Vodacom Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1993/005461/06
(ISIN: ZAE000132577 Share Code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
(Vodacom)

Vodacom Group Limited Interim results
for the six months ended 30 September 2016

14 November 2016

Shameel Joosub
Vodacom Group CEO commented:

Our strategy of maintaining a network advantage and delivering value for money continues to reap rewards, despite a low growth economic environment in South Africa and short-term impacts from customer registration requirements within our International operations.

The Group delivered solid service revenue growth of 5.3%, led by a 2.3 million increase in active customers since March 2016, mostly in South Africa.

In South Africa data remains a key contributor to growth, driven by a high demand for data services. We are actively driving down the cost of data encouraging more customers to use bundles in order to maximise the value they receive for their money. We assist our customers to remain in-bundle and save money through notifications. This has resulted in greater momentum in bundle usage growth, with 9.3 million customers now buying more than 223 million data bundles. In addition, as a result of our efforts to make data more affordable, the effective price per megabyte has declined by 13% in the period or 61% over the past four years. Voice price per minute also declined by 14.3% or 52% over the past four years. These figures show that our pricing transformation strategy, adopted three years ago, is working to deliver improved value to all South Africans.

We believe that the great offers available through our personalised 'Just 4 You' platform has improved the value perceptions with customers and contributed to the strong 5.7% growth in active customers.

We are very pleased with Enterprise revenue growth of 8.9%1. We have won significant contracts from corporate customers and in the public sector. A major highlight includes securing the national and provincial government departments' mobile voice and data communications contract for a period of four years.

We have intensified our focus on customer service through our CARE initiative which, as a result of our investments, has further secured a significant lead in terms of Net Promoter Scores, which measures customer satisfaction over our next-best competitor. We are compensating our customers for calls which are dropped on our network to support our claim of being the "best network".

As expected, our International operations have been impacted by customer registration requirements. Nonetheless, we witnessed encouraging net additions to our active customer base in the second quarter while M-Pesa revenue achieved stellar growth of 36.8%. There are now 10.9 million customers using M-Pesa in our International operations. Our network advantage has provided us with flexibility when navigating our International operations through these short-term pressures and we remain squarely focussed on the long-term potential of our International businesses. Nonetheless, I would note the deterioration in the macroeconomic conditions both in the DRC and Mozambique which we are monitoring closely.

With prices coming down and data usage growing rapidly, networks require continuous significant capital investment to provide greater capacity and coverage. We invested R5.7 billion into our networks in the first half of the year. Over the last three years, across all our operations the total investment was a massive R37 billion.

1. Growth excluding the impact from the acquisition of Autopage in the prior year and X-Link.

Highlights

Group service revenue up 5.3% (4.5%*) and Group revenue up 4.1% (3.5%*)

South Africa service revenue increased 5.6%, aided by a strong growth of 1.5 million active customers in the period

International operations' service revenue grew 5.4% (2.3%*); impacted by customer registration processes

Group data revenue up 18.7%, supported by strong network investment

Group EBITDA grew 4.1% (5.6%*) to R15 278 million with margins flat at 38.1%

Group capital expenditure of R5 714 million, focused on improved 3G and 4G coverage

Headline earnings per share (HEPS) flat at 440 cents per share. Negatively impacted by a tax adjustment in Tanzania and foreign currency impacts. Excluding these and the prior year loss from associate, HEPS grew 3.5%

Interim dividend per share of 395 cents

	Six months ended 30 September		Year-on-year % change	
Rm	2016	2015	Reported	Normalised*
Revenue	40 151	38 552	4.1	3.5
Service revenue	33 968	32 244	5.3	4.5
EBITDA	15 278	14 681	4.1	5.6
EBIT	10 847	10 567	2.6	
Operating profit	10 717	10 169	5.4	
Capital expenditure	5 714	6 224	(8.2)	
Operating free cash flow	8 128	5 831	39.4	
Free cash flow	4 014	2 181	84.0	
Headline earnings per share (cents)	440	440	-	
Interim dividend per share declared (cents)	395	395	-	

Notes:
* Normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current period as base), (collectively 'foreign exchange').
Refer below for a reconciliation of adjustments.

All growth rates quoted are year-on-year growth rates unless otherwise stated.

Operating review

South Africa

Service revenue grew 5.6% to R25 463 million aided by strong customer net additions and increased data demand. Revenue grew 3.8% to R31 446 million, impacted by a 5.2% decrease in equipment revenue as a result of lower sales volumes as consumer spending remained under pressure and the pricing of devices was impacted by the weaker performance of the rand against foreign currency.

Active customers grew strongly, reaching 35.7 million, with 1.5 million net customer additions in the first half of the year. Our strategy of delivering the best network and offering value for money continues to both attract and retain customers. Active prepaid customers increased 1.4 million to 30.6 million, as we attracted value-seeking customers looking to optimise spend. The take up of our personalised 'Just 4 You' offers has led to an improvement in our value perception with customers. Prepaid voice bundle purchases increased 26.8% to 447 million bundles reducing the pace of voice revenue declines for the past four quarters. These personalised offers provide affordability for customers and resulted in a 15.4% reduction in the prepaid effective price per minute, as we make the cost of communication more affordable.

Customers continue to choose us for our superior network and the differentiated customer experience that we deliver through our customer CARE programme. We added 131 000 contract customers, reduced contract customer churn to 5.1% and increased contract ARPU by 5.4% to R408.

Data revenue grew 19.5% to R9 876 million and comprises 38.8% of service revenue up from 34.3% a year ago. This has been supported by active data customers increasing 4.1% to 18.2 million and increased data traffic which grew 38.4%. This growth was a result of increased bundles sold, greater data coverage and customers migrating to 3G and 4G devices. Our 'Just 4 You' offers on data propelled growth in data bundle sales by 47.1% to over 223 million bundles in the period. Our focus on improving the value offered to customers resulted in a 13.0% reduction in the price per megabyte, and a 61% decline over the last four years. 9.3 million of our data customer are now purchasing data bundles. Active 4G customers on the network increased 88.9% to 3.6 million with the average monthly data usage on smart devices increasing 14.4% to 629MB. This has resulted in an overall ARPU uplift of 23.7% as customers migrate from 3G to 4G and 17.9% as customers migrate from 2G to 3G.

