customers.

Fixed service revenue was up by 7.2%, excluding wholesale transit. This result was supported by good customer adoption of fibre with connected homes and enterprises reaching 164 348 (including Bitstream, which refers to where we act as an internet service provider to fibre wholesalers). In the period, we churned some low-value fibre connections with an immaterial impact on fixed-line revenue. Our own fibre passed 165 000 homes and enterprises.

Service revenue generated from financial services was up by 10.8% to R3.0 billion (FY2022: R2.7 billion). Insurance revenue increased by 13.3%, supported by growth in policies of 6.8% to 2.6 million. We advanced R12.8 billion (FY2022: R13.0 billion) in airtime during the year, representing 44.7% of total prepaid recharges. VodaPay continues to gain traction with 3.3 million registered users. We have over 100 mini-apps registered on the platform while we consistently add merchants as we scale the apps and grow transaction volumes. In the coming year, we plan to scale our lending, insurance and payment products, including cash in and cash out, while creating new business cases for remittances and wealth management.

Vodacom Business service revenue declined by 1.7% to R17.4 billion (FY2022: R17.7 billion), impacted by a decline in wholesale revenue as we lapped a strong prior-year comparative, as well as repricing pressures associated with the RT15 government contract. IoT remains an important new service growth driver with connections up by 13.6% to 7.5 million, and a new deal with Eskom signed in the fourth quarter.

EBITDA grew by 2.6% for the year and growth accelerated to 5.8% in the second half of the year. This improvement was supported by accelerated cost initiatives to mitigate the impact of higher energy costs and inflationary pressures. The cost initiatives included supply chain management re-negotiations and an incremental focus on discretionary spend and payroll costs. The EBITDA margin moderated by 0.9ppts to 38.4% for the full year, impacted by strong growth in low-margin equipment revenue and higher network and energy costs. The EBITDA margin in the second half of the financial year was 38.6% (up by 0.4ppts).

We invested R11.2 billion (FY2022: R11.1 billion) in our network, broadly flat year-on-year, to support network resilience, add network capacity and enhance our IT platforms to maintain our competitive edge, resulting in network NPS leadership being maintained. We will leverage our newly acquired spectrum assets in South Africa to improve 4G services and invest incrementally in 5G infrastructure.

Vodafone Egypt

Period ended 31 March 2023 (from 8 December 2022)

Service revenue	EBITDA	Operating profit	CAPEX
R7 976 million	R2 859 million	R1 710 million	R1 225 million

Pro-forma information
Year ended 31 March 2023

Service revenue	EBITDA	Operating profit	CAPEX
EGP39 073 million	EGP16 020 million	EGP9 493 million	EGP5 953 million
(FY2022: EGP32 107 million)	(FY2022: EGP14 647 million)	(FY2022: EGP9 045 million)	(FY2022: EGP5 185 million)
% change reported			
21.7	9.4	5.0	14.8
EGP rand value equivalent			
R29 378 million	R12 045 million	R7 138 million	R4 476 million

Vodafone Egypt contributed service revenue of R8.0 billion for the period of consolidation from 8 December 2022 to 31 March 2023. In the fourth quarter, service revenue was up by 25.8% in local currency, supported by strong growth in data revenue and enhanced customer engagement due to a new loyalty programme, "Shokran". Growth was also supported by Vodafone Cash and fixed-line services. Vodafone Egypt ended the financial year with 45.5 million customers. ARPU growth of 19.3% reflected strong commercial traction in the quarter supported by our "The Network is Now Doubled" campaign, good traction with our Flex pricing package, its associated entertainment proposition, and the new loyalty programme. The network campaign highlighted the significant investment into the network and spectrum over the past two years.

Data metrics were strongly supported by network investment. Data traffic was up by 44.0% in the quarter with data customer growth of 11.4% to 26.3 million. Smart devices on the network were up by 37.5% to 30.9 million.