Enterprise continues to deliver strong revenue growth, up 8.9%1 and now contributes 24.1% (2016: 22.7%) of service revenue. Growth was supported by new customer wins in mobile, with mobile customer revenue growing 9.2% to R3 846 million. We have secured South Africa's national and provincial government department's mobile voice and data communications contract for a period of four years. This award will enable us to partner with government to support greater innovation. Internet of things (IoT), connections increased 27.7% to 2.6 million. We continue with our strategic partnerships with IBM, SAP HANA and Microsoft 365 to build on our fixed-line, cloud and managed services businesses.

EBITDA growth was strong at 6.1% to R13 013 million supported by good revenue growth and a continued focus on cost efficiencies. The changes we made through our 'fit for growth' cost savings programme over the past two years have enabled us to achieve 0.9ppts EBITDA margin expansion to 41.4%. We benefitted from channel efficiencies, commission savings, improved stock management and received a one-off boost from bad debt recoveries. Other cost initiatives included self-providing more of our mobile backhaul transmission and renegotiation of key contracts with suppliers. These cost saving initiatives have assisted in offsetting higher network operating costs due to our accelerated capex programme and a trading forex loss of R77 million (2016: R71 million gain).

Capital expenditure of R4 056 million allowed us to substantially widen 3G and 4G data coverage, improve voice quality and increase data speeds. 3G coverage increased to 99.2% of the population and 4G coverage to 68.7%, up from 46.8% a year ago. We extended our high-speed transmission to 89.8% of our sites. We are making good progress on our fibre deployment by entering into strategic wholesale agreements to sell services through other network providers. We completed the development of our new customer management and billing systems to future proof our operations and have migrated approximately 70% of our consumer contract customers to this new platform.

Our customer CARE programme has enabled us to increase our lead to 16 points over our nearest competitor as measured through the Net Promoter Score. We have substantiated our best network promise with our dropped call compensation guarantee, giving customers free minutes for calls dropped on our network. We have further enhanced our MyVodacom App, enabling customers to purchase personalised 'Just 4 You' bundles in the app and have made our 24/7 call centre support available free of charge while roaming.

1. Growth excluding the impact from the acquisition of Autopage in the prior year and X-Link.

International

Service revenue increased 5.4% (2.3%*) to R8 725 million, impacted by customer registration requirements and exchange rate volatility. Despite the tough operating environment, the International operations benefitted from increased voice revenue of 5.0% as well as 15.5% growth in data revenue driven by personalised Just 4 You offers and continued network investment. Mobile data revenue now comprises 24.7% (2016: 22.5%) of International service revenue.

Active customers decreased 11.0% to 27.9 million as a result of disconnections during the second half of the prior year. New customer acquisitions were impacted by changes in customer registration processes. However the monthly customer acquisition trend has improved with net customer additions turning positive and recovering during the second quarter, resulting in net additions of 791 000 customers in the six month period.

Mobile data revenue grew 15.5% to R2 154 million supported by an increase of 14.0% in active data customers to 12.0 million and 38.4% in data traffic, reflecting strong demand for mobile data services in all our markets. We continue to focus on our commercial and network offering to drive data growth, ensuring customers have access to better low cost smart devices, such as Vodacom Kicka and Vodacom SmartTab, expanding 3G and 4G network coverage and driving the adoption of data bundles.

M-Pesa revenue continues to grow strongly at 36.8%, fuelled by continued success in Tanzania and boosted by strong uptake in Mozambique, DRC and Lesotho. DRC has more than doubled their number of customers, and in Mozambique 38.4% of customers are now using the service. We added 1.7 million customers, increasing the number of active customers to 10.9 million1, an increase of 19.3% from the prior year. We have implemented a new M-Pesa platform, both in Tanzania and the DRC, with enhanced technology which has significantly improved stability, resulting in increased trust with customers, a key attribute for success.

EBITDA declined 2.2% (up 1.0%*) to R2 351 million and the EBITDA margin contracted by 2.2ppts to 26.0%. The impact from slower revenue growth was limited by our vigorous focus on cost containment, mainly from network operation cost savings.

Capital expenditure of R1 619 million represents 17.9% of revenue. We continue to invest significantly in all our markets to strengthen network and service differentiation and to support data growth and wider voice coverage.

1. Number of unique customers who have generated revenue related to M-Pesa in the past 90 days, of these 8.5 million have been active in the past 30 days.

Regulatory matters

South Africa Integrated information and communication technology (ICT) Policy White Paper (White Paper)

The Ministry of Telecommunications and Postal Services published a White Paper, as approved by cabinet, on 2 October 2016. We support the objectives of the White Paper to make broadband more accessible and affordable for all. However, as it now stands, we do not believe the White Paper will achieve these objectives. The White Paper proposes a telecommunications ecosystem that is untested and unproven anywhere in the world. It would be a significant departure from what is currently in place in South Africa and the polar opposite to what the regulator, Independent Communications Authority of South Africa (ICASA), tabled in its Invitation To Apply for high demand spectrum issued on 15 July 2016.

The Group believes the White Paper as it currently stands, contains a number of policy elements and interventions which are unclear and require more detail. For the White Paper to have legal effect, a number of new laws would need to be promulgated and/or existing laws amended. Consultation with all stakeholders would be required to give affect to these changes.

A dedicated team is analysing the contents of the White Paper, with the aim to advise the company as to the potential impact on Vodacom, the industry and South Africa. We will participate, contribute and propose alternatives, informed by international best practice and norms, to achieve the outcomes the Government is seeking, where appropriate, and we look forward to continue dialogue as to how best to achieve these objectives.

Listing of Vodacom Tanzania

In June 2016, the Parliament of Tanzania passed The Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010, to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering (IPO) on the Dar es Salaam stock exchange (DSE) within six months from 1 July 2016 (listing requirements).

The Group has communicated its intention to list Vodacom Tanzania Limited on the DSE and proposed changes to the listing requirements to the Government and the Capital Markets and Securities Authority. The Group is currently preparing for the listing and further information on the proposed listing will be issued in due course.

We are also reviewing our current shareholding structure to ensure a successful listing.

Outlook

Our strategy of investing in network infrastructure, offering customers tailor-made value offers which represent improved value for money and continued improvements in customer service continues to result in strong operational performance. This has led to good customer growth, reduced churn and extended our lead in customer satisfaction scores over our nearest competitor.

The demand for data remains high. We continue to bring down barriers to entry by reducing handset costs and lowering the price per megabyte through bundle offers. Our investment in the network has ensured that high speed data now reaches 99.2% of the population in South Africa. The next step to this evolution in growing demand will be to gain access to spectrum to enable us to continue rolling out new technologies and services more efficiently in all our markets.

We are also making good progress in future areas of growth. In Enterprise, we have recently won significant contracts especially in the public sector, and won back corporate customers. We have concluded a number of wholesale agreements for Fibre to the premise, which will give access to a number of additional end points and assist in driving this business forward.

Our International operations are navigating through some short-term pressure specifically relating to competitive dynamics and the changes to processes relating to customer registration. While we believe that these pressures will persist in the short term, we noted some improvement during the second quarter, and are positive about future growth prospects in all our operations. Similarly, we note deteriorating macroeconomic conditions both in the DRC and Mozambique which we will be closely monitoring.

With the above in mind we maintain our targets of low to mid single digit Group service revenue growth, mid to high single-digit Group EBITDA growth and Group capital expenditure of 12-14% of Group revenue in the medium term. These targets are for an average, over the next three years and are on a normalised basis, excluding spectrum purchases and any merger and acquisition activity. This assumes broadly stable currencies in each of our markets and stable macro and regulatory environments.

Financial review

Summary financial information

	Six months ended 30 September		Year-on-year % change	
Rm	2016	2015	Reported	Normalised*
Service revenue	33 968	32 244	5.3	4.5
Revenue	40 151	38 552	4.1	3.5
EBITDA	15 278	14 681	4.1	5.6
EBIT	10 847	10 567	2.6	
Operating profit	10 717	10 169	5.4	
Net profit	6 275	6 446	(2.7)	
Operating free cash flow	8 128	5 831	39.4	
Free cash flow	4 014	2 181	84.0	
Capital expenditure	5 714	6 224	(8.2)	
Net debt	24 509	21 338	14.9	
Basic earnings per share (cents)	439	441	(0.5)	
Headline earnings per share (cents)	440	440	-	
Contribution margin (%)	62.6	60.6	2.0	
EBITDA margin (%)	38.1	38.1	-	
EBIT margin (%)	27.0	27.4	(0.4)	
Operating profit margin (%)	26.7	26.4	0.3	
Effective tax rate (%)	33.3	30.4	2.9	
Net profit margin (%)	15.6	16.7	(1.1)	
Net debt/EBITDA (times)	0.8	0.7	0.1	
Capital intensity (%)	14.2	16.1	(1.9)	

Service revenue

	Six months ended 30 September		% change
Rm	2016	2015	15/16
South Africa	25 463	24 110	5.6
International	8 725	8 279	5.4
Corporate and eliminations	(220)	(145)	(51.7)
Service revenue	33 968	32 244	5.3

Group service revenue increased 5.3% (4.5%*) to R33 968 million, underpinned by net active customer additions of 2.3 million and data revenue growth of 18.7%. Data revenue contributes 35.4% of Group service revenue compared to 31.4% a year ago. Revenue grew at a slower pace of 4.1% (3.5%*) to R40 151 million due to equipment revenue declining by 4.9%, mainly due to lower sales volumes.

In South Africa, service revenue increased 5.6% mainly due to the growth in mobile data revenue, active customer additions of 1.5 million and a lower voice revenue decline.
In the International operations, service revenue grew 5.4% (2.3%*) supported by increased voice and the continued take-up of data services as we returned to positive net additions in the quarter. Overall growth has been impacted by the slowdown of customer acquisitions as a result of customer registration requirements.

Total expenses1

	Six months ended 30 September		% change
Rm	2016	2015	15/16
South Africa	18 436	18 032	2.2
International	6 703	6 243	7.4
Corporate and eliminations	(258)	(285)	(9.5)
Group total expenses[1]	24 881	23 990	3.7

Group total expenses increased 3.7% to R24 881 million, below revenue growth of 4.1%, as our cost saving initiatives aided in offsetting higher costs from inflation, site growth and negative foreign currency impacts. These expenses include a net trading foreign exchange loss on the revaluation of foreign currency denominated trading items of R251 million (2015: R7 million loss).

In South Africa, total expenses increased 2.2%. Savings were achieved mainly in direct costs where we realised commissions savings and improved stock management and we benefitted from one-off bad debt recoveries of R68 million. Excluding the impact of trading foreign exchange, total expenses increased by 1.4%.

In the International operations, expenses were well contained to mitigate the impact of slower revenue growth. Total expenses increased by 7.4% (1.3%*). Savings were realised mainly from network and maintenance costs.