Growing financial services is a key priority for the Group and Vodafone Egypt. Financial services revenue for Vodafone Egypt was R398 million for the period of consolidation, accounting for 5.0% of service revenue.

On a full-year, pro-forma basis, Vodafone Egypt generated financial services revenue of EGP1.6 billion (R1.2 billion), up by 123.1%, accounting for 4.0% of service revenue. Service revenue growth was supported by new use cases, wider distribution and customer growth of 54.5% to 5.4 million.

Vodafone Egypt contributed R2.9 billion to EBITDA for the period of consolidation. The reported EBITDA margin of 34.6% was impacted by foreign exchange losses on working capital balances as the Egyptian pound depreciated against major currencies. On a normalised basis, the EBITDA margin for the period of consolidation was 42.1%. On a full-year, pro-forma basis, Vodafone Egypt generated EBITDA of EGP16.0 billion (R12.5 billion), representing an EBITDA margin of 39.7%. Excluding foreign exchange losses, the full-year pro-forma EBITDA margin was 43.7%.

Capital investment for the period of consolidation was R1.2 billion. On a full-year, pro-forma basis, Vodafone Egypt's capital investment was EGP6.0 billion (R4.6 billion), representing a capital intensity ratio of 14.8%.

International business

Period ended 31 March 2023

Service revenue	EBITDA	Operating profit	CAPEX
R26 395 million	**R10 145 million**	**R4 541 million**	**R4 067 million**
(FY2022: R22 213 million)	(FY2022: R8 504 million)	(FY2022: R4 352 million)	(FY2022: R3 486 million)
% change reported			
18.8	19.3	4.3	16.7
% change normalised			
5.3	6.6	(1.6)	

Service revenue for our International business increased by 18.8% to R26.4 billion (FY2022: R22.2 billion), supported by strong growth in data, a recovery in M-Pesa and foreign exchange translation tailwinds. Normalised growth of 5.3% was underpinned by our purpose-led focus on digital and financial inclusion with local currency data revenue growth of 18.2% and M-Pesa revenue growth of 15.9% on a normalised basis. The M-Pesa growth was supported by ongoing customer service adoption and new products. In the fourth quarter, normalised service growth of 5.4% was impacted by a humanitarian crisis in Mozambique associated with cyclone Freddy. In response to the cyclone, Vodacom Mozambique free-rated services, donated food and essential items, and used the scale of M-Pesa to drive donations.

We added 8.5 million customers in the financial year, up by 20.4% to 50.2 million, supported by price transformation and strong commercial execution. In the fourth quarter, we added 2.1 million customers, driven by CVM initiatives. While the economies across our International business are recovering, constraints on consumer spending remain evident in the voice segment where revenue has declined by 6.1% on a normalised basis.

Data services remain a key driver of growth and our commitment to connect for a better future. Data revenue was R6.1 billion (FY2022: R4.6 billion), up by 33.2% on a reported basis, and contributed 23.1% of International service revenue. We added 1.3 million data customers and reached 22.5 million customers by the end of the financial year. Data traffic growth of 33.1% was supported by 16.3% smartphone user growth to reach penetration of 32.9%. We continue to drive the adoption of smartphones, leveraging our strategic partnerships and implementing innovative financing options to provide affordable devices to our customers.

International M-Pesa revenue was up by 31.1% (15.9% on a normalised basis) to R6.5 billion (FY2022: R5.0 billion), contributing 24.6% of service revenue. Growth was supported by strong performance in the DRC and Tanzania's performance recovering since lapping the impact of levies on mobile money. The underlying momentum of M-Pesa reflects our ongoing product enhancements in the consumer and merchant segments, supported by M-Pesa Africa. In the consumer segment, we launched new insurance, term loan and group savings products, scaled international money transfer and enhanced our M-Pesa app during the year. In Tanzania, loans facilitated via our lending product, "Songesha", more than doubled to R8.2 billion (FY2022: R3.3 billion) in the year.