1. Excluding depreciation, amortisation, BEE charge/income and net loss from associate and joint venture.

EBITDA

	Six months ended 30 September		% change
Rm	2016	2015	15/16
South Africa	13 013	12 262	6.1
International	2 351	2 405	(2.2)
Corporate and eliminations	(86)	14	<(200.0)
Group EBITDA	15 278	14 681	4.1

Group EBITDA increased 4.1% (5.6%*) with the Group EBITDA margin flat at 38.1%. Growth was negatively impacted by a R251 million foreign exchange loss (2015: R7 million loss). South Africa EBITDA grew strongly by 6.1% (7.4%*) with a margin improvement of 0.9 ppts to 41.4%. In our International operations, EBITDA declined 2.2% (increased 1.0%*) with the EBITDA margin contracting 2.2ppts to 26.0% (27.8%*).

Operating profit

	Six months ended 30 September		% change
Rm	2016	2015	15/16
South Africa	9 971	9 500	5.0
International	833	648	28.5
Corporate and eliminations	(87)	21	<(200.0)
Group operating profit	10 717	10 169	5.4

Group operating profit increased 5.4% to R10 717 million mainly from EBITDA growth and a loss of R177 million from associates recognised in the prior year. Depreciation and amortisation of R4 523 million was up 8.3% as we accelerated our capex investment over the past two years.

In South Africa, operating profit increased 5.0% to R9 971 million due to strong EBITDA growth partly offset by a 10.6% increase in depreciation and amortisation. International operations' operating profit increased 28.5% to R833 million despite a decline in EBITDA, aided by the loss of R177 million in the prior year recognised by our associate investment in Helios Towers Tanzania (HTT) and depreciation and amortisation growth slowing to 3.5%.

Net finance charges

	Six months ended 30 September		% change
Rm	2016	2015	15/16
Finance income	388	348	11.5
Finance costs	(1 335)	(1 051)	27.0
Net loss on remeasurement and disposal of financial instruments	(356)	(206)	72.8
Net finance charges	(1 303)	(909)	43.3

Net finance charges increased 43.3% to R1 303 million. The average cost of debt increased to 8.3% from 7.2% mainly due to an average 1.1ppt increase in JIBAR. The average debt increased 14.4% as the Group drew R4 billion on a facility from Vodafone Investments Luxembourg s.a.r.l., to finance primarily capital expenditure. The R356 million loss on the remeasurement of financial instruments mainly relates to the USD denominated intergroup loan held by Vodacom Mozambique partially offset by gains on the revaluation of foreign denominated cash balances.

Taxation

The tax expense of R3 139 million is 11.5% higher than the prior year (2015: R2 814 million). This increase is primarily due to a Tanzanian deferred tax adjustment relating to the disposal of network assets to HTT. The Group's effective tax rate increased to 33.3% from 30.4%. The Tanzanian adjustment contributed 3.8ppts of the increase. This increase is slightly offset by the recognition of a deferred tax asset for tax losses brought forward of 0.7ppts. The 0.2ppt remainder is contributed by a decrease in non-deductible expenses.

Earnings

Basic earnings per share decreased 0.5% to 439 cents while headline earnings per share remained flat at 440 cents per share for the period. The overall strong operational performance for the six months was negatively impacted by a one-off adjustment in taxation for Tanzania (14cps) as well as the impact from weaker local market foreign currency. The impact of weaker foreign currency rates was most notable in the remeasurement of the intergroup loan to Mozambique (12cps) where the average USD/MZM rate has devalued 64.8% compared to the prior year. These effects were offset by the loss from associate in relation to HTT recognised in the prior year. Excluding these items, HEPS for the period grew by 3.5%.

Capital expenditure

Rm	Six months ended 30 September 2016	2015	% change 15/16
South Africa	4 056	4 049	0.2
International	1 619	2 175	(25.6)
Corporate and eliminations	39	-	n/a
Group capital expenditure	5 714	6 224	(8.2)
Group capital intensity1 (%)	14.2	16.1	

The Group's capital expenditure decreased by 8.2% to R5 714 million as we exit our period of capex acceleration, representing 14.2% of revenue. In South Africa, capital expenditure was directed at accelerating our 3G capacity and extending 4G coverage to 68.7%. We increased the number of self-provided sites for high-speed transmission to 89.8%. In our International operations, the focus remained on increasing both coverage and capacity thereby adding 775 3G sites, 284 4G sites and 304 2G sites since March 2016.
1. Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment decreased 0.8% to R39 417 million and intangible assets decreased by 4.5% to R9 088 million compared to 31 March 2016. The combined decrease is as a result of net additions of R5 701 million and assets acquired through business combinations of R272 million, offset by depreciation and amortisation of R4 523 million and foreign exchange losses of R2 224 million.

Net debt increased R3 222 million to R24 509 million. The increase in non-current borrowings supports investment in our networks and information technology infrastructure.
Net debt

Rm	As at 30 September 2016	As at 31 March 2016	Movement Mar/Sep	As at 30 September 2015
Bank and cash balances	8 443	7 934	509	6 952
Bank overdrafts	(90)	(183)	93	(427)
Current borrowings	(2 196)	(2 284)	88	(4 516)
Non-current borrowings	(30 592)	(26 658)	(3 934)	(23 499)
Other financial instruments	(74)	(96)	22	152
Net debt1	(24 509)	(21 287)	(3 222)	(21 338)
Net debt1/EBITDA (times)	0.8	0.7		0.7

Cash flow
Free cash flow

Rm	Six months ended 30 September 2016	2015	% change 15/16
Cash generated from operations	13 938	11 439	21.8
Cash capital expenditure2	(5 810)	(5 608)	3.6
Operating free cash flow	8 128	5 831	39.4
Tax paid	(3 111)	(2 820)	10.3
Net finance costs paid	(958)	(785)	22.0
Net dividends paid	(45)	(45)	-
Free cash flow	4 014	2 181	84.0

Operating free cash flow increased 39.4% to R8 128 million. Operating free cash flow was positively impacted by higher cash generated from operations in both South Africa and the International operations, while cash capital expenditure increased by 3.6% year-on-year. Growth benefited from temporary timing differences on delayed payment of foreign creditors in the DRC and Mozambique due to shortages in foreign currency. The growth in operating free cash flow translated into free cash flow growth of 84.0%.

1. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.
2. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments, net of cash from disposals. Purchases of customer bases are excluded from cash capital expenditure.

Declaration of interim dividend number 15 - payable from income reserves

Notice is hereby given that a gross interim dividend number 15 of 395 cents per ordinary share in respect of the six months ended 30 September 2016 has been declared payable on Monday 5 December 2016 to shareholders recorded in the register at the close of business on Friday 2 December 2016. The number of ordinary shares in issue at the date of this declaration is 1 487 954 000. The dividend will be subject to a local dividend withholding tax rate of 15% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 335.75000 cents per ordinary share.

Last day to trade shares cum dividend	Tuesday 29 November 2016
Shares commence trading ex-dividend	Wednesday 30 November 2016
Record date	Friday 2 December 2016
Payment date	Monday 5 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday 30 November 2016 and Friday 2 December 2016, both days inclusive.

On Monday 5 December 2016, the interim dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 5 December 2016.

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

Dividend policy

The interim dividend of 395 cents per share declared above reflects an interim payment of 90% of reported HEPS in line with policy.

The Board maintains its dividend policy to pay at least 90% of headline earnings, after consideration of the factors below.

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

For and on behalf of the Board

Peter Moyo	Shameel Aziz Joosub	Till Streichert
Chairman	Chief Executive Officer	Chief Financial Officer

Midrand
11 November 2016

Condensed consolidated income statement for the six months ended 30 September

		Six months ended 30 September		Year ended 31 March
Rm	Notes	2016 Reviewed	2015 Restated1	2016 Audited
Revenue	3, 10	40 151	38 552	80 077
Direct expenses	10	(15 022)	(15 182)	(31 594)
Staff expenses		(2 764)	(2 575)	(5 557)
Publicity expenses		(967)	(963)	(1 986)
Other operating expenses		(6 128)	(5 270)	(10 844)
Black economic empowerment charge		(30)	(39)	(55)
Depreciation and amortisation		(4 523)	(4 177)	(8 735)
Impairment losses		-	-	(14)
Loss from associate and joint venture		-	(177)	(233)
Operating profit		10 717	10 169	21 059
Finance income		388	348	716
Finance costs		(1 335)	(1 051)	(2 196)
Net loss on remeasurement and disposal of financial instruments		(356)	(206)	(735)
Profit before tax		9 414	9 260	18 844
Taxation		(3 139)	(2 814)	(5 934)
Net profit		6 275	6 446	12 910
Attributable to:				
Equity shareholders		6 442	6 464	12 917
Non-controlling interests		(167)	(18)	(7)
		6 275	6 446	12 910

		Six months ended 30 September		Year ended 31 March
Cents	Notes	2016 Reviewed	2015 Reviewed	2016 Audited
Basic earnings per share	4	439	441	881
Diluted earnings per share	4	427	430	857

1. Refer to Note 10.

Condensed consolidated statement of comprehensive income for the six months ended 30 September

	Six months ended 30 September		Year ended 31 March
Rm	2016 Reviewed	2015 Reviewed	2016 Audited
Net profit	6 275	6 446	12 910
Other comprehensive income1	(1 619)	330	264
Foreign currency translation differences, net of tax	(1 619)	314	260
Gain on hedging instruments in cash flow hedges, net of tax	-	16	4
Total comprehensive income	4 656	6 776	13 174
Attributable to:			
Equity shareholders	4 767	7 184	13 779
Non-controlling interests	(111)	(408)	(605)
	4 656	6 776	13 174

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations and/or when the hedged item is recognised in profit or loss.

Condensed consolidated statement of financial position as at 30 September

Rm	Notes	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
Assets				
Non-current assets		51 080	48 558	51 085
Property, plant and equipment		39 417	38 005	39 744
Intangible assets		9 088	7 877	9 517
Financial assets		724	678	280
Investment in associate		-	110	-
Investment in joint venture		5	4	4
Trade and other receivables		747	895	754
Finance receivables		888	971	761
Deferred tax		211	18	25
Current assets		29 579	26 660	27 618
Financial assets		2 979	2 446	2 641
Inventory		1 146	1 083	1 675
Trade and other receivables		14 546	14 096	13 275
Non-current assets held for sale		585	312	589
Finance receivables		1 603	1 571	1 390
Tax receivable		277	200	114
Cash and cash equivalents		8 443	6 952	7 934
Total assets		80 659	75 218	78 703
Equity and liabilities				
Fully paid share capital		*	*	*
Treasury shares		(1 719)	(1 658)	(1 658)
Retained earnings		25 216	23 975	24 635
Other reserves		(574)	1 009	1 181
Equity attributable to owners of the parent		22 923	23 326	24 158
Non-controlling interests		(978)	(887)	(1 134)
Total equity		21 945	22 439	23 024
Non-current liabilities		34 120	26 319	29 909
Borrowings	8	30 592	23 499	26 658
Trade and other payables		743	765	815
Provisions		166	179	164
Deferred tax		2 619	1 876	2 272
Current liabilities		24 594	26 460	25 770
Borrowings	8	2 196	4 516	2 284
Trade and other payables		22 066	21 296	22 845
Provisions		103	69	92
Tax payable		118	130	344
Dividends payable		21	22	22
Bank overdrafts		90	427	183
Total equity and liabilities		80 659	75 218	78 703

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity for the six months ended 30 September