To grow and diversify the M-Pesa ecosystem, we also accelerated our merchant strategy and more than doubled the number of active merchants to 196 000.

International EBITDA was R10.1 billion with growth of 19.3% (6.6% on a normalised basis) reflecting foreign exchange translation tailwinds and cost containment initiatives. Despite new regulatory fees in the DRC, in the second half of the year, normalised EBITDA growth recovered into the double digits as we lapped the impact of a prior year lease contract separation.

We increased CAPEX by 16.7% to R4.1 billion (FY2022: R3.5 billion) as we accelerated investment in 4G coverage and performance. From a coverage perspective, we added 1 222 4G sites during the year, increasing our 4G site count by 27.0%. We also continued to invest in our transmission networks to enhance our network lead in all our markets. We will leverage our newly acquired spectrum assets in Tanzania and Mozambique to extend coverage and enhance customer experience.

Safaricom

Year ended 31 March 2023		
Service revenue	EBITDA	CAPEX
R41 503 million	R19 635 million	R13 477 million
(FY2022: 37 715 million)	(FY2022: 19 989 million)	(FY2022: 6 655 million)
% change reported		
10.0	(1.8)	102.5

Year ended 31 March 2023		
Service revenue	EBITDA	CAPEX
KShs295 692 million	KShs139 862 million	KShs96 132 million
(FY2022: 281 107 million)	(FY2022: 149 062 million)	(FY2022: 49 779 million)
% change reported		
5.2	(6.2)	93.1

Safaricom delivered good results, given the challenging macroeconomic backdrop and the mobile termination rate reduction in Kenya. Service revenue increased by 5.2%, supported by excellent growth in the fixed business and improved M-Pesa revenue in the second half of the year. Safaricom also accelerated its digital financial inclusion agenda, and focused on increasing customer service and satisfaction as part of its "Tuinuane" campaign.

M-Pesa revenue grew by 8.8% in the year with fourth quarter growth accelerating into double digits, supported by strong platform growth and return to charging for bank-to-wallet and wallet-to-bank transactions from January 2023. Total M-Pesa transaction values grew by 21.4% to KShs35.9 trillion (FY2022: KShs29.6 trillion) while the volume of transactions grew by 33.5% to KShs21.0 billion. This equates to a transaction value of US$296.6 billion (FY2022: US$266.5 billion) processed in the year. Safaricom, together with M-Pesa Africa, continued to leverage technological innovation to enhance access to financial services for consumers and enterprise customers.

Voice revenue in Kenya declined by 2.8%, impacted by the soft macroeconomic backdrop. Mobile data revenue grew by 10.6%, accelerating from the prior year's growth rate as price transformation supported strong usage growth. Fixed service and wholesale transit revenue grew by 20.1% to KShs13.5 billion (FY2022: KShs11.2 billion), supported by 21.4% growth in fixed enterprise revenue to KShs8.6 billion (FY2022: KShs7.1 billion) and 17.9% growth in fixed consumer revenue to KShs4.9 billion (FY2022: KShs4.2 billion). Fibre to the home customers grew by 17.9% to 195 741. The mobile data and fixed growth were supported by CAPEX in Kenya of KShs40.4 billion (FY2022: KShs39.3 billion), equating to a 13.1% capital intensity ratio. Including the greenfield mobile rollout in Ethiopia, CAPEX for Safaricom was KShs96.1 billion.

EBITDA for the Kenyan operations was up by 4.0% with margins broadly flat year on year at 51.9%. Foreign exchange pressures and higher energy costs impacted the cost base. Safaricom's overall EBITDA, including Ethiopia, declined by 6.2%, reflecting start-up losses associated with the Ethiopian rollout. While the net profit of the Kenyan operations grew by 3.0%, Safaricom's overall net profit attributable to equity shareholders declined by 10.6% due to start-up financing and operating costs in Ethiopia.