Rm	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 April 2016	24 158	(1 134)	23 024
Total comprehensive income	4 767	(111)	4 656
Dividends	(5 862)	(45)	(5 907)
Repurchase, vesting and sale of shares	(162)	-	(162)
Share-based payments	46	-	46
Changes in subsidiary holdings	(24)	312	288
30 September 2016 - Reviewed	22 923	(978)	21 945
1 April 2015	22 062	(419)	21 643
Total comprehensive income	7 184	(408)	6 776
Dividends	(5 867)	(45)	(5 912)
Repurchase, vesting and sale of shares	(160)	-	(160)
Share-based payments	89	-	89
Changes in subsidiary holdings	18	(15)	3
30 September 2015 - Reviewed	23 326	(887)	22 439
1 April 2015	22 062	(419)	21 643
Total comprehensive income	13 779	(605)	13 174
Dividends	(11 660)	(78)	(11 738)
Repurchase, vesting and sale of shares	(167)	-	(167)
Share-based payments	192	-	192
Changes in subsidiary holdings	(48)	(32)	(80)
31 March 2016 - Audited	24 158	(1 134)	23 024

Condensed consolidated statement of cash flows for the six months ended 30 September

	Six months ended 30 September		Year ended 31 March
Rm	2016 Reviewed	2015 Reviewed	2016 Audited
Cash flows from operating activities			
Cash generated from operations	13 938	11 439	29 800
Tax paid	(3 111)	(2 820)	(5 456)
Net cash flows from operating activities	10 827	8 619	24 344
Cash flows from investing activities			
Net additions to property, plant and equipment and intangible assets	(5 822)	(5 659)	(13 229)
Business combinations	(285)	-	(573)
Other investing activities	(684)	184	122
Net cash flows utilised in investing activities	(6 791)	(5 475)	(13 680)
Cash flows from financing activities			
Movement in borrowings, including finance costs paid	2 648	686	388
Dividends paid	(5 907)	(5 911)	(11 736)
Repurchase and sale of shares	(162)	(163)	(167)
Changes in subsidiary holdings	291	(72)	(129)
Net cash flows utilised in financing activities	(3 130)	(5 460)	(11 644)
Net increase/(decrease) in cash and cash equivalents	906	(2 316)	(980)
Cash and cash equivalents at the beginning of the year	7 751	8 870	8 870
Effect of foreign exchange rate changes	(304)	(29)	(139)
Cash and cash equivalents at the end of the period/year	8 353	6 525	7 751

Notes to the preliminary condensed consolidated financial statements for the six months ended 30 September

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited (JSE) Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the parent Company's functional and presentation currency.

The significant accounting policies, judgements, estimates and methods of computation are consistent in all material respects with those applied in the consolidated annual financial statements for the year ended 31 March 2016, except as disclosed in Note 2. The significant accounting policies are available for inspection at the Group's registered office.

The preparation of these condensed consolidated interim financial statements was supervised by the Chief Financial Officer, Dr phil. T Streichert.

These condensed consolidated interim financial statements have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Group's registered office, together with the financial statements identified in the auditor's report.

2. Changes in accounting policies and estimates

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2016, none of which had any material impact on the Group's financial results for the year.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2017, which will be available online.

Rm	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Restated1	Year ended 31 March 2016 Audited
3. Segment analysis			
External customer segment revenue	40 151	38 552	80 077
South Africa	31 306	30 116	61 959
International	8 845	8 436	18 118
Inter-segment revenue	-	-	-
South Africa	(143)	(176)	(319)
International	(205)	(94)	(239)
Corporate and eliminations	348	270	558
EBITDA	15 278	14 681	30 345
South Africa	13 013	12 262	25 016
International	2 351	2 405	5 385
Corporate and eliminations	(86)	14	(56)

1. Refer to Note 10.

Rm	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
Reconciliation of segment results			
EBITDA	15 278	14 681	30 345
Depreciation, amortisation and impairment losses	(4 523)	(4 177)	(8 749)
Black economic empowerment charge	(30)	(39)	(55)
Loss from associate and joint venture	-	(177)	(233)
Other	(8)	(119)	(249)
Operating profit1	10 717	10 169	21 059
Total assets	80 659	75 218	78 703
South Africa	55 029	49 461	48 430
International	24 263	23 734	25 014
Corporate and eliminations	1 367	2 023	5 259
Total liabilities	(58 714)	(52 779)	(55 679)
South Africa	(48 272)	(42 837)	(40 664)
International	(17 567)	(16 073)	(16 852)
Corporate and eliminations	7 125	6 131	1 837

1. For a reconciliation of operating profit and net profit for the year, refer to the Condensed consolidated income statement above.

Cents	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
4. Per share calculations			
4.1 Earnings and dividends per share			
Basic earnings per share	439	441	881
Diluted earnings per share	427	430	857
Headline earnings per share	440	440	883
Diluted headline earnings per share	427	430	860
Dividends per share1	400	400	795

1. Includes dividend of 400 cents per share declared on 13 May 2016 (30 September 2015: 400 cents per share declared on 14 May 2015). The 31 March 2016 dividend per share includes dividends of 400 cents per share and 395 cents per share, declared on 14 May 2015 and 6 November 2015, respectively. The Group declared an interim dividend in respect of the year ending 31 March 2017 after the reporting period (Note 13).

Million	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:			
Basic and headline earnings per share	1 467	1 467	1 467
Diluted earnings and diluted headline earnings per share	1 468	1 468	1 469
4.3 Ordinary shares for the purpose of calculating:			
Dividends per share	1 488	1 488	1 488

Vodacom Group Limited acquired 1 386 131 shares in the market during the period at an average price of R166.57 per share. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital. Dividend per share calculations are based on a dividend declared of R5 952 million (30 September 2015: R5 952 million; 31 March 2016: R11 829 million) of which R25 million (30 September 2015: R21 million; 31 March 2016: R41 million) was offset against the forfeitable share plan reserve, R3 million (30 September 2015: R3 million; 31 March 2016: R5 million) expensed as staff expenses and R62 million (30 September 2015: R61 million; 31 March 2016: R123 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Rm	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
4.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic and diluted earnings per share	6 442	6 464	12 917
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets	7	2	50
Impairment losses	-	-	14
	6 449	6 466	12 981
Tax impact of adjustments	-	(4)	(18)
Non-controlling interests' share in adjustments	(3)	(2)	(6)
Headline earnings for headline earnings per share1	6 446	6 460	12 957
Dilutive effect of potential ordinary shares in subsidiary	(173)	(146)	(333)
Headline earnings for diluted headline earnings per share	6 273	6 314	12 624

1. This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 2/2015 as issued by SAICA.

5. Related parties

The amounts disclosed in Notes 5.1 and 5.2 include significant balances and transactions with the Group's joint venture, associate and parent, including entities in its group.