In October 2022, after significant investment in the country, Safaricom Ethiopia commercially launched mobile operations and received a mobile financial services licence. These milestones align with our ambition to transform lives in the country as we seek to connect every Ethiopian to the global digital economy. Safaricom Ethiopia's 2G, 3G and 4G mobile services are available in 22 cities, covering 24% of the population and serving 2.1 million customers.

On a rand-reported basis, Safaricom contributed R2.8 billion (FY2022: R3.1 billion) to the Group's operating profit – a decline of 9.8% year-on-year attributable to foreign exchange rate movements and Ethiopia's start-up losses. On a normalised basis, Safaricom's contribution to our operating profit increased by 9.3%.

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

Condensed consolidated income statement

for the year ended 31 March

Rm	2023[1]	2022
Revenue	**119 170**	102 736
Direct expenses	**(45 942)**	(38 624)
Staff expenses	**(7 746)**	(7 266)
Publicity expenses	**(1 936)**	(1 886)
Net credit losses on financial assets	**(864)**	(704)
Other operating expenses	**(18 069)**	(14 419)
Depreciation and amortisation	**(17 968)**	(14 657)
Net profit from associates and joint ventures	**2 607**	3 056
Operating profit	**29 252**	28 236
Net gain on disposal of subsidiaries	**4**	–
Finance income	**857**	554
Finance costs	**(5 569)**	(4 229)
Net gain on remeasurement and disposal of financial instruments	**464**	2
Profit before tax	**25 008**	24 563
Taxation	**(6 897)**	(6 829)
Net profit	**18 111**	17 734
Attributable to:		
Equity shareholders	**16 767**	17 163
Non-controlling interests	**1 344**	571
	18 111	17 734

Note:
1. The results of Vodafone Egypt have been consolidated from the acquisition date of 8 December 2022. Acquisition-related costs of R260 million were recognised in other operating expenses.

Cents	2023	2022
Basic earnings per share	**948**	1 013
Diluted earnings per share	**921**	984

Group service revenue grew 17.2% to R93.7 billion, positively impacted by the acquisition of Vodafone Egypt and rand depreciation against our basket of International currencies. Excluding Vodafone Egypt, service revenue growth of 7.2% (3.5%*) was underpinned by mobile prepaid revenue in South Africa, data revenue across our International markets and Group growth in new services.

Total Group expenses increased 18.5% to R74.6 billion. Excluding Vodafone Egypt, Group total expenses increased 9.9% (6.5 %*). In South Africa, expenses increased 6.3% to R52.2 billion, reflecting higher equipment costs of sales associated with the higher equipment revenue. International expenses increased 19.4% (5.2%*) to R17.2 billion, as incremental cost initiatives were implemented to manage costs below the rates of inflation.

Net profit from associates and joint ventures declined by 14.7% to R2.6 billion, negatively impacted by start-up costs related to Ethiopia and the foreign exchange translation headwinds.

Net finance charges increased 15.7% to R4.2 billion, as a result of higher net debt and higher average cost of debt associated a sharp increase in South Africa Reserve Bank interest rates. In addition to investment in spectrum, 20% of the Vodafone Egypt consideration was settled through new debt, contributing to a 37.3% net debt increase.

The tax expense of R6.9 billion was 1.0% higher than the prior year due to higher taxable profits. The effective tax rate was 27.6%, slightly lower than the prior year due to the recognition of a deferred tax asset in Tanzania.

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2023[1]	2022
Net profit	**18 111**	17 734
Other comprehensive income		
Foreign currency translation differences, net of tax[2,3]	**2 985**	(3 025)
Share of foreign currency translation differences, net of tax, of associates and joint ventures accounted for using the equity method[2,3]	**565**	(343)
Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax[2]	**216**	271
Mark-to-market gains recognised through profit or loss on disposal of financial assets held at fair value through other comprehensive income, net of tax[2]	**(276)**	(271)
Total comprehensive income	**21 601**	14 366
Attributable to:		
Equity shareholders	**21 207**	14 167
Non-controlling interests	**394**	199
	21 601	14 366

Notes:
1. The results of Vodafone Egypt have been consolidated from the acquisition date of 8 December 2022.
2. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations or financial assets held at fair value through other comprehensive income.
3. Share of foreign currency translation differences, net of tax, of associates and joint ventures accounted for using the equity method line item previously reported as part of foreign currency translation differences, net of tax line item are now being reported separately. The reclassification had no impact on any reported totals, HEPS or on any amounts presented in the statement of financial position.

Condensed consolidated statement of financial position

as at 31 March

Rm	2023[1]	2022
Assets		
Non-current assets	**162 527**	127 448
Property, plant and equipment	**74 241**	59 273
Intangible assets	**27 643**	14 054
Financial assets	**800**	783
Investment in associates and joint ventures	**52 573**	47 429
Trade and other receivables	**3 700**	2 763
Finance receivables	**2 348**	2 374
Tax receivable	**674**	647
Deferred tax	**548**	125
Current assets	**65 788**	50 519
Financial assets	**958**	612
Mobile financial deposits	**9 832**	6 386
Inventory	**2 156**	1 787
Trade and other receivables	**27 992**	21 230
Finance receivables	**2 508**	2 554
Tax receivable	**288**	234
Bank and cash balances	**22 054**	17 716
Total assets	**228 315**	177 967
Equity and liabilities		
Fully paid share capital	**89 918**	57 073
Treasury shares	**(17 055)**	(17 019)
Retained earnings	**43 524**	39 885
Other reserves	**(30 441)**	(502)
Equity attributable to owners of the parent	**85 946**	79 437
Non-controlling interests	**11 481**	6 029
Total equity	**97 427**	85 466
Non-current liabilities	**66 502**	34 834
Borrowings	**60 687**	29 347
Trade and other payables	**552**	541
Provisions	**1 406**	1 581
Deferred tax	**3 857**	3 365
Current liabilities	**64 386**	57 667
Borrowings	**8 327**	22 061
Trade and other payables	**41 392**	26 632
Mobile financial payables	**9 832**	6 386
Provisions	**830**	341
Tax payable	**2 665**	1 178
Dividends payable	**17**	11
Bank overdraft	**1 323**	1 058
Total equity and liabilities	**228 315**	177 967

Note:
1. Vodafone Egypt has been consolidated from the acquisition date of 8 December 2022.

PPE increased R15.0 billion to R74.2 billion and intangible assets increased R13.6 billion to R27.6 billion. The consolidation of Vodafone Egypt accounted for R12.1 billion of the increase in property, plant and equipment and R10.9 billion of the increase in intangibles, respectively.

Safaricom profits were impacted by start-up losses in Ethiopia. Our proportionate investment into the mobile licence in Ethiopia and our attributable share of Safaricom profits were offset by dividends received and foreign currency translation difference movements related to Safaricom.

The movement largely relates to the acquisition of a controlling stake in Vodafone Egypt and a resultant common control reserve.

Higher net debt of R48.3 billion reflects the R10.7 billion debt funding component for the Vodafone Egypt transaction and spectrum costs. Our reported net debt to EBITDA ratio increased to 1.1 times, as a result of the timing of the Vodafone Egypt transaction. On a pro-forma basis, with Vodafone Egypt consolidated for the full financial year, net debt to EBITDA was 0.8 times.

Current borrowings decreased as a result of successful refinancing.