Rm	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
5.1 Balances with related parties			
Borrowings	28 330	24 244	24 256
5.2 Transactions with related parties			
Dividends declared	(3 869)	(3 869)	(7 689)
Finance costs	(1 105)	(819)	(1 765)

Full details of balances and transactions with related parties will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2017, which will be available online.

5.3 Directors' and key management personnel remuneration

Compensation paid to the Group's Board, prescribed officers and key management personnel will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2017, which will be available online. There have been no new appointments or resignations of directors for the period ending 30 September 2016.

Rm	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
6. Capital commitments			
Capital expenditure contracted for but not yet incurred	6 602	4 671	3 987
7. Capital expenditure incurred			
Capital expenditure additions including software	5 714	6 224	12 875

8. Borrowings and facilities

During the current period the Group drew on a facility from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R4 000 million, which will be used primarily for capital expenditure. The loan bears interest payable quarterly at three-month JIBAR plus 1.57%, is unsecured and repayable on 29 July 2021.

9. Business combinations

9.1 Shared Networks Tanzania Limited (Shared Networks)

During the current period, the Group acquired 100% of the issued share capital of Shared Networks from its shareholders for a consideration of US$15 million, less a working capital adjustment of US$4 million. The fair value of the net identifiable assets acquired amounted to US$11 million. The goodwill represents future synergies, and is allocated to the Group's Tanzania cash-generating unit.

10. Prior period restatement

The Group historically recognised equipment revenue from finance deals on a gross basis with the corresponding cost in direct expenses. This accounting treatment was revisited in the prior financial year, and as a result, the Group has restated its comparative consolidated income statement, leading to a decrease in equipment revenue and a corresponding decrease in direct expenses. The restatement has no impact on earnings or earnings per share. The amount of the correction was as follows:

Rm	Six months ended 30 September 2015
Revenue	(1 404)
Direct expenses	1 404

11. Contingent liabilities

11.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R119 million (30 September 2015: R116 million; 31 March 2016: R113 million).

Foreign denominated guarantees amounting to R1 030 million (30 September 2015: R1 040 million; 31 March 2016: R1 102 million) are in issue in support of Vodacom Congo (RDC) SA.

11.2 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

11.3 Legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that adequate provision has been made in respect of these legal proceedings as at 30 September 2016.

11.4 Kenneth Makate (Mr Makate) vs Vodacom (Pty) Limited (the Company)

The Constitutional Court, inter alia, directed the Company to commence negotiations with Mr Makate in order to determine a reasonable compensation payable to him for a business idea that led to a product known as 'Please Call Me'. Negotiations have commenced and are ongoing.

12. Other matters

12.1 Competition Commission complaint lodged by Cell C (Pty) Limited

Investigations on this complaint are ongoing and the Group has complied with information requests in this regard.

12.2 G.H. Investments (GHI) and Vodacom Congo (RDC) SA (Vodacom Congo)

Vodacom Congo contracted with GHI to install ultra-low cost base stations on a revenue share basis. After rolling out three sites, GHI stopped and sought to renegotiate the terms. Vodacom Congo refused. GHI accused it of bad faith and infringement of its intellectual property rights. In April 2015, GHI issued a letter of demand claiming payment for a sum of US$1.16 billion, even though there does not seem to be a proper basis nor any substantiation for the compensation claimed. A follow-up mediation meeting was scheduled for December 2015 but was postponed without a fixed date. In July 2016, Vodacom Congo filed a request for arbitration with the International Chamber of Commerce's International Court of Arbitration.

12.3 Vodacom Congo (RDC) SA

Vodacom Congo is facing a patent infringement claim filed in July 2016. The plaintiff is asking the Commercial Court of Kinshasa/Gombe inter alia to prohibit Vodacom Congo from providing the M-Pesa service and to order Vodacom Congo to pay damages of US$200 million for losses resulting from the alleged patent infringement.

Two hearings have been held, and this matter has been postponed to 22 November 2016.

12.4 Customer registration

In each country where the Group is subject to customer registration requirements, the industry is engaging with authorities to improve the customer registration process. The Group continues to register customers and actively manage its risk, while progressing on action plans in each country to achieve full compliance. An accelerated action plan is currently underway in Mozambique where an order was recently received to disconnect unregistered customers by 30 November 2016. The impact of this order is not expected to be significant. The Group also continues to participate in government and industry meetings which oversee the implementation of the registration processes.

12.5 Radio frequency spectrum licences

On 15 July 2016, the Independent Communications Authority of South Africa (ICASA) gazetted an Invitation to Apply (ITA) for spectrum licences to provide mobile broadband services in the 700MHz, 800MHz and 2600MHz bands. The Ministry of Telecommunications and Postal Services (the ministry) launched a High Court application to have the implementation of the ITA interdicted, and on 30 September 2016 the Pretoria High Court granted the interdict which prevents ICASA from implementing the spectrum licencing process contemplated in the ITA, pending an outcome of the review.