Condensed consolidated statement of changes in equity

for the year ended 31 March

Rm	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2022	**79 437**	**6 029**	**85 466**
Adoption of IAS 29 by associate entity	**1 953**	**212**	**2 165**
1 April 2022	**81 390**	**6 241**	**87 631**
Total comprehensive income	**21 207**	**394**	**21 601**
Dividends	**(13 127)**	**(569)**	**(13 696)**
Shares issued on acquisition of subsidiary[1]	**32 845**	**–**	**32 845**
Acquisition of subsidiary under common control	**(36 137)**	**5 105**	**(31 032)**
Repurchase and sale of shares	**(377)**	**–**	**(377)**
Share-based payments	**438**	**–**	**438**
Proceeds on subsidiary share issue[2]	**–**	**242**	**242**
Changes in subsidiary holdings[3]	**(293)**	**68**	**(225)**
31 March 2023	**85 946**	**11 481**	**97 427**
31 March 2021	79 370	6 320	85 690
Total comprehensive income	14 167	199	14 366
Dividends	(14 162)	(502)	(14 664)
Repurchase and sale of shares	(433)	–	(433)
Share-based payments	495	–	495
Changes in subsidiary holdings	–	12	12
31 March 2022	79 437	6 029	85 466

Notes:

1. Net of share issue costs of R3 million.
2. Non-controlling interests' share of proportionate additional share capital contributions into 10T Holdings (Pty) Limited.
3. Changes in subsidiary holdings includes the acquisition of an additional 14% equity interest in each of IoT.nxt B.V and 10T Holdings (Pty) Limited, increasing the Group's effective shareholding in each of the subsidiary entities to 65%, as well as the unwinding of the B-BBEE deal for Storage Technology Services (Pty) Limited trading as Nexio (Stortech), a subsidiary of the Group. The unwinding of the B-BBEE deal led to the Group's effective interest in Stortech reducing from 95% to 51%. Also included is the buy-out of certain minority shareholders subsequent to the acquisition of Vodafone Egypt.

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	2023	2022
Cash flows from operating activities		
Cash generated from operations	**48 312**	41 152
Tax paid	**(7 361)**	(7 124)
Net cash flows from operating activities	**40 951**	34 028
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	**(20 175)**	(13 843)
Proceeds from disposal of property, plant and equipment and intangible assets	**89**	61
Acquisition of subsidiary (net of cash and cash equivalents acquired)	**(9 221)**	–
Acquisition of associate	**(321)**	(874)
Loan to joint venture	**(116)**	(234)
Dividends received from associate	**4 390**	2 911
Finance income received	**871**	545
Net movement in mobile financial deposits[1]	**(2 353)**	(500)
Other investing activities[1]	**132**	(30)
Net cash flows utilised in investing activities	**(26 704)**	(11 964)
Cash flows from financing activities		
Borrowings incurred	**19 662**	8 570
Borrowings repaid	**(11 935)**	(9 717)
Finance costs paid	**(5 341)**	(4 312)
Dividends paid – equity shareholders	**(13 136)**	(14 170)
Dividends paid – non-controlling interests	**(569)**	(502)
Repurchase of shares	**(510)**	(517)
Proceeds on sale of shares	**133**	84
Proceeds on subsidiary share issue[2]	**242**	–
Changes in subsidiary holdings[3]	**(273)**	–
Net cash flows utilised in financing activities	**(11 727)**	(20 564)
Net increase in cash and cash equivalents	**2 520**	1 500
Cash and cash equivalents at the beginning of the year	**16 658**	15 209
Effect of foreign exchange rate changes	**1 553**	(51)
Cash and cash equivalents at the end of the year	**20 731**	16 658

Notes:
1. Net movements in restricted cash deposits from M-Pesa customers previously reported as part of other investing activities are now being reported separately. The reclassification had no impact on any reported totals, HEPS or on any amounts presented in the statement of financial position.
2. Non-controlling interests' share of proportionate additional share capital contributions into 10T Holdings (Pty) Limited.
3. Cash consideration of R258 million for the acquisition of an additional 14% equity interest in two subsidiary entities, being IoT.nxt B.V and 10T Holdings (Pty) Limited, increasing the Group's effective shareholding in each of the subsidiary entities to 65%, and cash consideration paid for the buy-out of certain minorities subsequent to the acquisition of Vodafone Egypt of R15 million.