12.6 Integrated information and communication technology (ICT) Policy White Paper (White Paper)

The ministry published a White Paper, as approved by Cabinet, on 2 October 2016. The ministry intends to effect amendments to various acts, including the Electronic Communications Act (ECA), Broadcasting Act, ICASA Act, Electronic Communications and Transactions Act, and other affected legalisation to bring it in line with the White Paper. For the White Paper to have legal effect, a number of new laws would need to be promulgated and/or existing laws amended. Consultation with all stakeholders would be required to give effect to these changes.

12.7 Broad Based Black Economic Empowerment

The revised draft ICT Sector Code published by the Department of Trade and Industry was gazetted as the final amended ICT Sector Code on 7 November 2016. The Group is in the process of analysing the changes in order to assess the impact.

12.8 Vodacom Tanzania Limited Listing Requirement

In June 2016, the Parliament of Tanzania passed The Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010, to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering and listing on the Dar es Salaam stock exchange (DSE) within six months from 1 July 2016 (listing requirements).

The Group has communicated its intention to list Vodacom Tanzania Limited on the DSE, and proposed changes to be made to the listing requirements to the Government and the Capital Markets and Securities Authority.

The Group is currently preparing for the listing and further information on the proposed listing will be issued in due course.

13. Events after the reporting period

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

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

An interim dividend of R5 877 million (395 cents per ordinary share) for the year ending 31 March 2017, was declared on 11 November 2016, payable on 5 December 2016 to shareholders recorded in the register at the close of business on 2 December 2016. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 335.75000 cents per share.

14. Fair value hierarchy

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

Rm	Six months ended 30 September 2016 Reviewed	Six months ended 30 September 2015 Reviewed	Year ended 31 March 2016 Audited
Level one1			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Unit trust investments	205	168	187
Level two2			
Derivatives designated as fair value hedging instruments			
Derivative financial assets	24	249	73
Derivative financial liabilities	(98)	(98)	(169)
Level three3			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Equity linked notes	-	173	173
	131	492	264

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting date.

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

Reconciliation of normalised growth for the six months ended

30 September 2016 %	Reported1 % change	Foreign exchange Trading FX2 ppts	Translation FX3 ppts	Normalised* % change
Revenue				
Group	4.1	-	(0.6)	3.5
International	6.1	-	(3.1)	3.0
Service revenue				
Group	5.3	-	(0.8)	4.5
International	5.4	-	(3.1)	2.3
Total expenses				
International	7.4	(1.4)	(4.7)	1.3
South Africa	2.2	(0.8)	-	1.4
EBITDA				
Group	4.1	1.6	(0.1)	5.6
International	(2.2)	3.7	(0.5)	1.0
South Africa	6.1	1.3	-	7.4

Reconciliation of normalised growth for the six months ended

30 September 2016 Rm	Reported	Trading FX2	Normalised*
Revenue			
Group	40 151	-	40 151
International	9 049	-	9 049
South Africa	31 446	-	31 446
Service revenue			
Group	33 968	-	33 968
International	8 725	-	8 725
South Africa	25 463	-	25 463
Total expenses			
International	6 703	(169)	6 534
South Africa	18 436	(77)	18 359
EBITDA			
Group	15 278	251	15 529
International	2 351	169	2 520
South Africa	13 013	77	13 090

Reconciliation of normalised growth for the six months ended

30 September 2015 Rm	Reported	Foreign exchange Trading FX2	Translation FX3	Normalised*
Revenue				
Group	38 552	-	257	38 809
International	8 530	-	257	8 787
Service revenue				
Group	32 244	-	247	32 491
International	8 279	-	247	8 526
Total expenses				
International	6 243	(77)	284	6 450
South Africa	18 032	71	-	18 103
EBITDA				
Group	14 681	7	12	14 700
International	2 405	77	12	2 494
South Africa	12 262	(71)	-	12 191

Reconciliation of normalised growth for the quarter ended

30 September 2016 %	Reported4 % change	Translation FX5 ppts	Normalised* % change
Revenue			
Group	2.6	0.9	3.5
International	(0.1)	3.9	3.8
Service revenue			
Group	3.5	1.0	4.5
International	(2.0)	3.8	1.8

Reconciliation of normalised growth for the quarter ended

30 September 2016 Rm	Reported	Translation FX5	Normalised*
Revenue			
Group	20 249	-	20 249
International	4 429	-	4 429
Service revenue			
Group	17 162	-	17 162
International	4 246	-	4 246

Reconciliation of normalised growth for the quarter ended

30 September 2015 Rm	Reported	Translation FX5	Normalised*
Revenue			
Group	19 746	(167)	19 579
International	4 435	(167)	4 268
Service revenue			
Group	16 584	(161)	16 423
International	4 334	(161)	4 173

The reconciliation presents normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current period as base) from on-going operations. The presentation of the pro-forma constant currency information from on-going operations is the responsibility of the directors of Vodacom Group Limited. The purpose of presenting this information is to assist the user in understanding the underlying growth trends in these segments. It has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. This pro-forma information has not been reviewed and reported on by the Group auditors, being PricewaterhouseCoopers Inc.

Notes:

1. The reported percentage change relates to the year-on-year percentage growth from 30 September 2015 to 30 September 2016. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha.
2. Trading foreign exchange (FX) are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group.
3. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the year ended 30 September 2016 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) to 30 September 2015 numbers, thereby giving a user a view of the performance which excludes exchange variances.
4. The reported percentage change relates to the quarter to date year-on-year percentage growth. The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha.
5. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the average rate for the quarter to date average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) numbers, thereby giving a user a view of the performance which excludes exchange variances.

Corporate information

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. This announcement contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer above for details relating to service revenue, EBITDA and headline earnings per share.

Trademarks

Forward-looking statements

This announcement which sets out the interim results for Vodacom Group Limited for the six months ended 30 September 2016 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's businesses by governments in the countries in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'will', 'anticipates', 'aims', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans' or 'targets'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future.

Directors
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1. German 2. American 3. British 4. Dutch 5. Turkish

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SF Linford

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